

CONTACT INFORMATION OF
ALL OTHER PARTIES

McMillan LLP
1700, 421 – 7 Avenue SW
Calgary, Alberta T2P 4K9
Phone: (403) 215-2752
Fax: (403) 531-4720
Attention: Adam Maerov

AFFIDAVIT OF JOY MUTUKU
Sworn on December 28, 2020

I, JOY MUTUKU, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am a Legal Assistant with the law firm of MLT Aikins LLP, counsel for the Applicant, Athabasca Workforce Solutions Inc. Accordingly, I have personal knowledge of the facts and matters disposed to herein, unless those facts and matters are stated to be based upon my information and belief, and, in which case, I believe those facts and matters to be true.

Orders

2. Attached hereto and marked as **Exhibit “1”** is a copy of the Interim Financing Order granted by Justice Nixon on December 17, 2020.
3. Attached hereto and marked as **Exhibit “2”** is a copy of the Sale Approval and Vesting Order granted by Justice Nixon on December 17, 2020.

Correspondence

4. Attached hereto and marked as **Exhibit “3”** is a copy of the Service Letter sent on December 4, 2020 from counsel for Greenfire Hangingstone Operation Corporation and Greenfire Oil & Gas Ltd. (“**Greenfire**”).
5. Attached hereto and marked as **Exhibit “4”** is a copy of the correspondence sent from MLT Aikins LLP to Justice Nixon on December 14, 2020.

Application

6. Attached hereto and marked as **Exhibit "5"** is a copy of the Application of Greenfire, dated December 2, 2020.

Affidavits of Todd Pruden

7. Attached hereto and marked as **Exhibit "6"** is a copy of the First Affidavit of Todd Pruden, sworn on December 14, 2020.
8. Attached hereto and marked as **Exhibit "7"** is a copy of the Second Affidavit of Todd Pruden, sworn on December 17, 2020.

Affidavits of Robert Logan

9. Attached hereto and marked as **Exhibit "8"** is a copy of the First Affidavit of Robert Logan sworn on October 9, 2020.
10. Attached hereto and marked as **Exhibit "9"** is a copy of the Second Affidavit of Robert Logan sworn on November 2, 2020.
11. Attached hereto and marked as **Exhibit "10"** is a copy of the Sixth Affidavit of Robert Logan sworn on December 2, 2020.
12. Attached hereto and marked as **Exhibit "11"** is a copy of the Seventh Affidavit of Robert Logan, sworn on December 11, 2020.

Affidavits of Meer Taher Shabani-Rad

13. Attached hereto and marked as **Exhibit "12"** is a copy of the Second Affidavit of Meer Taher Shabani-Rad, sworn and filed on December 9, 2020.
14. Attached hereto and marked as **Exhibit "13"** is a copy of the Third Affidavit of Meer Taher Shabani-Rad, sworn and filed on December 14, 2020.
15. Attached hereto and marked as **Exhibit "14"** is a copy of Fourth Affidavit of Meer Taher Shabani-Rad, sworn on December 17, 2020.

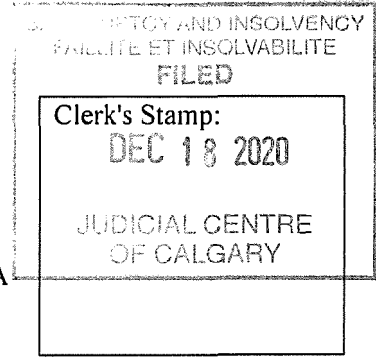
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THIS IS **EXHIBIT "1"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR



ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS. LTD.

DOCUMENT **Order (Approval of Interim Financing and Interim Financing Charge,
Sealing)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

DATE ON WHICH ORDER WAS PRONOUNCED: DECEMBER 17, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: CALGARY

JUSTICE WHO MADE THIS ORDER: D.B. NIXON

UPON THE APPLICATION of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire
Hangingstone Operating Corporation ("**GHOPCO**" and collectively "**Greenfire**" or the "**Applicants**");
AND UPON reading the Order AND UPON reading the Affidavits of Robert B. Logan sworn October 9,
2020, November 2, 2020 December 2, 2020 ("**Logan Affidavit No.6**") and December 11, 2020 and the

Confidential Supplement to Logan Affidavit No.6 (the "**Confidential Supplement**"); AND UPON reading the Fifth Report of Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Greenfire (the "**Proposal Trustee**") dated December 11, 2020; AND UPON hearing submissions by counsel for Greenfire and any other counsel or other interested parties present,

IT IS HEREBY ORDERED THAT:

SERVICE

1. The time for service of the notice of application for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no one other than those persons served is entitled to service of the notice of application.

INTERPREATION

2. Capitalized terms not otherwise defined this Order shall have the meaning set forth the Administration Charge Order.

INTERIM FINANCING

3. The terms of the interim financing facility, substantially in the form as set out in the term sheet attached as **Exhibit "A"** to Logan Affidavit No.6 (the "**Interim Financing Facility**") are hereby approved.
4. Greenfire is hereby authorized to borrow up to \$20,000,000 from Trafigura Canada General Partnership (the "**Interim Lender**") by way of the Interim Financing Facility to be advanced to Greenfire by the Interim Lender.
5. All of Greenfire's present and after-acquired assets, property and undertakings (the "**Property**") shall be, and hereby is, subject to a charge in the amount of \$20,000,000 (the "**Interim Lender Charge**"), in order to secure repayment to the Interim Lender of amounts advanced under the Interim Financing Facility, which Interim Lender Charge shall be subordinate in priority only to the Administration Charge (as set forth in the Administration Charge Order).
6. For clarity, the respective ranking of the charges on the Property and the security interests in the Property shall be as follows:

- (a) first, the Administration Charge granted pursuant to, and as defined in, the Order of Justice D.R. Mah on October 16, 2020; and
 - (b) second, the Interim Lender Charge, (together, the "**Charges**").
7. The filing, registration or perfection of the Charges shall not be required, and the Charges shall be 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.
8. The Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise in favour of any person (collectively, the "**Encumbrances**").
9. Except as otherwise provided herein, or as may be approved by this Honourable Court, Greenfire shall not grant any Encumbrances over the Property that rank in priority to, or *pari passu* with, any of the Charges, unless Greenfire obtains the prior written consent of the beneficiaries of the Charges (the "**Chargees**") or further order of this Court.
10. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder 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 the 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 Greenfire, and notwithstanding any provision to the contrary in any Agreement:

- (i) neither the creation of the 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 Greenfire 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 Charges, or the execution, delivery or performance of the Interim Financing Facility; and
- (iii) the payments made by Greenfire pursuant to this Order and the granting of the 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.

Authorization to enter into Marketing Agreement

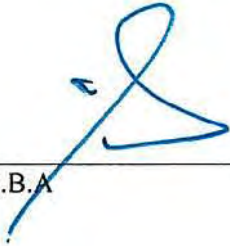
- 11. Greenfire is hereby authorized to enter into the marketing agreement contemplated by the Interim Financing Facility with the Interim Lender for the purpose of marketing and selling its production, and to take all steps necessary and incidental to completing and fulfilling its obligations under the marketing agreement, as it may determine in its discretion, on terms acceptable to Greenfire and the Interim Lender.

Sealing

- 12. Notwithstanding the procedural requirements of Rule 6.28 and Division 4, Part 6 of the Alberta Rules of Court, the Confidential Supplement shall be sealed on the Court file and shall not form part of the public record.
- 13. The Clerk of this Honourable Court shall file the Confidential Supplement in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

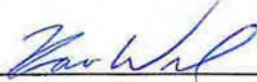
THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS
SEALED PURSUANT TO THE SEALING ORDER ISSUED BY THE
HONORABLE JUSTICE D.B. NIXON ON DECEMBER 14, 2020.

14. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.



J.C.Q.B.A

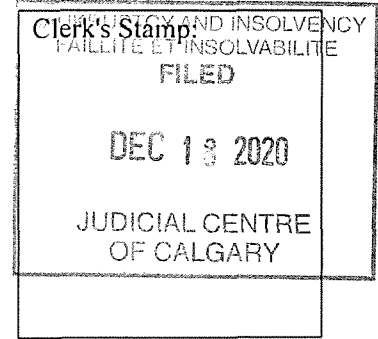
THIS IS **EXHIBIT "2"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT **ORDER APPROVAL AND VESTING ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com

File No. 077186-00004

DATE ON WHICH ORDER WAS PRONOUNCED: DECEMBER 17, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: CALGARY

NAME OF JUSTICE WHO MADE THIS ORDER: D.B. NIXON

UPON THE APPLICATION of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and collectively "**Greenfire**" or the "**Applicants**") for an order approving the sale transaction (the "**Transaction**") contemplated by an Asset Purchase Agreement dated December 1, 2020 (as may be amended, the "**APA**") between Greenfire and Greenfire

Acquisition Corporation (the "**Purchaser**") and vesting in the Purchaser (or its nominee) Greenfire's right, title and interest in and to the Assets (as defined in the APA); AND UPON reading the Affidavits of Robert B. Logan sworn October 9, 2020, November 2, 2020, December 2, 2020 ("**Logan Affidavit No.6**") and December 11, 2020 and the Confidential Supplement to Logan Affidavit No. 6; AND UPON reading the Fourth Report of Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Greenfire (the "**Proposal Trustee**") dated December 11, 2020; AND UPON hearing submissions by counsel for Greenfire and any other counsel or other interested parties present,

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

INTERPREATION

2. Capitalized terms not otherwise defined in this Order or the Schedules hereto have meaning set forth in the APA.

APPROVAL OF TRANSACTION

3. The Transaction is hereby approved and execution of the APA by Greenfire is hereby authorized and approved, with such minor amendments as Greenfire, with the consultation of the Proposal Trustee, may deem necessary. Greenfire is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser (or its nominee).

VESTING OF PROPERTY

4. Subject to the terms of the Purchase Agreement, and subject only to approval by the Alberta Energy Regulator (the "**Energy Regulator**"), of transfer of any applicable licenses, permits and approvals pursuant to section 24 of the *Oil and Gas Conservation Act* (Alberta) and section 18 of the *Pipeline Act* (Alberta) upon delivery of a closing certificate from the Proposal Trustee to the Purchaser (or its nominee) substantially in the form set out in **Schedule "A"** hereto (the "**Closing**

Certificate"), all of Greenfire's right, title and interest in and to the Assets hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all caveats, security interests, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, "**Claims**") including, without limiting the generality of the foregoing:

- (a) any charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system;
- (b) any liens or claims of lien under the *Builders' Lien Act* (Alberta); and
- (c) those Claims listed in **Schedule "B"** hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, caveats, interests, easements, and restrictive covenants listed in **Schedule "C"** (collectively, "**Permitted Encumbrances**")

and for greater certainty, this Court orders that all Claims including Encumbrances other than Permitted Encumbrances, affecting or relating to the Purchased Assets are hereby expunged, discharged and terminated as against the Purchased Assets

5. Upon delivery of the Closing Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities including those referred to below in this paragraph (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Closing Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required to convey to the Purchaser or its nominee clear title to the Purchased Assets subject only to Permitted Encumbrances. Without limiting the foregoing:

- (a) Alberta Energy (the "**Energy Ministry**") shall and is hereby authorized, requested and directed to forthwith:
 - (i) cancel and discharge those Claims including builders' liens, security notices, assignments under section 426 (formerly section 177) of the *Bank Act* (Canada)

and other Encumbrances (but excluding Permitted Encumbrances) registered (whether before or after the date of this Order) against the estate or interest of Greenfire in and to any of the Purchased Assets located in the Province of Alberta;

- (ii) transfer all Crown leases listed in **Schedule "D"** to this Order standing in the name of Greenfire, to the Purchaser (or its nominee) free and clear of all Claims including Encumbrances but excluding Permitted Encumbrances; and
 - (iii) enter the Purchaser (or its nominee) as the owner and/or lessee of the Purchase Assets subject only to the Permitted Encumbrances;
- (b) the Registrar of the Alberta Personal Property Registry (the "**PPR Registrar**") shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of Greenfire in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods; and
- (c) notwithstanding the requirements of section 191(1) of the *Land Titles Act Land Titles Act*, RSA 2000, c.L-7 (the "**LTA**") and notwithstanding that the appeal period in respect of this Order has not elapsed, the Land Titles Registrar shall and is hereby authorized, requested and directed to forthwith register the transfer to the Purchaser (or its nominee) of all caveats currently registered in the name of the Applicant in respect of the Purchased Assets
6. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the APA. Presentment of this Order and the Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.
7. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the

due execution, delivery and performance by Greenfire of the APA, other than any required approval by the Energy Regulator referenced in paragraph 3 above.

8. Upon delivery of the Closing Certificate together with a certified copy of this Order, this Order shall be immediately registered by the Land Titles Registrar notwithstanding the requirements of section 191(1) LTA and notwithstanding that the appeal period in respect of this Order has not elapsed.
9. For the purposes of determining the nature and priority of Claims, net proceeds from sale of the Purchased Assets, which for greater certainty shall not include the Deposit (the "**Net Proceeds**") shall be held in an interest bearing trust account by the Proposal Trustee. The Net Proceeds shall stand in the place and stead of the Purchased Assets from and after delivery of the Closing Certificate and all Claims including Encumbrances (but excluding Permitted Encumbrances) shall not attach to, encumber or otherwise form a charge, security interest, lien, or other Claim against the Purchased Assets and may be asserted against the Net Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. Unless otherwise ordered (whether before or after the date of this Order), the Proposal Trustee shall not make any distributions to creditors of Net Proceeds without further order of this Court.
10. Upon completion of the Transaction, Greenfire and all persons who claim by, through or under Greenfire in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).

11. The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by Greenfire, or any person claiming by, through or against Greenfire.
12. Immediately upon closing of the Transaction, holders of Permitted Encumbrances shall have no claim whatsoever against Greenfire or the Proposal Trustee.
13. The Proposal Trustee is directed to file with the Court a copy of the Closing Certificate forthwith after delivery thereof to the Purchaser (or its nominee).
14. The Proposal Trustee may rely on written notice from Greenfire and the Purchaser or their respective counsel regarding the satisfaction of the Purchase Price and the fulfillment of conditions to closing under the APA and shall incur no liability with respect to the delivery of the Proposal Trustee's Certificate.
15. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada) and section 20(e) of the *Alberta Personal Information Protection Act*, Greenfire is authorized and permitted to disclose and transfer to the Purchaser (or its nominee) all human resources and payroll information in Greenfire's records pertaining to Greenfire's past and current employees. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use (of such information) to which Greenfire was entitled.


MISCELLANEOUS MATTERS

16. Notwithstanding:
 - (a) the pendency of these proceedings and any declaration of insolvency made herein;
 - (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended (the "**BIA**"), in respect of Greenfire, and any bankruptcy order issued pursuant to any such applications;
 - (c) any assignment in bankruptcy made in respect of Greenfire; and
 - (d) the provisions of any federal or provincial statute:

the vesting of the Purchased Assets in the Purchaser (or its nominee) pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of Greenfire and shall not be void or voidable by creditors of Greenfire, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

17. Greenfire, the Proposal Trustee, the Purchaser (or its nominee) shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.
18. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Greenfire and/or the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Proposal Trustee, as an officer of the 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.
19. Service of this Order shall be deemed good and sufficient by:
 - (a) Serving the same on:
 - (i) the persons listed on the service list created in these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order;
 - (iv) the Purchaser or the Purchaser's solicitors; and
 - (b) Posting a copy of this Order on the Proposal Trustee's website at: <https://www.alvarezandmarsal.com/greenfire>and service on any other person is hereby dispensed with.

20. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.



Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A" - PROPOSAL TRUSTEE'S CERTIFICATE

Form of Proposal Trustee's Certificate

ESTATE NUMBER 25-2679073

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT**PROPOSAL TRUSTEE'S CERTIFICATE**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com

File No. 077186-00004

RECITALS

- A. On October 8, 2020, Greenfire Oil & Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and together with GOGL, "**Greenfire**")
- B. Pursuant to an Order of the Court dated [•], the Court approved the agreement of purchase and sale made as of [•] (the "**APA**") between Greenfire and Greenfire Acquisition Corporation (the "**Purchaser**") and provided for the vesting in the Purchaser of Greenfire's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by Alvarez & Marsal Canada Inc. in its capacity as the Proposal Trustee

of Greenfire (in such capacity, the "**Proposal Trustee**") to the Purchaser of a certificate confirming (i) the satisfaction of the Purchase Price for the Purchased Assets by the Purchaser; (ii) that the conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser; and (iii) that the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the APA.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchaser (or its nominee) has satisfied the Purchase Price for the Purchased Assets in accordance with the APA;
2. The conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser (or its nominee); and
3. The Transaction has been completed to the satisfaction of the Proposal Trustee.

THE PROPOSAL TRUSTEE CERTIFIES the following:

4. The Purchaser (or its nominee) has satisfied the Proposal Trustee has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APA;
5. The conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser (or its nominee); and
6. The Transaction has been completed to the satisfaction of the Proposal Trustee.
7. This Certificate was delivered by the Proposal Trustee at [Time] on [Date].

Alvarez & Marsal Canada Inc., in its capacity as Proposal Trustee of Greenfire Oil & Gas Ltd. and Greenfire Hangingstone Operating Corporation and not in its personal capacity.

Per; _____

**Name: Orest Konowalchuk
Title: Senior Vice President**

SCHEDULE "B" – CLAIMS

Alberta Crown Oilsands Lease No. 072 728201AT70

No.	Encumbrance ID	Registration Date	Party
1.	2000801 BUILDERS LIEN 2002259 LIS PENDENS	2020/03/27 2020/09/21	BOOM CONSTRUCTION LTD. ROSE LLP BARRISTERS & SOLICITORS 440 2 AVE SW SUITE 2100 CALGARY AB T2P 5E9
2.	2001302 BUILDERS LIEN 2002273 LIS PENDENS	2020/05/05 2020/09/23	APEX DISTRIBUTION INC. CARSCALLEN LLP 332 6 AVE SW SUITE 900 CALGARY AB T2P 0B2
3.	2002866 SECURITY NOTICE	2020/11/27	ABC FUNDING, LLC, AS COLLATERAL AGENT 222 BERKELEY ST FLOOR 17 BOSTON MA 02116- US

SCHEDULE "C" – PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means:

- (a) the rights reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, permit or authorization or by any Applicable Law, to terminate any such lease, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;
- (a) the rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets or operations (if any) in respect thereof in any manner;
- (b) easements, rights of way, servitudes and other similar rights in lands, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables; provided in each case to the extent that such rights do not materially impair the use of, access to, or operation (if any) of the Assets;
- (c) statutory exceptions to title and the reservations, limitations, provisos and conditions in any original grants from the Crown of any mines and minerals within, upon or under the Lands;
- (d) the terms and conditions of the Title and Operating Documents; provided that any Encumbrance created under or pursuant to any such Title and Operating Document will be a Permitted Encumbrance only if it is set forth in Schedule "A" to the APA or also satisfies another provision of this definition;
- (e) contracts for the purchase, sale, handling processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets terminable by any party thereto without penalty or other cost on 91 days' notice or less;
- (f) the terms of the GORR Agreement including the Lien granted therein; and
- (g) the royalties, burdens, reduction or conversion or alteration of interests and adverse claims and other Liens set forth in Schedule "A" to the APA,

provided that in no circumstances shall the Warner Contract or any rights of Warner Petroleum Corporation related thereto be a Permitted Encumbrance.

SCHEDULE "D" – CROWN LEASES

Crown Lease	Land Description, Rights and Area	Working Interest
Alberta Crown Oilsands Lease No. 072 728201AT70 Expiry: Section 13 Continuation	Twp. 84, Rge. 11 W4M: NW26, N27, N28, 33, 34, W35 (Oil Sands in the Wabiskaw-McMurray) Area: 3.75 sections; 960 ha	100%

THIS IS **EXHIBIT "3"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KATLIN H. WARD
BARRISTER & SOLICITOR

Via Email

December 4, 2020

Attention: TO THE ATTACHED SERVICE LIST

**Re: In the Matter of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended
And in the Matter of the Notice of Intention to Make a Proposal of Greenfire Hangingstone
Operating Corporation ("GHOPCO")
And in the Matter of the Notice of Intention to Make a Proposal of Greenfire Oil & Gas. Ltd.
("GOGL")
Estate nos. 25-2679073**

As you are aware, we are counsel to GHOPCO and GOGL (collectively, "**Greenfire**").

We hereby advise that Greenfire will be adjourning all aspects of its December 8, 2020 application with the exception of relief in respect of the Stay Extension.

Greenfire has written to Associate Chief Justice Nielsen and Justice Horner seeking time on an urgent basis on either Friday, December 11, 2020 or Monday December 14, 2020. Upon confirmation of a hearing date, Greenfire will advise the Service List accordingly.

We trust the foregoing to be in order; however, please do not hesitate to contact me with any questions.

Yours truly,

BURNET, DUCKWORTH & PALMER LLP



Ryan Algar

agt
Enclosures

10679285.1

In the Matter of the Notice of Intention to make a Proposal of:
Greenfire Oil and Gas Ltd. ("GOGL") and
Greenfire Hangingstone Operating Corporation ("GHOPCO")

Estate Nos. 25-2679073 and 25-2679074

SERVICE LIST

Updated: December 2, 2020

<p>Burnet, Duckworth & Palmer LLP 2400, 525 – 8th Avenue SW Calgary, AB T2P 1G1 Attention: David LeGeyt Ryan Algar Email: dlegeyt@bdplaw.com ralgar@bdplaw.com</p> <p><i>Counsel for Greenfire Oil and Gas Ltd. and Greenfire Hangingstone Operating Corporation</i></p>	<p>Alvarez & Marsal Canada Inc. 1110, 250 6th Avenue SW Calgary, AB T2P 3H7 Attention: Orest Konowalchuk Duncan MacRae Email: okonowalchuk@alvarezandmarsal.com dmacrae@alvarezandmarsal.com</p> <p><i>Proposal Trustee</i></p>
<p>McMillan LLP TD Canada Trust Tower, Suite 1700 421 7th Avenue S.W. Calgary, AB T2P 4K9 Attention: Adam Maerov Kourtney Rylands Email: Adam.Maerov@mcmillan.ca Kourtney.Rylands@mcmillan.ca</p> <p><i>Counsel to Proposal Trustee, Alvarez & Marsal Canada Inc.</i></p>	<p>Stikeman Elliott LLP 4300 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5 Attention: Karen Fellowes Email: KFellowes@stikeman.com</p> <p><i>Counsel to Trafigura Canada General Partnership</i></p>
<p>MLT Aikins LLP 2100, 222 3 Ave SW Calgary, AB T2P 0B4 Attention: Jonathan J. Bouchier Ryan Zahara Catrina Webster Email: jbouchier@mltaikins.com rzahara@mltaikins.com cwebster@mltaikins.com</p> <p><i>Counsel for Athabasca Workforce Solutions Inc and Excel Oil & Water Hauling Ltd.</i></p> <p>PPR Registration no. 20042118117 (Excel) (GHOPCO)</p>	<p>Alberta Energy Regulator Suite 1000, 250 - 5 Street SW Calgary, AB T2P 0R4 Attention: Maria Lavelle Email: insolvency@aer.ca maria.lavelle@aer.ca</p> <p><i>Representing the Province of Alberta</i></p>

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<p>DBH LLP 1200, 1015 4TH Street SW Calgary, Alberta T2R 1J4 Attention: R. Craig Steel Email: craig@dbhllp.com</p> <p><i>Counsel for Debusk Services Canada Ltd</i></p> <p>PPR Registration no. 20030430602 (GOGL and GHOPCO)</p>	<p>Bennett Jones LLP 4500 Bankers Hall East, 855 2nd Street SW Calgary, Alberta T2P 4K7 Attention: Andrea Stempien Keely Cameron Email: stempiena@bennettjones.com CameronK@bennettjones.com</p> <p><i>Counsel for Japan Oil Sands Limited</i></p> <p>PPR Registration nos. 18050312814, 1805031281 (GHOPCO)</p>
<p>Blake, Cassels & Graydon LLP 855 2nd St. SW, Suite 3500 Bankers Hall, East Tower Calgary, Alberta T2P 4J8 Attention: Warren B. Nishimura James Reid Email: warren.nishimura@blakes.com james.reid@blakes.com</p> <p><i>Counsel for Summit Partners</i></p> <p>PPR Registration nos. 19121314871, 19121314938, 19121314724, 19121314834 (GOGL and GHOPCO)</p>	<p>Stringam LLP 102, 10129-97 Avenue Grande Prairie, Alberta T8V 7X6 Attention: Amy Diaz Email: adiaz@stringam.ca</p> <p><i>Counsel for CX Energy Services Ltd.</i></p> <p>PPR Registration no. 20040922414 (GOGL)</p>
<p>ATB Financial Suite 600, 585-8th Ave SW Calgary, Alberta T2P 1G1 Attention: Maria Koks Email: mkoks@atb.com</p> <p><i>Secured Creditor</i></p> <p>PPR Registration no. 18083017044 (GHOPCO)</p>	<p>Bennett Jones LLP 855 2nd Street SW 4500 Bankers Hall East Tower Calgary, Alberta 4K7 Canada Attention: Kelsey Meyer Vivek T.A. Warriar Dylan Gibbs Email meyerk@benettjones.com WarriarV@bennettjones.com GibbsD@bennettjones.com</p> <p><i>Counsel for Warner Petroleum Corp.</i></p>

<p>Witten LLP 2500 Canadian Western Bank Place 10303 Jasper Avenue Edmonton, AB T5J 3N6 Attention: Liam Kelley Email: lkelly@wittenlaw.com</p> <p><i>Counsel for Cola Energy Services Ltd.</i></p>	<p>Rick Pawluk 4000, 421- 7 Avenue SW Calgary, Alberta T2P 4K9 Email: rpawluk@mccarthy.ca</p>
<p>McLennan Ross LLP 600 McLennan Ross Building 12220 Stony Plain Road Edmonton, AB T5N 3Y4 Attention: Chuck Russell, Q.C. Email: crussell@mross.com</p> <p><i>Counsel to McCarthy Tetrault LLP</i></p>	<p>Field LLP 400, 444-7th Avenue SW Calgary, AB T2P 0X8 Attention: Kim Beachum Email: kbeachum@fieldlaw.com</p> <p><i>Counsel to Pronghorn Controls Ltd.</i></p> <p>PPR Registration no. 20082018117 (GOGL and GHOPCO)</p>

<p>Cassels Brock & Blackwell LLP 3810, 888 - 3rd Street SW Calgary, Ab T2p5c5 Phone #: 403 351 2920 Fax #: 403 648 1151 Reference #: 51232-1 Attention: Tara McCarthy Email: tmccarthy@cassels.com</p> <p><i>Counsel to CEDA Services and Projects LP</i></p> <p>PPR Registration no. 20082828101 (GOGL)</p>	<p>Field LLP 400, 444 - 7 Avenue SW Calgary, AB T2P 0X8 Attention: Douglas Nishimura Email: Dnishimura@fieldlaw.com</p> <p><i>Counsel to certain GOGL Debenture holders::</i> Azarian, Behrokh Hodaie, Homayoun Rezaie, Mandana Pooladi-Darvish, Mehran Ovaic, Meysam Abbaszadeh, Firooz Joozdani, Mehran Amjadi, Layla Shabani-Ra, Meer-Taher Ahamdi-Naghdehi, Zahra Shameli, Afshin Zadeh, Maryam, Mohsen Minoos, Parham Peiravi, Haleh Ardebili, Mohammad, Ahadzadeh Jalalpoor, Ramin Roshan, Tariq, Mahmood Jalalpoor, Amin Khan, Faisal Dharmani, Poonam Nilforoush, Ali Azghandi, Elham, Vakili</p> <p>PPR Registration no. 2008270476 (GOGL)</p>
<p>Scott W. Caine, Barrister & Solicitor PO BOX 76009 Southgate Edmonton, AB T6H 5Y7 Phone #: 780 438 4111 Fax #: 780 438 4292 Email: scottwcaine@yahoo.com</p> <p><i>Counsel to Thermon Canada Inc.</i></p> <p>PPR Registration no. 20072826291 (GHOPCO)</p>	<p>Kristen Kress Professional Corporation 4816-50th Avenue, P.O BOX 6710 Bonnyville, AB T9N 2H2 Phone #: 780 826 3355 Fax #: 780 826 6132 Attention: Kristen Kress Email: kkress@kresslaw.ca Hello@Kresslaw.Ca">Hello@Kresslaw.Ca</p> <p><i>Counsel to Jacknife Timber Ltd. O/A Jacknife Oilfield Services</i></p> <p>PPR Registration no. 20073022976 (GHOPCO)</p>

<p>Miles Davison LLP 900, 517 - 10th Avenue SW Calgary, AB T2R 0A8 Phone #: 403 298 0373 Fax #: 403 263 6840 Attention: Calvin Robb Email: crobb@milesdavison.com</p> <p><i>Counsel to Tundra Process Solutions Ltd.</i></p> <p>PPR Registration no. 20091730290 (GHOPCO)</p>	<p>20/20 Law Group 110, 7330 Fisher Street SE Calgary, AB T2H 2H8 Attention: Fraser Gordon Email: fraser@2020aw.ca</p> <p><i>Counsel to FRP/Mocoat Fiberglass Ltd.</i></p>
<p>Rose LLP Barristers & solicitors 333 5 Avenue SW, Suite 810 Calgary, AB T2P 3B6 Attention: Courtney Kachur Email: courtney.kachur@rosellp.com</p> <p><i>Counsel to Boom Construction Ltd.</i></p> <p>Lease No. 072-728201AT70 Builder's Lien Number: 200801</p>	<p>Carscallen LLP 900, 322 – 6th Avenue SW Calgary, AB T2P 0B2 Attention: Glenn Blackett Email: Blackett@carscallen.com</p> <p><i>Counsel to Apex Distribution Inc.</i></p> <p>Lease Number: 072-728201AT70 Builder's Lien Number: 2001302</p>
<p>Stikeman Elliott LLP 4300 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5 Attention: Leland Corbett Karen Fellows Email: lcorbett@stikeman.com KFellows@stikeman.com</p> <p><i>Counsel to SAF Foreman LP</i></p>	<p>Cashion Legal Suite 300, 4838 Richard Rd SW Calgary, AB T3E 6L1 Attention: Mike Cashion Email: mike@cashionlegal.com</p> <p><i>Counsel to Silverback Steam Heating & Rentals Inc.</i></p>
<p>DS Avocats 150 Metcalfe Street, Suite 1401 Ottawa, Ontario K2P 1P1 Attention: Ryan Flewelling Email: RFlewelling@dsavocats.ca</p> <p><i>Counsel to Great White Sand Tiger Lodging Ltd.</i></p>	<p>Canada Revenue Agency Department of Justice Canada 510, 606 - 4th Street SW Calgary, AB T2P 1T1 Attention: George Body Email: george.body@justice.gc.ca</p> <p>Canada Revenue Agency Surrey National Verification and Collections Centre 9755 King George Boulevard Surrey BC V3T 5E1 Telephone (toll-free): 1-866-891-7403 Fax: 1-866-219-0311</p>

<p>Dentons Canada LLP 2500 Stantec Tower 10220 - 103 Avenue NW Edmonton, Alberta T5J 0K4 Attention: Kurtis Letwin Email: kurtis.letwin@dentons.com</p> <p><i>Counsel to North Shore Environmental Consultants Inc.</i></p>	<p>Altalaw LLP 5233 – 49th Avenue Red Deer, AB T4N 6G5 Attention: Jerrett Strueby Email: jkstrueby@altalaw.ca</p> <p><i>Counsel to Caliber Test Separators Ltd.</i></p>
<p>Burstall LLP Suite 1600 Dome Tower 333 – 7th Avenue SW Calgary, AB T2P 2Z1 Attention: Kimberly R. Setrakov Email: setrakov@burstall.com</p> <p><i>Counsel to Collective Waste Solutions Inc.</i></p>	<p>Cassels Brock & Blackwell LLP 3810, 888 - 3rd Street SW Calgary, Ab T2P 5C5</p> <p>Attention: Jeff Oliver Danielle Marechal Email: joliver@cassels.com dmarechal@cassels.com</p> <p><i>Counsel to Tier One Capital LP, B.E.S.T. Active 365 Fund LP, B.E.S.T. Venture Opportunities Fund Inc.</i></p>
<p>Torys LLP 4600 – 525 8th Avenue S.W. Calgary, Alberta T2P 1G1 Attention: Kyle Kashuba Email: kkashuba@torys.com</p>	<p>Peacock Linder Halt & Mack LLP Suite 4050–400 3rd Avenue SW Calgary, AB T2P 4H2 Attention: Joyce Bolton Email: jbolton@plhlaw.ca</p> <p><i>Counsel to Rick's Oilfield Hauling</i></p>
<p>Kenneth P. Reh Law Office Suite 702, One Executive Place 1816 Crowchild Trail NW Calgary, AB T2M 0M5 Attention: Kenneth Reh Email: ken@reh-law.ca</p> <p><i>Counsel to Baker Hughes Canada Company</i></p>	<p>Bennett Jones LLP 4500 Bankers Hall East 855 – 2 Street SW Calgary, AB T2P 4K7 Attention: Michael Selnes Email: SelnesM@bennettjones.com</p> <p><i>Counsel to Gibson Energy Trucking Ltd.</i></p>
<p>Rural Municipality of Wood Buffalo 9909 Franklin Avenue Fort McMurray, AB T9H 2K4 Attention: Helen Baxter Email: helen.baxter@rmwb.ca</p>	

PPR Registrants – Greenfire Oil and Gas Ltd. and Greenfire Hangingstone Operating Corporation

Secured Party	PPR Registration no.
AM-GAS Services INC C/O 70032 Londonderry P.O. Edmonton, AB T5C 3C6 Email: lagacel@telusplanet.net	20081326478 (GHOPCO)

THIS IS EXHIBIT "4" TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

December 14, 2020

VIA E-MAIL

Court of Queen's Bench of Alberta
601 – 5 Street S.W.
Calgary, AB T2P 1T5

Attention: The Honourable Justice D.B. Nixon

Jonathan J. Bouchier
Partner, Litigation

Direct Line: (403) 693-4310
E-mail: jbouchier@mltaikins.com

Danielle Christiansen
Legal Assistant

Direct Line: (403) 693-2630
E-mail: dchristiansen@mltaikins.com

Re: In the Matter of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, and in the Matter of the Notice of Intention to Make a Proposal of Greenfire Hangingstone Operating Corporation and Greenfire Oil & Gas Ltd. (collectively, "Greenfire"); Court of Queen's Bench Action No. 25-2679073 (the "Action")

We write further to the above-noted matter, and respecting the Application scheduled before Your Lordship at 1:00pm on December 14, 2020.

We are counsel to two creditors of Greenfire, Athabasca Workforce Solutions Inc. and Excel Oil & Water Hauling Ltd. and we will be opposing today's Application and seeking an adjournment to question Robert Logan on his Affidavit sworn on December 11, 2020.

We are seeking to question Mr. Logan on his Affidavit to determine if the proper steps have been taken in the Action to ensure Greenfire's assets will be sold for the greatest possible value. To date, we have received insufficient information to properly assess the process undertaken to market Greenfire's assets and to properly assess the sale approval and vesting Order Greenfire is seeking to be approved by Your Lordship today. We also believe there has not been sufficient disclosure of the interests of the current management of Greenfire in any potential transaction with Greenfire Acquisition Company Ltd. ("**Acquisition Co.**").

The Application materials for today's Application were served on the service list in this matter at 2:37 pm on Friday, December 11, 2020. Greenfire's counsel has similarly served previous Application materials without sufficient notice. For example, Greenfire has served application materials in this matter as follows:

1. on December 2, 2020 and December 3, 2020, Application materials were served by Greenfire for the Application returnable on December 8, 2020;
2. on November 16, 2020, Application materials were served for an Application returnable November 17, 2020; and
3. on November 2, 2020, Application materials were served for an Application returnable November 6, 2020.

This type of service of materials by Greenfire has been a common theme throughout these proceedings. This is in breach of the Commercial List Practice Note and has provided insufficient time for our clients to properly respond to the application that is presently before the Court.

Greenfire has obtained 3 Orders to extend the time required to file a proposal to its creditors and at each Court appearance, Greenfire's counsel has advised the Court that time is of the essence

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and that Greenfire's assets are deteriorating. However, Greenfire has failed to take the proper steps required to preserve and protect its assets throughout these proceedings.

We respectfully request that today's Application in respect of the relief sought for approval of the interim financing and the asset purchase agreement with Acquisition Co. be adjourned to permit us time to question Mr. Logan as set out above, or, alternatively, to dismiss Greenfire's Application in its entirety and assign Greenfire into bankruptcy.

For reference, we enclose a copy of an Affidavit previously provided by our offices in these proceedings on November 4, 2020 and that attaches the corporate search for Acquisition Co.

We will also be referring to the following *Bankruptcy and Insolvency Act* (Canada) sections 4(4), 50.6(1), and 65.13(4).

We have also enclosed the following cases that we will be referring to at the application today:

1. *Notice of Intent of Musitechnic Educational Services Inc.*, 2019 QCCS 632;
2. *OEL Projects Ltd., (Re)*, 2020 ABQB 365;
3. *Feronia Inc. (Re)* 2020 BCSC 1372; and
4. *Sanjel Corp. Re*, 2016 ABQB 257.

We thank Your Lordship for your consideration of, and assistance with, this matter.

Yours truly,

MLT AIKINS LLP

J. Bouchier

Jonathan J. Bouchier

c: Ryan Zahara, MLT Aikins LLP (via email)
David LeGeyt, Burnet, Duckworth & Palmer LLP (via email)
Ryan Algar, Burnet, Duckworth & Palmer LLP (via email)

COURT FILE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

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

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE OIL & GAS LTD.

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
Barristers and Solicitors
2100, 222 3rd Ave SW
Calgary, Alberta T2P 0B4
Attention: Ryan Zahara/Jonathan Bouchier
Phone: 403.693.5420/4310
Fax: 403.508.4349
File: 0146275.00001

AFFIDAVIT OF DANIELLE CHRISTIANSEN

Sworn November 4, 2020

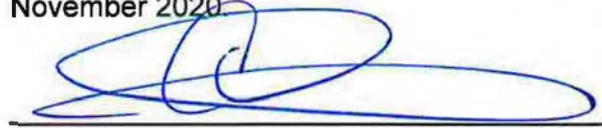
I, DANIELLE CHRISTIANSEN, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am a legal assistant employed with the law firm of MLT Aikins LLP, counsel for the Defendants, Athabasca Workforce Solutions Inc. and Excel Oil & Water Hauling Ltd., and, specifically, am the legal assistant to Jonathan Bouchier. Accordingly, I have personal knowledge of the facts and matters deposed to herein, unless those facts and matters are stated to be based upon my information and belief, and, in which case, I believe those facts and matters to be true.

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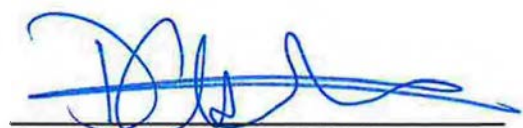
2. Attached hereto as Exhibit "A" is a copy of a Government of Alberta Corporate Registration System search for Greenfire Acquisition Corporation obtained November 3, 2020.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta, this 4th day of)
November 2020.)



A Commissioner for Oaths in and for
the Province of Alberta

**CATRINA WEBSTER
BARRISTER & SOLICITOR**



DANIELLE CHRISTIANSEN

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2020/11/03
Time of Search: 05:53 PM
Search provided by: MLT AIKINS LLP (CALGARY)
Service Request Number: 34336153
Customer Reference Number: 144960.1/JJB

Corporate Access Number: 2022990358
Business Number: 702715475
Legal Entity Name: GREENFIRE ACQUISITION CORPORATION

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2020/11/02 YYYY/MM/DD

Registered Office:

Street: 4600 EIGHTH AVENUE PLACE EAST, 525 - 8TH AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Records Address:

Street: 4600 EIGHTH AVENUE PLACE EAST, 525 - 8TH AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1


Email Address: COMPLIANCE.CALGARY@TORYS.COM

Directors:

Last Name: KLESCH
First Name: JONATHAN
Street/Box Number: PENTHOUSE 1, HARLEY HOUSE MARYLEBONE ROAD
City: LONDON
Postal Code: NW15HE
Country: UNITED KINGDOM

Last Name: MCINTYRE
First Name: JULIAN
Middle Name: ALEXANDER

THIS IS EXHIBIT " A " TO THE
affidavit of Danielle Christensen
Sworn before me this 4 day of
November A.D. 20 20


A Commissioner for Oaths in and for the
A Notary Public Province of Alberta

**CATRINA WEBSTER
BARRISTER & SOLICITOR**

000043

Street/Box Number: FLAT 29, 35-37 GROSVENOR SQUARE

City: LONDON

Postal Code: W1K2HN

Country: UNITED KINGDOM

Last Name: PASKARAN

First Name: JANAN

Street/Box Number: 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW

City: CALGARY

Province: ALBERTA

Postal Code: T2P1G1

Last Name: SIVA

First Name: VENKAT

Street/Box Number: 39 MARLOW COURT, 221 WILLESDEN LANE

City: LONDON

Postal Code: NW67PS

Country: UNITED KINGDOM

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: THE CORPORATION IS AUTHORIZED TO ISSUE AN UNLIMITED NUMBER OF ONE CLASS OF SHARES, DESIGNATED AS "COMMON SHARES".

Share Transfers Restrictions: REFER TO "RESTRICTIONS ON SHARE TRANSFERS" ATTACHMENT.

Min Number Of Directors: 1

Max Number Of Directors: 10

Business Restricted To: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS THAT THE CORPORATION MAY CARRY ON.

Business Restricted From: THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS THAT THE CORPORATION MAY CARRY ON.

Other Provisions: REFER TO "OTHER RULES OR PROVISIONS" ATTACHMENT.

Other Information:

Filing History:

000044

List Date (YYYY/MM/DD)	Type of Filing
2020/11/02	Incorporate Alberta Corporation
2020/11/02	Update Business Number Legal Entity

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Restrictions on Share Transfers	ELECTRONIC	2020/11/02
Other Rules or Provisions	ELECTRONIC	2020/11/02

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.





Notice of intent of Musitechnic Services educatifs inc., 2019 QCCS 632 (CanLII)

Date: 2019-02-27
 File number : 500-11-055611-186
 Reference: Notice of intent from Musitechnic Services educatifs inc., 2019 QCCS 632 (CanLII), < <http://canlii.ca/t/hxs66> >, consulted on 2020-11-04

Notice of intent from Musitechnic Educational Services Inc. 2019 QCCS 632

SUPERIOR COURT
 Commercial Chamber

CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF MONTREAL

No: 500-11-055611-186

DATE: February 28, 2019

UNDER THE PRESIDENCY OF THE HONORABLE MICHEL A. PINSONNAULT, JCS

IN THE MATTER OF THE NOTICE OF INTENT OF:

MUSITECHNIC EDUCATIONAL SERVICES INC.

Debtor / Applicant

and

BRESSE SYNDICS INC.

Trustee

and

BUSINESS DEVELOPMENT BANK OF CANADA

NATIONAL BANK OF CANADA

DISTRIBUTION FOMAZZ INC.

OFFICER OF THE REGISTER OF PERSONAL AND MOVABLE REAL RIGHTS

Implicated

and

888 DE MAISONNEUVE TRUST TRUST

Third party

**REVISED TRANSCRIPT OF A JUDGMENT RENDERED
 MEETING HELD ON FEBRUARY 27, 2019 [1]**

OVERVIEW

[1] The Court is seized of an application from 888 De Maisonneuve Fiducie Commerciale (“**888**”), represented by its agent Busac inc. (“**Busac**”) which claims to be the most important ordinary

creditor of the debtor Musitechnic Services Éducatifs inc. (" **Musitechnic** ") and asking that the Court uphold its voluntary act of intervention, on an aggressive basis.

[2] Counsel for Musitechnic objects to this request on the grounds that in the current context, 888 does not have the legal interest required to intervene and to contest the two Requests for permission to sell assets out of the ordinary course. of the matters (the " **Motions for Permission to Sell** ") of debtor Musitechnic and Formation Musitechnic (" **Formation** ") in file number 500-11-055610-188.

[3] It should be noted that Musitechnic and Formation together operate a college-level art school dedicated to the education and training of artisans, artists and technicians in the field of music and audio in 'they provide instruction in the techniques and technologies of music creation and production and assist those who wish to pursue studies in this field.

[4] The two court files reveal that Musitechnic was incorporated in 1987, while Formation was incorporated on May 28, 2007, because the Ministry of Culture and Communications then demanded that the subsidies hitherto paid to Musitechnic are henceforth paid to a non-profit organization, hence the formation of Formation.

1. THE CONTEXT

[5] Following the sudden death of Mr. Pierre-Marie Denoncin (" **Fire Denoncin [2]** ") on 1 August 2018, which was the main leader and administrator Musitechnic and Training, Gilles and Dominique FERRIERAS FERRIERAS received from the late Denoncin a letter and a holograph will in which he bequeathed to them all the shares he held in various Quebec and Canadian companies, including Musitechnic and Formation. st

[6] It was then that the Ferrieras discovered that the late Denoncin had bequeathed these two businesses to them in dire economic conditions.

[7] The Requests for permission to sell report the discovery of a scam that the deceased had orchestrated by diverting some \$ 1.4 million to acquire the building located at 1088 rue Clark in Montreal where the school currently operates. .

[8] Gilles and Dominique Ferrieras were appointed directors among others Musitechnic and Formation and in August 2018, they took the management of Formation and Musitechnic to undertake their reorganization.

[9] In January 2019, Gilles and Dominique Ferrieras signed a deed of renunciation of the succession of the late Denoncin and a deed of resignation as liquidators thereof.

[10] The Court understands that Gilles and Dominique Ferrieras did not however resign as directors of the various companies of Feu Denoncin.

[11] Realizing that Musitechnic and Formation could not rectify their financial situations, Gilles and Dominique Ferrieras caused these two companies to each file on November 28, 2018 a notice of intention to make a proposal through the trustee Bresse Trustees inc. (the " **Trustee** ").

[12] The Motions for permission to sell state that they realized that Musitechnic and Formation would not be able to present a viable proposal to their creditors at the end of their notices of intention. It was then that the decision was made to sell their assets out of the ordinary course of business.

[13] Obviously this observation was made and the decision to sell was undoubtedly taken before November 28, 2018, the day on which the two notices of intention were filed, because on the same day, the Trustee obtained an assessment Musitechnic and Training assets from SIS Services Inc. [3] :

<i>Nature of goods</i>	<i>Market value</i>	<i>Quick realization value</i>
i. Equipment	\$ 263,335.00	\$ 66,000,000
ii. Equipment (Mecart)	\$ 335,000.00	\$ 55,000.00
iii. Office furniture and computer equipment	\$ 49,100.00	\$ 10,000.00

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v.	Rental	\$ 450,000.00	n / a
	improvements		
TOTAL		\$ 1,097,435.00	\$ 131,000.00

[14] SIS Service Inc. estimates that these movable assets, without any distinction between those of Formation and those of Musitechnic, would have a market value of \$ 1,097,435 and a rapid realization value of \$ 131,000.

[15] The two companies, through the Trustee, begin a process to sell their assets at the best possible price, although it is expected that the proceeds of realization will not be sufficient to discharge all of their respective debts. .

[16] On February 2, 2019, the Trustee set up a bid solicitation process by preparing a document entitled "Request for bids" [4] thus describing the assets for sale:

DESCRIPTION

The assets necessary for the purpose of carrying out teaching activities in techniques and technologies for the creation and production of sound, including in particular:

- 8 recording studios, office furniture and computer equipment.

[17] The Syndic also disseminates a solicitation document to the general public in the classifieds section of the Journal de Montréal of February 2, 2019 [5] , which reads as follows:

BRESSE

TRUSTEES AND MANAGERS

[...]

INVITATION TO SUBMIT BIDS

A request for tenders relating to the assets necessary for the exercise of teaching activities in techniques and technologies for the creation of sound production has been posted on the website of the trustee.

For more details, please visit the liquidation section of our website at:

www.bressesyndic.com

The BRESSE syndics inc. Team.

Licensed insolvency trustee

[18] The Trustee only publishes this classified ad at the bottom of one of the pages of the classifieds of the Journal de Montréal for a single publication without even indicating the identity of the current owners of the assets or until what time the submissions could be filed.

[19] It was then for any interested party to go to the identified website to arrive at the request for tenders form described above, just as silent on the identity and the type of company concerned other than very general terms.

[20] The call for tenders was open until February 11 at 17

[21] On February 11, 2019, the only submission received by the Trustee came from 9391-6369 Québec inc. (" 9391 "), a company controlled by Gilles and Dominique Ferrieras [6] , for the acquisition of all the assets of Musitechnic and Formation in consideration of \$ 130,000 [7] . This submission is signed by Gilles Ferrieras for 9391 [8] .

[22] Two resolutions signed by the directors of Musitechnic [9] and Formation [10] , both taking effect on February 10, 2019, authorized in advance the proposed transaction relating to all of their respective assets that 9391 *wanted* file with the Trustee and at the same time authorized the filing of Motions for permission to sell.

[23] As of February 10, 2019, 9391's bid had not yet been filed with the Trustee. Furthermore, the period for receiving bids had not yet expired. Did the administrators of Musitechnic and Formation, including Gilles Ferrieras who signed the 9193 submission, already know that no other submission was going to be submitted?

[24] In any event, 888 wishes to intervene in the Motion for permission to sell as Musitechnic's most significant unsecured creditor in order to assert its rights in light of the circumstances surrounding the tender and especially the amount offered by a company linked to the Ferrieras in the current context.

[25] At this stage of the proceedings, it is not for the Tribunal to consider the amount of the ~~claim~~ of 888 which is contested by counsel for the debtors. One fact remains indisputable, however, 888 is one of

Musitechnic's unsecured creditors, if not the most significant among them.

2. THE ISSUE IN LITIGATION

[26] 888 have sufficient legal interest to intervene aggressively in this proceeding?

[27] The Tribunal answers this question in the affirmative. Here's why.

3. THE ANALYSIS

[28] With respect, the Court does not share the opinion of counsel for the debtors Musitechnic et Formation that under section 65.13 of *the Bankruptcy and Insolvency Act* (" *BIA* "), only secured creditors would have a say to the extent that they could likely be affected by the proposed asset sale [11]

[29] A reading of article 65.13 *BIA* allows the Court to note that no provision prevents an ordinary creditor from intervening to assert his rights and / or his position vis-à-vis the proposed sale and the price to be paid. .

[30] The factors to be considered by the judge in the context of an application for authorization to sell the assets, enumerated in section 65.13 (4) *BIA* are clearly not limiting. A judge may consider observations made by an ordinary creditor.

[31] Moreover, the very specific circumstances of the case, as they appear in the two Motions for permission to sell assets outside the normal course of business of Musitechnic and Formation, are sufficient, in the opinion of the Tribunal, to arouse the intervention requested by 888, or even arouse its fear that *prima facie* , it is not a matter of a sale process that has made it possible to obtain the best price for the assets of Musitechnic and Formation, companies which still continue to operate the school.

[32] It is not because the debtors are not yet bankrupt that the creditors are deprived of all power to exercise or assert their rights. There are certainly rules to follow in such circumstances and that is precisely what 888 is attempting to do now.

[33] The Court is particularly concerned that in bankruptcy matters, any trustee must first and foremost prioritize the interests of the mass of creditors in order to ensure that the assets of the bankruptcy are realized under the best possible conditions and again, in the best interest of those creditors, not in the best interest of the debtor or the bankrupt. In short, the *BIA* provides creditors with a transparent mechanism whereby creditors have a certain say in the realization of the bankrupt's property.

[34] In the present case, the creditors of Musitechnic and Formation are facing possible bankruptcies, if not some, in which all the assets will have been entirely liquidated beforehand in order to allow these companies to continue operating the school. through a related company after paying a seemingly nominal amount.

[35] A creditor such as 888 certainly has an interest in intervening at this stage of the proceedings.

[36] Without however binding the judge who will hear these two motions on the merits, the Court shares, at first sight, the fears and concerns both of the lawyer of 888 and that of the lawyer of Distribution Fomazz inc., Creditor. warranty from Musitechnic which is not intended to receive any money in connection with the proposed sale.

[37] It should be recalled that the two debtors have explicitly recognized in their own procedures that they are not in a position to redress their respective financial situations, that they are not in a position to present a viable proposal to their creditors. the date on which their notices of intention will end [12] and who, at the time of filing the notices of intention, already had an appraisal of the movable assets in hand?

[38] The fact that in such a context, the debtors, controlled after all by Gilles and Dominique Ferrieras, decided to sell all their assets to 9391, a related company, also controlled by Gilles and Dominique Ferrieras, and this, before the " expiry of the deadline for their extended notices of intention to March 22, 2019, for an amount below the rapid realization value estimated by SIS Services inc. [13], and this completely disregarding the fact that these companies are still operating the school with some 73 students enrolled for this session, for a fee of \$ 17,000 each, this is a set of circumstances that is likely to legitimately raise serious questions in the minds of their creditors who until now have not yet had a say in the matter and there is a risk that it will be too late when they are entitled to it.

FOR THESE REASONS, THE TRIBUNAL:

[39] **WELCOMES** this Deed of voluntary intervention, aggressively by 888 De Maisonneuve Fiducie Commerciale, represented by its agent Busac inc .;

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[40] **ALLOWS** the voluntary intervention, on an aggressive basis, of the Third Party Intervenor 888 De Maisonneuve Fiducie Commerciale, represented by its agent Busac inc .;

[41] **AUTHORIZES** the examination out of court of Mr. Gilles Ferrieras on March 11, 2019 for a maximum duration of three hours at the time and place to be agreed between the lawyers;

[42] **AUTHORIZES** the out-of-court examination of Mr. Charles Bresse on March 18, 2019 for a maximum of three hours at the time and place to be agreed between the lawyers;

[43] **TAKES NOTE** of the commitment of the debtors who offer full access to the books of Formation Musitechnic and Musitechnic Services Éducatifs inc. , books which may be examined at their offices by an independent expert chosen by mutual agreement by the Third Party 888 De Maisonneuve Fiducie Commerciale, represented by its agent Busac inc. and by the mis en cause Distribution Fomazz inc. subject to receiving two working days 'notice under which the identity of the retained expert will be disclosed to the debtors' lawyer;

[44] **SETS** the hearing of the Motions for permission to sell assets out of the ordinary course of business in the files numbered 500-11-055610-188 and 500-11-0556611-186 for **April 18, 2019 at 9:00 am** in room 16.12 for a period of one day;

[45] **DECLARES** that neither the interrogations authorized above nor the accounting audit of the debtors' books which may be carried out at the initiative of 888 De Maisonneuve Fiducie Commerciale and Distribution Fomazz inc. may not have the effect of delaying for any reason the hearing of the Motions for permission to sell assets outside the ordinary course of business that must be dealt with urgently, and this hearing takes place on April 18, 2019 or any other earlier date, if applicable;

[46] **THE WHOLE** , with legal costs.

MICHEL A. PINSONNAULT, JCS

Me François Beauchamp
De Grandpré Chait
Procureurs de la débitrice / requérante Formation Musitechnic inc.

Me Daniel L'Africain
Joli-Coeur Lacasse
Procureurs de la mise en cause Banque de développement du
Canada

Me Danielle Oiknine et Me Julia Vu
Oiknine & Associés
Procureurs de la mise en cause Distribution Fomazz inc.

Me Kristen A. Petitclerc
Péloquin Kattan
Procureurs du tiers intervenant 888 De Maisonneuve Fiducie
Commerciale

Date 26 février 2019
d'audience :

[1] Conformément au principe énoncé dans l'arrêt *Kellogg's Company of Canada c. P.G. du Québec*, [1978] C.A. 258, 259-260 et à l'article 334(2) C.p.c., le Tribunal s'est réservé le droit de remanier les motifs de sa décision pour en améliorer la présentation et la compréhension.

[2] L'utilisation des seuls noms de famille dans le présent jugement a pour but d'alléger le texte et l'on voudra bien n'y voir aucun manque de courtoisie à l'égard des personnes concernées.

[3] R-19.

[4] R-22.

[5] R-23.

[6] I-8.

[7] Assorti d'un engagement de verser un montant de 25 000\$ dans le cadre de la proposition concordataire de Formation seulement et l'engagement d'assumer le solde dû à la Banque Nationale du Canada qui détient une hypothèque sur les actifs jusqu'à concurrence de 45 000 \$.

[8] R-24.

[9] R-20.

[10] R-21.

[11] Article 65.13 (3) *LFI*.

[12] Paragraph 35 of the Motions for permission to sell.

[13] R-19.

Court of Queen's Bench of Alberta

Citation: OEL Projects Ltd (Re), 2020 ABQB 365

Date: 20200619
Docket: 25 2646438
Registry: Calgary

In the Matter of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C. B-3, as amended

- and -

In the Matter of the Notice of Intention to Make a Proposal of OEL Projects Ltd.

**Oral Decision
of the
Honourable Justice April Grosse**

Context

[1] OEL Projects Ltd. filed a Notice of Intention to Make a Proposal under section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 on May 20, 2020. BDO Canada Limited is acting as the Proposal Trustee.

[2] The 30-day period for making a proposal has not yet expired; however, on May 21, 2020, OEL entered an Asset and Share Purchase Agreement with McIntosh Perry Energy Limited, which I will refer to as the Purchaser.

[3] OEL now seeks approval and a vesting order in respect of that transaction, pursuant to section 65.13 of the *Bankruptcy and Insolvency Act*. OEL also seeks a distribution order with respect to the sale proceeds.

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[4] The Proposal Trustee supports OEL's application and recommends the transaction. OEL has two secured creditors: CIBC and its parent, McIntosh Perry Engineering Consulting Engineering Limited, which I will refer to as McIntosh Perry. Both approve of the transaction.

[5] OEL's application came on for hearing before me yesterday. We adjourned to allow for some further information to be provided to the Court, and for me to have an opportunity to reflect on the submissions made by counsel. We reconvened this morning, and counsel have provided further submissions, and I have told them that I am now prepared to give an oral decision.

OEL and its Stakeholders

[6] I am going to start by giving some more information about OEL and its stakeholders. OEL is an engineering services firm operating in Alberta and surrounding provinces in the energy sector. It is a private company, wholly owned by McIntosh Perry since 2017.

[7] OEL has been experiencing declining revenues and operations given the downturn in the Canadian energy sector. The recent collapse in oil and gas prices, COVID-19 restrictions, and associated impacts on usual OEL clients in the energy sector have only made the situation more difficult for OEL. The record shows that OEL is projected to have negative cash flow this fiscal year without this transaction. Four years ago, OEL had approximately 115 employees. By March 15, 2020, OEL was down to about 54 employees. In preparation for filing its NOI, OEL gave notice of termination to another approximate 20 employees earlier this month. The remaining 34 employees have been offered employment by the Purchaser, if the transaction goes ahead.

[8] OEL is a party to an Amended and Re-stated Credit Agreement with CIBC, along with McIntosh Perry and related companies. To my understanding, the credit facilities under the Credit Agreement are not maxed out, and are also secured by the other entities in the McIntosh Perry family. CIBC has not taken steps to enforce its security. OEL also owes net approximately \$7.9 million to its parent, McIntosh Perry, pursuant to an Amended and Re-stated Promissory Note dated April 1, 2017. The debt is secured pursuant to a General Security Agreement, also dated April 1, 2017. On May 8, 2020, McIntosh Perry issued a formal demand to OEL, calling the amount owing under the Promissory Note. The Proposal Trustee has obtained a legal opinion confirming the validity of the McIntosh Perry security. I am advised that other than CIBC and McIntosh Perry, OEL has no other secured creditors.

[9] In its materials, OEL identified two liabilities, or potential liabilities, in particular that pose a great difficulty to OEL moving forward in its current structure.

[10] First, OEL rents two office spaces for which it pays a total of almost \$1.6 million per month. The leases were entered into in 2013 and 2014, when the energy industry -- and Calgary in general -- were enjoying more prosperity. OEL's lease rates are high compared to the current market, and with its reduced staff, OEL does not need near so much space. Counsel for OEL confirmed that OEL has been in discussions with both landlords, and both were served with the notice for this application. The notice time was short, service having been affected by email on May 21, for a May 26 hearing. However, they were served to email addresses of specific representatives, not general email boxes, and the landlords did not seek to participate or contact OEL or its counsel to oppose the application. Apparently, negotiations have already commenced with one of the landlords for a new lease for continued operations if the transaction proceeds. I

am satisfied that the landlords had notice and do not oppose the transaction before the Court. I understand that rent was paid up to May 1.

[11] The second particular difficulty identified by OEL is that three senior employees have filed claims against OEL, based on their recent termination or lay offs. I understand that these employees have been paid their wages, but that they claim contractual severance and perhaps other relief. Their claims total approximately \$491,000 at present, and are, both individually and collectively, by far the largest unsecured claims on the list of creditors attached by the Proposal Trustee to the NOI. These parties are represented by Mr. Wilson, who was notified of the application and participated in the hearing. These three gentlemen are obviously not happy with the situation, but they neither consented nor opposed OEL's application, recognizing the reality in the numbers.

[12] With respect to employees more generally, I am advised that all employees have been paid their wages up to date, and employees who have been terminated were also paid up on vacation pay. The Purchaser has agreed to pay any outstanding vacation pay for employees to whom the Purchaser has made offers of employment. The Proposal Trustee is satisfied that there are no claims that would otherwise be afforded a security interest in current assets pursuant to section 81.4 of the *Act*.

[13] Because the Notice of Intention was only filed on May 20, 2020, the other unsecured creditors do not yet have effective notice of the NOI, let alone the application. The NOI was mailed to them on May 25, so they could not have received it prior to the application. In any event, the NOI itself does not mention the application. So, this is not a case where creditors have had an opportunity to file proofs of claim, and accordingly, the unsecured debt of OEL is not fully fleshed out. However, according to the list of creditors used by the Proposal Trustee, once the claims of McIntosh Perry and another related entity are removed, and then the claims of Mr. Wilson's clients are removed -- which I have already discussed -- there is approximately \$91,500 in unsecured debt. Out of those amounts, all individual amounts are under \$5,000, except for \$27,000, and some to Beck Engineering Limited, and approximately \$12,500 to M5 Engineering Inc.

[14] Based on the further information provided after our adjournment yesterday, I understand that all but approximately \$3,000 of those amounts are considered trade debt that will be assumed by the Purchaser, if the transaction goes ahead. That includes the larger amounts owing to the two engineering firms I have just mentioned.

[15] The parties have provided me with various financial statements and the cash-flow statement for OEL. On the record, OEL is insolvent.

Section 65.13 of the *Bankruptcy and Insolvency Act*

[16] Section 65.13 of the *BIA* precludes a person who is the subject of an NOI from selling or disposing of assets outside the ordinary course of business, without authorization of the Court. Section 65.13(4) sets out the factors the Court must consider. It is a non-exclusive list. I will not read all of the factors into the record.

[17] Important in this case is section 65.13(5), which applies where a proposed sale or disposition is to a person who is related to the insolvent person. That is the case here. The Purchaser is a newly created subsidiary of McIntosh Perry.

[18] Pursuant to section 65.13(5), after considering the factors that apply to all transactions under subsection (4), the Court may only grant authorization for the sale if it is satisfied that:

- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the insolvent person; and.
- (b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.

[19] In applying section 65.13 to the facts of this case, as I outlined to counsel during the hearing yesterday, the concern I wanted to make sure was addressed in this case was the potential combined effect of three factors.

[20] First, not all of the unsecured creditors were given notice of the application. In fact, they likely do not even have notice of the NOI yet. OEL and the Proposal Trustee argue that in this particular case, the unsecured creditors really have no material interest because with or without this transaction, and regardless of whether the company is sold as a going concern to the Purchaser or any other entity, or liquidated, all the figures show that the unsecured creditors stand to be paid zero. The delta between the secured debt and available funds is so high that there is no realistic scenario where the remaining unsecured creditors get paid. That is the argument.

[21] The second factor that goes into this combination is that the proposed sale is to a related party. Again, this on its own is not a disqualifying factor, and is specifically contemplated by section 61.13(5). However, it brings additional scrutiny to bear.

[22] The third factor is that there was no sale process, per se. The Board of OEL hired FTI in March to do an analysis of the return that might be expected in both a going concern sale scenario and a liquidation of assets scenario. The going concern sale was expected to yield a higher return, and the Purchaser is paying at the high end of the range estimated by FTI. However, there was no bid or other sale process. There is no evidence of even approaches to potential buyers.

[23] OEL's evidence is that its Board considered a sale process, and determined that it was not feasible. The company's circumstances, combined with a highly mobile clientele and workforce - both of whom could simply go elsewhere in the face of a sales process -- meant that the Board did not consider a third-party sale process to be realistic. The Board considered that the likely departure of employees and clients would probably mean that the sale process would erode the value that OEL still had. The company also lacks the liquidity to fund a sale process, and would lose an estimated \$600,000 during the process. In other words, from the Board's perspective, as I understand it, it was not just a case of having nothing to lose by giving a third-party sale process a try, even if the prospects of finding a buyer were slim. The Board considered that the sale process itself would erode the value that was left in OEL, and there would be nothing left to sell at the end.

[24] In its report, the Proposal Trustee does not specifically endorse nor disagree with the Board's reasoning, per se. However, the Proposal Trustee is of the view that it is unlikely that incurring the costs of a public marketing process would yield sufficient funds to otherwise render funds available for unsecured creditors, and the Proposal Trustee also notes that OEL no longer has the ability to fund its operations, or the time available to administer a protracted public sales process, in light of the calling of the Promissory Note by McIntosh Perry.

[25] I appreciate that section 65.13(3) only references notice to secured creditors. There is no specific requirement, per se, that all unsecured creditors be served. However, the *Bankruptcy and Insolvency Act* is, to a great extent, focused on addressing creditor claims and rights, when a party has become insolvent. Here, there is no realistic chance of there being a proposal if the transaction proceeds. Creditors would still have their rights in bankruptcy, but any value in OEL will be gone. It is at least fair to consider whether creditors should have an opportunity to know about the transaction, scrutinize it, and take any position that might be available to them. The extent to which creditors were consulted is an express factor for consideration under section 65.13(4)(d). In reviewing some of the reported decisions under section 65.13, it seems that in most cases, at least representatives of the unsecured creditors were notified or will be notified somewhere before a final vesting order is granted.

[26] The role of the creditor takes on more potential importance in a circumstance where there is a proposed sale to a related party, with no actual third-party sale process. Their involvement would provide one more potential source of scrutiny in terms of whether the assessment by the company and the Proposal Trustee of the merits of a third-party sale process, and the merits of the proposed transaction are fair and reasonable. It is fine to say that under any scenario, the unsecured creditors will not get paid. However, perhaps they should be able to at least test that proposition.

[27] On the particular facts of this case, my concern as I just outlined has been answered, and am satisfied that I can and should approve the transaction and grant the relief sought by OEL. My reasons, including my analysis of the factors and requirements of section 65.13(4) and (5) follow in bullet form:

- While not all unsecured creditors had notice of the application, the largest unsecured creditors were notified and were represented by counsel. These are not just any unsecured creditors. They are unsecured creditors whose claims are not trade debt being assumed by the Purchaser under the proposed transaction, and they are senior employees, presumably familiar with the engineering business. If anyone were in a position to critique the analysis of OEL, FTI, or the Proposal Trustee, it would be them. While they do not consent, they have raised no particular opposition. I think it would be safe to say that after analyzing the materials, they are resigned to the situation in terms of this transaction. I appreciate that they may well be pursuing whatever rights are available to them going forward. The unsecured creditors, and those not being taken on as assumed debt by the Purchaser, may never recover or may never recover their full amounts. But if that is the case, I am satisfied on the record that it will not be as a result of this transaction, but rather, would be a result of the more general circumstances facing the company.
- OEL's landlords, who will be materially impacted by the proposed transaction, have been consulted, and had notice of the application. They did not come to Court to oppose.
- The number and value of non-served unsecured claims is relatively small. All but one such unsecured claim for just under \$3,000 is being taken on as assumed

trade debt by the Purchaser. So for the most part, with that one exception, the unserved unsecured creditors are not prejudiced by the transaction.

- In any event, the delta between the valuation of OEL or its assets, and the secured debt is so large that unless there have been serious errors by OEL, FTI, and the Proposal Trustee, there is no scenario where the unsecured creditors would be paid, unless their debt was assumed by a purchaser. In other words, the proposed transaction does not prejudice them. In fact, arguably, most of them are better off, given the assumption of their accounts by the Purchaser.
- The process leading to the transaction was not as robust as we would often expect to see, particularly for a related-party transaction. There was no public or even private third-party marketing process. However, I find that this was reasonable in the circumstances. The Board did have the independent advice of FTI, both on going concern and liquidation value. The Board's reasoning as to why a sales process is not feasible in this particular set of circumstances makes sense, particularly given the financial circumstances of the company, the lack of liquidity to fund the sale process, the portable nature of the employees and clients, and the circumstances in which a process would have to take place, including the very depressed price of oil, which has a direct impact on work available to engineering consultants who only work in the energy sector, like OEL, and COVID-19 restrictions.
- The Proposal Trustee's opinion is not determinative; however, the Proposal Trustee is aware of his duties to all stakeholders and sees no scenario in which a third-party sale, or a third-party sales process, leads to a better result for OEL or any of its creditors, whether secured or unsecured. The Proposal Trustee approves the process leading up to the transaction and has filed the report required by section 65.13(4)(c) of the *Act*.
- The secured creditors are supportive, and they are not being paid in full.
- As already outlined, the unsecured creditors are not being prejudiced in fact. On the other hand, the transaction is designed to at least potentially preserve 34 jobs in at least the short term. Jobs are not easy to come by for engineers working in the oil and gas sector right now, so that is a relevant consideration.
- Based on both the FTI analysis and the Proposal Trustee's analysis, the Purchaser is paying consideration at the very highest end of the possible range of value that could be recovered for either the company as a going concern, or on a liquidation basis. And in fact, the purchase price is significantly more than would be achieved in a liquidation. Even though there was no bid process, the analysis of FTI and the Proposal Trustee do provide us with some independent benchmarks of value. I am satisfied that the consideration is reasonable and fair.

- The transaction is going to proceed quickly, so as to avoid further erosion of value. It does not contemplate any interim or debt financing, which would be required for any longer sale process. Such financing may or may not be available, and if it were, it would further add to the costs to OEL.

[28] The wording of section 65.13(5) has given me some pause. On its face, subparagraph (a) contemplates that there must be some actual effort made to sell or dispose of the assets to unrelated parties. Subparagraph (b) follows up on this by referring to the consideration in the proposed transaction being superior to the consideration that would be received under any other offer made in accordance with the process. Again, the contemplation seems to be that there would be some process that could at least generate other offers.

[29] The question is whether the Court can approve a sale under section 65.13(5), where there has been no actual sale process. While I am of the view that the Court should be cautious in so doing, I am persuaded that the Court may do so where the particular circumstances warrant. While section 65.13(5) refers to good faith efforts being made to sell, it does not actually mandate a particular sales process, or for that matter, any sales process at all. For instance, it does not say that the Court must be satisfied that there was a good faith sales process. Rather, the wording of the provision focuses on the efforts that were made. In most cases, I expect that the efforts would have to involve some actual approaches to other purchasers. However, I am not convinced that these are strictly required in every case in a proper interpretation of the provision.

[30] Time has not permitted a thorough investigation into the legislative history of section 65.13(5); however, I note that in *Re Komtech*, 2011 ONSC 3230, Justice Kane reviewed the history of section 65.13. At paragraph 31, Justice Kane cited from some Senate committee meetings that were part of the process leading up to the introduction of the bill that included section 65.13. One of the comments in those meetings was that the bill in question is designed to promote restructuring, which had been found to provide greater protection than liquidations in bankruptcy. This does not mean that anything goes. In fact, the comments at the committee also confirmed that the bill sought to increase transparency, provide better opportunities for participation, and approve checks and balances. But I must keep in mind that the provision is designed to be facilitative of restructuring. In *Komtech*, Justice Kane found that a transaction could be approved under section 65.13, even when the insolvent party would not be in a position to actually make a proposal.

[31] Counsel provided me with the decision of Justice Morawetz in *Re Target Canada Co.*, 2015 ONSC 2066. Justice Morawetz was considering the analogous provision to section 65.13(5) under the CCAA. While the facts in *Target* are distinguishable in many ways, Justice Morawetz's decision did approve an asset sale where there had been no marketing process for the assets in question. In so doing, he held that the Court should not take a formulaic approach to the provision, and must be satisfied overall that: (as read)

Sufficient safeguards were adopted to ensure that the related-party transaction is in the best interests of the stakeholders of the applicants, and that the risk to the estate associated with a related-party transaction have been mitigated.

And that's from paragraph 15.

[32] In that case, he was satisfied that the risk theoretically associated with a related-party transaction had been addressed through the efforts to evaluate the saleability of the assets to an unrelated party. He also considered the particular circumstances of the assets in question.

[33] It would be somewhat absurd from an interpretive perspective to suggest that, for example, a party could make one call to a potential purchaser, and that would bring the party's efforts at least into consideration under section 65.13(5), but that coming to a reasoned conclusion that such a call would actually harm the value that could be achieved for stakeholders, would disqualify the insolvent person from even having the transaction considered under section 65.13(5).

[34] It is also noteworthy as well that in appropriate circumstances, courts approve pre-packaged and quick-flip transactions in the receivership context, where there is no sales process. This can occur even when a related party is involved. For example, see *Tool-Plas Systems Inc.*, [2008] OJ No 4218 (SC) (QL), which is a decision of the Superior Court of Justice Commercial List by Justice Morawetz. I appreciate that these cases in the receivership context do not involve the specific legislative requirements of section 65.13(5), but they provide some analogous circumstances that assist in the interpretation of section 65.13(5).

[35] In this particular case, the efforts that were made that I need to consider under section 65.13(5) include retaining FTI, considering categories of potential purchasers, and then with all of the financial information and the FTI estimated values in mind, considering whether a sales process to try to solicit purchasers was feasible. The nature of the business, including the portable nature of the both employees and clients is relevant. Whether it would be enough on its own need not be decided, because other factors are at play here. This review by OEL, in consultation with its secured creditors, took place in March and April 2020, after huge drops in oil prices and unprecedented public health lock downs due to COVID-19. A sale process would have had to unfold in those difficult circumstances. The mix of secured and unsecured creditors and the evidence that the unsecured claims are relatively small in number of relatively small values, and were not going to be paid in any scenario, unless accepted as assumed debt by the Purchaser, is also relevant to whether the company's decision not to pursue a sales process amounts, in effect, to a good faith effort to sell or otherwise dispose, as required by section 65.13(5). Of course, the lack of liquidity in the company, and the cost and risk involved in the sales process are also relevant and were accounted for. In the particular circumstances of this case, I conclude that section 65.13(5) is satisfied.

[36] I have had reference to the decision in *(Re) Hypnotic Clubs Inc.*, 2010 ONSC 2987. The circumstances are analogous to the ones at bar in many respects; however, ultimately Justice Cumming found that the related-party purchaser had, in effect, created a situation where there was no other market for the asset through its control of the sublease. There is no such lack of good faith effort in the case before me. Further, the *Hypnotic* situation was one where the value of the unsecured claims was somewhat higher, and also where there was a history of significant litigation between some of the parties involved that Justice Cumming seemed to take into account. He did note, though, that even in that case, there was unlikely to be recovery by the unsecured creditors.

[37] I am satisfied that the circumstances before me are sufficiently distinguishable so as to lead to a different result in this case. Also, I note that Justice Cumming did not find that section 65.13(5)(a) could never be met without a formal third-party sale process of some sort. Rather, he

simply found that in the circumstances before him, the required good faith efforts had not been made.

[38] So I am granting your application, Mr. Van de Mosselaer.

Oral Decision delivered on the 27th day of May, 2020.

Dated at the City of Calgary, Alberta this 19th day of June, 2020.

April D. Grosse
J.C.Q.B.A.

Appearances:

R.S. Van de Mosselaer and K. Armstrong
for OEL Projects Ltd.

J.L. Oliver
for the Trustee

J.H. Wilson
for Three Former Employees

R. Jaipargas
for CIBC

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Feronia Inc. (Re)*,
2020 BCSC 1372

Date: 20200915
Docket: B200352
Registry: Vancouver

In the Matter of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C. B-3, As Amended

And

In the Matter of the Notice of Intention to Make a Proposal of Feronia Inc., of the City of Vancouver, in the Province of British Columbia

Before: The Honourable Mr. Justice Milman

Reasons for Judgment

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B. Burland

Place and Date of Hearing:

Vancouver, B.C.
September 3, 2020

Place and Date of Judgment:

Vancouver, B.C.
September 15, 2020

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I. Introduction

[1] On September 3, 2020, I made an order that, among other things, approved the sale of the assets of the debtor, Feronia Inc. (“Feronia”), to an affiliate of one of its two largest shareholders. Feronia had recently filed a notice of intention to make a proposal to its creditors under Part III, Division 1 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 [BIA], and therefore needed court approval under s. 65.13 of the BIA in order to proceed with the sale.

[2] The application was opposed by one of Feronia’s convertible unsecured subordinated debenture holders, who argued that, among other things, the process leading to the sale was flawed and inadequate and, as a result, the assets were being sold for far less than their real value.

[3] Because the matter was urgent, I granted the order immediately after hearing the application and advised the parties that I would provide written reasons for my decision at a later date. The following are those reasons.

II. The Background Facts

A. Feronia and its Assets

[4] Feronia is a public company with a registered office in Vancouver. Its head office is in Kinshasa, in the Democratic Republic of the Congo (the “DRC”). Although its shares are listed on the TSX Venture Exchange, it has, since July 22, 2020, been subject to a cease trading order by the Ontario Securities Commission for having failed to file certain periodic disclosure material.

[5] Its largest shareholders are the CDC Group PLC (“CDC”) and KKM 2 Limited (“KKM”), who own 42% each. The remainder of its shares are held by others, including members of the public. It has issued various debentures, options and deferred share units, among other forms of convertible securities.

[6] Feronia is essentially a holding company with no employees. It holds all but one of the shares in a Belgian subsidiary, known as Feronia Maia Sprl (“FM”). Between them, Feronia and FM hold a 76.16% equity interest in a DRC company

known as Plantations et Huileries du Congo SA (“PHC”). PHC operates three palm oil plantations in the DRC, the government of which holds the remaining 23.84% interest in PHC.

[7] Over 8,000 unionized permanent and temporary employees, on a full-time equivalent basis, work at those plantations. The plantations are said to be an important pillar of the local community in the DRC, providing employment, amenities, healthcare and education to approximately 100,000 people who live in and around them.

[8] Apart from those shares and certain intercompany claims (against PHC, in the case of Feronia, and against Feronia, in the case of FM), neither Feronia nor FM have any other assets of significance.

[9] Feronia was formed in 2008 for the purpose of raising funds to bid on and acquire PHC, which was then owned by the Unilever group. It was originally incorporated under Ontario’s *Business Corporations Act*, R.S.O. 1990, c. B.16, but was on August 18, 2016 continued into British Columbia under the British Columbia *Business Corporations Act*, S.B.C. 2002, c. 57.

[10] Feronia acquired its interest in PHC in 2009. Before then, PHC was having difficulty attracting investment due at least in part to civil unrest and instability in the PRC. Feronia has since invested in replanting and infrastructure upgrades at the plantations. Despite those investments, PHC has continued to operate at a loss and so Feronia and PHC have had to borrow extensively from third parties to fund PHC’s infrastructure investments and operations.

B. Feronia’s Debts and Financial Difficulties

[11] Feronia’s only secured debt arises from a term facility dated December 21, 2015 that PHC entered into with the so-called “DFI Lenders,” a group of lenders and investors focused on social and economic development internationally. That facility (the “DFI Term Facility”) took the form of a term loan to PHC in the principal amount of up to US\$49 million. By 2017, PHC had drawn down the entire amount of the

loan. Approximately US\$55 million in principal and interest was said to be owing as of July 31, 2020. PHC's indebtedness to the DFI Lenders is guaranteed by Feronia and secured by way of a pledge of Feronia's and PHC's assets.

[12] Feronia and its affiliates' unsecured debts include the following:

- a) CDN\$6,060,773, in respect of a series of convertible unsecured subordinated debentures, issued by Feronia through an indenture between Feronia and Equity Financial Trust Company (since assigned to TSX Financial Trust Company), dated July 24, 2012 and amended on August 29, 2012 and July 24, 2017;
- b) loan facilities provided by CDC directly to Feronia in 2018 (on which US\$6,118,565 was owing as of August 2020) and 2019 (on which US\$16,436,932 was owing as of August 2020); and
- c) various intercompany loans.

[13] As of December 31, 2018, the entire DFI Lender Term Facility fell due and became a current liability as a result of breaches of a covenant in the agreement to maintain certain solvency standards. On January 2, 2020, Feronia announced that it did not make the scheduled semi-annual interest payment on its outstanding convertible debentures. By mid-March 2020, PHC's operational losses had consumed all of the cash that had previously been advanced to it. During the period between January 1 and May 4, 2020 alone, PHC lost an average of US\$1.4 million per month, for a total of US\$5.4 million, not including financing activities.

C. The Sponsor Support Agreement

[14] In order to continue operating, PHC urgently required additional funding. KKM and CDC advised Feronia in early 2020 that no further funds would be forthcoming unless it pursued an immediate restructuring.

[15] The resulting negotiations led to the Sponsor Support Agreement dated May 20, 2020, among Feronia, CDC and KKM, through which FM received:

- a) an unsecured, subordinated term loan of up to US\$15 million, with an initial advance of US\$5million, from an affiliate of KKM, on which US\$5,038,904 was outstanding as at July 31, 2020; and
- b) another bridge loan from CDC, on which \$4,563,616 was outstanding as of August, 2020.

[16] Those loans were advanced in exchange for Feronia's promise to restructure itself by taking the following steps, among others:

- a) accepting a majority of KKM appointees to its board of directors;
- b) filing a notice of intention to make a proposal under the *BIA* by no later than July 3, 2020 (later extended by agreement);
- c) seeking to complete a sale of its assets by no later than August 15, 2020; and
- d) entering into a "backstop agreement", pursuant to which KKM would acquire Feronia and FM's shares in PHC on certain terms unless those shares were sold through a court-approved sales process by August 15, 2020 on terms more favourable to Feronia and its stakeholders, as determined by Feronia's board of directors.

[17] On May 22, 2020, Feronia issues a press release announcing its having entered into the Sponsor Support Agreement. As of June 30, 2020, Feronia and its affiliates owed approximately US\$91.6 million to their various creditors.

D. The Sales Process

[18] Less than a week after signing the Sponsor Support Agreement, on May 26, 2020, Feronia engaged Ernst & Young Corporate Finance (Canada) Inc. and Ernst & Young Orenda Corporate Finance Inc. (collectively, "EY Corporate Finance") as its independent financial advisors to assist in marketing and selling Feronia's assets (i.e., the shares in FM and PHC and its intercompany debt). On June 2, 2020,

Feronia issued a press release advising of the appointment of EY Corporate Finance and inviting interested parties to contact them.

[19] In order to meet the deadline in the backstop agreement, EY Corporate Finance set a bid deadline of June 30, 2020. In consultation with Feronia, it:

- a) developed a teaser letter;
- b) prepared a confidential information memorandum;
- c) set up an electronic data room; and
- d) compiled a list of 49 potential purchasers to approach directly.

[20] Despite those efforts, the sales process attracted very little interest. Of the 49 potential buyers targeted, 26 refused to proceed further after reviewing the teaser letter or receiving a brief summary and 21 did not respond at all. Only two signed a non-disclosure agreement to gain access to the confidential information memorandum.

[21] In the end, EY Corporate Finance received no offers, other than KKM's, which was made pursuant to the Backstop Agreement and presented on the bid deadline, June 30, 2020. No potential buyer requested more time to consider the opportunity.

E. The Proposed Transaction

[22] After the terms of the backstop sale were finalised, Feronia's independent directors authorized it to enter into the resulting Purchase Agreement with KKM's nominee purchaser and to file a notice of intention to make a proposal. The parties consequently entered into the Purchase Agreement on July 17, 2020 and Feronia filed the notice of intention to make a proposal on July 23, 2020. Ernst & Young Inc. was appointed as the Proposal Trustee. On August 21, 2020, Feronia obtained an order of this Court that, among other things, extended the original stay of proceedings until October 6, 2020.

[23] The consideration to be paid to Feronia under the Purchase Agreement includes the following:

- a) a “closing cash payment” of US\$500,000 plus an additional, unspecified amount to pay out:
 - i. any priority claims ranking ahead of the DFI Lenders’ secured interest in the shares;
 - ii. accrued and unpaid amounts relating to the period from the date of the Purchase Agreement to the closing of the transaction; and
 - iii. costs of the bankruptcy;
- b) a further investment of up to US\$10 million into PHC, of which US\$1 million is to be made before closing; and
- c) assumption of certain of FM’s indebtedness to CDC and KKM or their affiliates.

[24] In addition, CDC has agreed to forgo US\$22.5 million of its claims, representing approximately 78% of the liabilities that the purchaser is not assuming under the Purchase Agreement.

[25] I was provided with a confidential, non-binding Debt Restructuring Term Sheet dated July 17, 2020, which has been filed subject to a sealing order, summarizing the terms under which the purchaser is expected to assume Feronia’s indebtedness to the DFI Lenders. It provides for, among other things, a significant reduction in PHC’s indebtedness to the DFI Lenders pending the completion of the transaction and provided that certain other conditions are satisfied.

[26] In summary, the purchaser is expected to assume US\$64.7 million of Feronia’s current debt, leaving Feronia with approximately US\$4.6 million in unsecured debt, excluding intercompany liabilities. Feronia will have no assets, other

than the remaining balance of the “closing cash payment” which is expected to be applied to pay priority creditors and professional fees associated with the transaction and these insolvency proceedings.

[27] In its first report dated August 14, 2020, the Proposal Trustee expressed its view that “the Sale Process and other efforts used to arrive at the proposed Sale Transaction were fair and reasonable under the circumstances”. The report added that the transaction was not expected to cause any further material deterioration in the existing financial position of Feronia’s remaining creditors because:

- a) no transaction can be successful without the support of CDC, KKM and the DFI Lenders;
- b) PHC requires significant additional financial resources and debt relief to continue in its operations; and
- c) the remaining creditors would be unlikely to recover anything in a liquidation scenario.

III. The Parties’ Submissions

A. Mr. Steers and his Arguments against the Proposed Order

[28] Gregory K. Steers is a shareholder and debenture holder of Feronia. His is the only response filed in opposition to the application for approval of the sale, but he argues that he is alone in that regard only because the other debenture holders were not properly consulted. He says that, with proper consultation, he “would expect many other Debenture Holders would wish to participate in these proceedings”. He complains that, “this process has been structured to give inadequate notice to the Debenture Holders to prevent them from meaningfully participating in this process”.

[29] Mr. Steers alleges that Feronia should have sought alternate financing from other sources rather than entering into the Sponsor Support Agreement with CDC and KKM. The effect of that agreement, he says, was to force Feronia into a flawed

sales process with artificial and unrealistic deadlines, as part of KKM's overall strategy to take Feronia's assets for itself without having to go through a conventional restructuring. By way of contrast, when Feronia originally acquired PHC's assets in 2009 from Unilever, the process took about a year to complete. His counsel suggested in the course of his oral submissions that had there been more time this time, Mr. Steers might have been interested in putting forward a bid himself.

[30] Mr. Steers alleges that, in pursuing this sale, Feronia used new, Canadian-based financial advisors who, unlike its previous, European-based consultants, were unfamiliar with the palm oil business and therefore unqualified to market the assets properly. For example, he says, at least two potential purchasers who might have been interested in bidding, and had even indicated interest in the past, were never approached. As a result, he says, the consideration that Feronia will receive for the assets is mainly directed at the subsidiary level (and is therefore no consideration at all) and does not reflect their true value.

[31] In support of those submissions, Mr. Steers has adduced two affidavits, his own and that of Ravi Sood, who describes himself as the original founder and a former chair and executive director of Feronia. Relying partly on a 2017 publication, they say that African plantations are typically valued on the basis of their price per hectare, which typically ranges from \$7,000 to \$10,000. According to Mr. Sood, Feronia made its investments in PHC with a view to raising PHC's value to the higher end of that range.

[32] Both Mr. Steers and Mr. Sood assert that their valuation analysis is confirmed by comparing PHC with another palm oil producer, known as Société Financière des Caoutchoucs ("Socfin"). Socfin is a much larger producer, with 193,000 hectares of tropical palm oil plantations and rubbers trees located in Africa and Southeast Asia. Its publicly available financial statements suggest that it has a value of \$6,818.52 per hectare, as calculated by Mr. Steers. Mr. Steers asserts that, regardless of the differences in their respective locations and the crops that they grow, PHC's

plantations “would have a similar (or slightly, but not materially, less) value per hectare” than Socfin’s. Mr. Sood agrees with that analysis.

[33] On that basis, Mr. Sood says that PHC’s real value, based on its 19,418 planted hectares, can be conservatively estimated at CAD\$6,000 per hectare, yielding a likely value in excess of CAD\$116 million. Had the assets been sold at a price in that range, Mr. Steers argues, the proceeds would have been sufficient to satisfy all or most of Feronia’s debts, including at least some of the debt owing on the debentures.

[34] Finally, Mr. Steers argues that in justifying its support for the proposed transaction, the Proposal Trustee has offered no real valuation analysis or comparable sales data, but merely relied on the predictable results of a flawed and inadequate sales process. Accordingly, he argues, its recommendation should not be followed.

B. Feronia’s and the Proposal Trustee’s Arguments in Reply

[35] On September 1, 2020, the Proposal Trustee delivered a supplemental report to the service list to address the issues raised by the response of Mr. Steers. The supplemental report contained the following additional comments:

- a) PHC could not have remained in operation had Feronia not entered into the Sponsor Support Agreement;
- b) no further funding is available under the Sponsor Support Agreement to fund a longer sales process;
- c) no other party has come forward to offer additional funding, making it critically important to complete the transaction to avoid a risk of depleting the Feronia group’s going-concern value;
- d) the Proposal Trustee expects the creditors will not receive a better outcome in a bankruptcy than under the proposed transaction;

- e) there are various factors that call into question Mr. Steers' assertions as to the value of the assets being sold, including:
- i. geographical considerations (Feronia having advised the Proposal Trustee that plantations in Southeast Asia enjoy a value premium over those in Africa for various reasons);
 - ii. company factors (Feronia is unlike Socfin for various reasons, such as its inability to demonstrate profitability, its lack of integrated refining capacity, its dependence on only two refiners, its market being confined to the DRC, its lower yields due to historic low quality seed stock and its operating costs being twice as high as those in Southeast Asia, due in part to lower productivity, lack of overhead controls and community commitments);
 - iii. valuation approach (the unique attributes of the subject assets make comparisons difficult; also, historic investment into PHC's infrastructure is not necessarily an indicator of its present value);
 - iv. enterprise value vs. value of purchased assets (what is being sold is not the enterprise as a whole, but only a controlling interest in it, which is subject to a minority 23.84% interest held by the government of the DRC);
 - v. debt relief (the magnitude of the debt relief supported by CDC and the DFI Lenders is said to be "indicative of the value of the Purchased Assets, if there is any, in the absence of a comprehensive restructuring of the Feronia Group supported by the Senior Lenders");

- f) EY Corporate Finance has extensive experience in marketing other kinds of business assets, including agribusinesses, although admittedly not specifically in palm oil related assets;
- g) EY Corporate Finance did not contact the two potential purchasers identified by Mr. Sood but Feronia did issue a press release on June 2, 2020 announcing the sale;
- h) EY Corporate Finance chose not to contact one of those potential purchasers, because it is also one of PHC's two major customers, and Feronia had expressed concerns about being subjected to pricing pressure were that customer to gain access to PHC's sensitive commercial information; and
- i) no parties requested an extension to the bid deadline.

[36] On those grounds, the Proposal Trustee reiterated its conclusion that:

- a) the sales process was fair, adequate and reasonable in the circumstances;
- b) the proposed transaction would be beneficial or neutral to the creditors compared to a disposition under a bankruptcy;
- c) the most compelling indication of value is that generated by the market through the sales process; and
- d) the consideration to be paid for the assets is therefore fair and reasonable in light of their market value.

[37] At the hearing, I also heard oral submissions from counsel for Feronia, the Proposal Trustee and CDC in support of the application. Those submissions generally reiterated the observations in the supplemental report, adding that:

- a) neither Mr. Steers nor Mr. Sood were properly qualified as expert witnesses so as to render their opinions admissible in court;
- b) Mr. Steers' suggestion in oral argument that Feronia should have explored other sources of financing, rather than entering into the Sponsor Support Agreement, was unrealistic, given the circumstances it faced;
- c) Feronia's press releases gave adequate notice of the sales process to potential bidders who were not specifically targeted;
- d) the trustee for the debenture holders was duly served with Feronia's notice of intention to make a proposal;
- e) no potential bidders, including Mr. Steers, ever approached the Proposal Trustee during the sales process to seek more time to prepare and put forward a bid;
- f) if the sale is not approved, there is no guarantee that Feronia's lenders will continue to fund PHC's operations, in which case PHC may be forced to cease operations for lack of cash;
- g) a shutdown of PHC's operations would not only reduce the value of the assets to be sold but also devastate the communities in the DRC that depend on the plantations for their livelihood; and
- h) even if the proposed transaction had been presented to the creditors in the context of a conventional proposal to restructure Feronia's debt, as Mr. Steers says it should have been, the creditors supporting the present application would have sufficient votes to approve it.

IV. Discussion

[38] The test to be applied in determining whether to authorize a sale of a debtor's assets in these circumstances is set out in s. 65.13 of the *BIA*, which states, in relevant part, as follows:

Restriction on disposition of assets

65.13 (1) An insolvent person in respect of whom a notice of intention is filed under section 50.4 or a proposal is filed under subsection 62(1) may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

...

Notice to secured creditors

(3) An insolvent person who applies to the court for an authorization shall give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

Factors to be considered

(4) In deciding whether to grant the authorization, the court is to consider, among other things,

- (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
- (b) whether the trustee approved the process leading to the proposed sale or disposition;
- (c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
- (d) the extent to which the creditors were consulted;
- (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
- (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

Additional factors — related persons

(5) If the proposed sale or disposition is to a person who is related to the insolvent person, the court may, after considering the factors referred to in subsection (4), grant the authorization only if it is satisfied that

- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the insolvent person; and

(b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.

Related persons

(6) For the purpose of subsection (5), a person who is related to the insolvent person includes

- (a) a director or officer of the insolvent person;
- (b) a person who has or has had, directly or indirectly, control in fact of the insolvent person; and
- (c) a person who is related to a person described in paragraph (a) or (b).

...

[39] In *Veris Gold Corp. (Re)*, 2015 BCSC 1204, Fitzpatrick J. had occasion to consider a similar application under s. 36(3) of the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, the provision in that statute that parallels s. 65.13 of the *BIA*. After setting out that legislation, she described the principles emerging from the related jurisprudence as follows, at paras. 23-25:

[23] A more general test has been restated, as discerned from the above factors, namely to consider the transaction as a whole and decide "whether or not the sale is appropriate, fair and reasonable": *Re White Birch Paper Holding Co.*, 2010 QCCS 4915 at para. 49, 72 C.B.R. (5th) 49, leave to appeal ref'd 2010 QCCA 1950.

[24] In addition, the principles identified in *Royal Bank v. Soundair Corp.* (1991), 4 O.R. (3d) 1 at 6 (C.A.) are helpful in considering whether to approve a sale:

1. Whether the party conducting the sale made sufficient efforts to obtain the best price and did not act improvidently;
2. The interests of all parties;
3. The efficacy and integrity of the process by which offers were obtained; and
4. Whether there has been any unfairness in the sales process.

[25] Various authorities support that, in considering the test under s. 36 of the CCAA, the principles of *Soundair* remain relevant and indeed overlap some of the specific factors set out in s. 36(3): *Re Canwest Publishing Inc.*, 2010 ONSC 2870 at para. 13; *White Birch* at para. 50; *Re PCAS Patient Care Automation Services Inc.*, 2012 ONSC 3367 at para. 54.

[40] In the discussion that follows, I will consider each of the statutory factors enumerated in ss. 65.13(4), as well as those in ss. 65.13(5), given that the proposed purchaser in this case is clearly a “related person” as that term is defined in s. 65.13(6).

A. Was the sales process reasonable in the circumstances?

[41] Mr. Steers’ criticisms of the sales process focus on two main concerns: its relatively short duration and the degree to which it failed to expose the assets sufficiently to the niche market that may exist for them.

[42] With respect to the duration of the process, it is not disputed that the 30-day time limit was driven primarily by the terms of the Sponsor Support Agreement. Mr. Steers argues that Feronia did not explore other restructuring alternatives before committing to the draconian strictures of that agreement. In that regard, he cites *Komtech Inc. (Re)*, 2011 ONSC 3230, as an example of a case in which an asset sale was approved under s. 65.13 of the *BIA* on the stated basis that, among other things, the debtor had “made reasonable efforts in search of alternate financing, equity partnership or a purchaser of the business” (at para. 9) – something he argues is entirely missing here.

[43] I do not find that argument persuasive.

[44] If the Sponsor Support Agreement had imposed the 30-day time limit arbitrarily, for no apparent reason, then Mr. Steers’ argument would be more persuasive. In fact, however, the timelines were kept short because PHC had run out of cash and had been losing more than US\$1.4 million every month in the months immediately preceding the finalisation of that agreement.

[45] In those circumstances, the parties had to balance the cost of allowing for additional time to sell the assets against the likely benefit that would flow from any such extension. It was not necessarily unreasonable to allow the sales process to run only for so long as the business could continue to operate with the cash available. While one can argue, as Mr. Steers does, that the sponsors should have

provided even more funding in order to enable Feronia to run a longer process, the evidence does not show that a process lasting more than 30 days would have been likely to yield any better results.

[46] While I accept that potential bidders cannot be assumed to have been alerted to the sales process by the press releases alone, the target audience was a small one and an effort was made to solicit interest from a carefully compiled list of 49 potential targets. I am not persuaded by the suggestion that other, more specialised brokers in Europe would have compiled a very different list or that they would have succeeded in generating greater interest from the same or other targets. The assets on offer were understandably unattractive to the market, given the financial predicament that the prospective bidders were being invited to buy into. That situation would only have worsened, not improved, with more time.

[47] Therefore, the fact that Feronia may have taken a year to complete its original purchase of PHC from Unilever in 2009 says little about the minimum duration needed for an adequate sales process in the present context. No potential bidder sought more time to consider and prepare a bid in this case.

[48] The fact that EY Corporate Finance did not specifically approach the two potential bidders identified by Mr. Steers does not, by itself, demonstrate that its overall marketing effort was inadequate. Feronia has offered a reasonable explanation for not wanting to invite one of its two main customers to submit a bid. While I accept that measures can be and often are taken in other sales processes to address such concerns, that does not mean that it was necessarily unreasonable for Feronia to have preferred not to take that chance in this case.

[49] In summary, I have concluded that the sales process that was followed in this case was a reasonable one in the circumstances.

B. Did the trustee approve the sales process?

[50] Although the Proposal Trustee has expressed the view that the process leading to the sale was a reasonable one in the circumstances, Mr. Steers argues

that that opinion should not attract the usual deference from this Court because the sale was carried out prior to Feronia's filing, and therefore outside the supervision of the Court, with its attendant safeguards.

[51] In support of that submission, he cites in *Sanjel Corporation (Re)*, 2016 ABQB 257. In that case, Romaine J. was asked to approve a sale in the context of a so-called "pre-pack" filing, whereby a Sales and Investment Solicitation Process ("SISP") had already occurred and the resulting agreement entered into prior to the originating court filing (in that case, the proceedings were commenced under the CCAA).

[52] Justice Romaine described the concerns that can arise in that context as follows, at paras. 69-71:

[69] It is true that the SISP, and the restructuring negotiations with the Ad Hoc Bondholders, took place prior to the filing under the CCAA, that this was a "pre-pack" filing.

[70] A pre-filing SISP is not of itself abusive of the CCAA. Nothing in the statute precludes it. Of course, a pre-filing SISP must meet the principles and requirements of section 36 of the CCAA [the equivalent of s. 65.13 of the *BIA*] and must be considered against the *Soundair* principles. The Trustee submits that such a SISP should be subject to heightened scrutiny. It may well be correct that a pre-filing SISP will be subject to greater challenges from stakeholders, and that it may be more difficult for the debtor company to establish that it was conducted in a fair and effective manner, given the lack of supervision by the Court and the Monitor, who as a court officer has statutory duties.

[71] Without prior court approval of the process, conducting a SISP outside of the CCAA means that both the procedure and the execution of the SISP are open to attack by aggrieved stakeholders and bitter bidders, as has been the case here. Any evidence or reasonable allegations of impropriety would have to be investigated carefully, whereas in a court-approved process, comfort can be obtained through the Monitor's review and the Court's approval of the process in advance. However, in the end, it is the specific details of the SISP as conducted that will be scrutinized.

[53] Nevertheless, in the end, Romaine J. accepted the monitor's recommendation and approved the sale, explaining her conclusion in that regard as follows, at paras. 77-80:

[77] While some interested parties may have found the time limits challenging, a reasonable number were able to meet them and submit bids. I

am satisfied from the evidence that, despite a challenging economic environment, the process was competitive and robust.

[78] I also note the comments of the Monitor in its First Report dated April 12, 2016. While it was not directly involved in the SISP, the Monitor reports that the financial advisors advised the Monitor, that given the size and complexity of the Sanjel Group's operations and the time frames involved, all strategic and financial sponsors known to the advisors were contacted during the SISP and that it is unlikely that extending the SISP time frames in the current market would have resulted in materially better offers.

[79] Based on this advice and the Monitor's observations since its involvement in the SISP from mid-February 2016, the Monitor is of the opinion that it is highly improbable that another post-filing sales process would yield offers materially in excess of those received.

[80] Finally, I note that the Ad Hoc Bondholders' own March 20 proposal envisaged a pre-packaged CCAA proceedings. A sales process is only required to be reasonable, not perfect. I am satisfied that this SISP was run appropriately and reasonably, and that it adequately canvassed the relevant market for the Sanjel Group and its assets.

[54] I agree with Mr. Steers that the fact that the sales process that was followed in this case was not approved by the Court in advance is a factor to be weighed in considering whether it was reasonable. Nevertheless, in approving the sale that was in issue before her, Romaine J. also took account of the fact that the debtor had engaged financial advisers during the pre-filing SISP and that the monitor, once it became involved, believed that the process, with the professionals engaged, had been reasonable.

[55] This case is similar in that sense. Feronia had engaged EY Corporate Finance to assist with the sales process prior to the filing and, having done so, followed its advice. The Proposal Trustee, once it became involved, came to the view that the process that had been followed prior to its involvement was a reasonable one in the circumstances.

[56] As Romaine J. stated, ultimately it is the "specific details of the [sales process] as conducted that will be scrutinized". Like her, I have found the favourable opinion of the Proposal Trustee, although arrived at *post facto*, to be helpful in scrutinising the sales process at issue before me.

[57] The favourable opinion of the Proposal Trustee on that question is therefore another factor that weighs in favour of approval.

C. Has the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy?

[58] There is such a report before me. Mr. Steers argues that the Proposal Trustee's opinion in that regard should not be relied upon, however, because it is unsupported by any analysis.

[59] I disagree. The Proposal Trustee considered the likely impact of a bankruptcy. It concluded that the creditors would be likely to see a diminished recovery in a bankruptcy scenario, principally because the business would not be sold as a going concern, as it is now, and the additional debt relief that has been made available under the terms of the proposed sale would not otherwise be available.

[60] I find that opinion persuasive.

D. To what extent were the creditors consulted?

[61] The sales process was conducted in consultation with the creditors holding the vast majority of Feronia's debt. It is not disputed, however, that the debenture holders were not formally consulted through the indenture trustee before Feronia entered into the Sponsor Support Agreement and then carried out and essentially completed the sales process. They would not even have become aware of those developments unless they happened to review Feronia's relevant press releases at the time. By the time the indenture trustee was given formal notice of the filing of Feronia's intention to make a proposal, the sales process had essentially run its course.

[62] The lack of consultation with the debenture holders is a factor that, I accept, must be weighed in the analysis. But the importance of that factor depends on the

degree to which there was ever a realistic prospect of any recovery for them. The evidence suggests that there was not.

E. What effects will the proposed sale have on the creditors and other interested parties?

[63] The Proposal Trustee has identified the significant advantages to the stakeholders that will flow from allowing the proposed sale to proceed. PHC will be able to continue in operation with a new source of working capital. The local communities that depend on the plantations will continue to enjoy the benefits they provide.

[64] I accept that another consequence of the transaction is that the debentures will be rendered worthless. The true cost to them must, however, be assessed in light of the realistically available alternatives. In that regard, the evidence suggests that debenture holders will be in no worse a position as a result of the sale.

[65] Even on Mr. Steers' numbers, which are hotly contested, their prospects for recovery would be limited. If PHC's three plantations were, as he contends, worth approximately CDN\$116 million in total, then Feronia's 76.16% interest in them would be worth no more than approximately CDN\$88,345,600. Had Feronia received that amount in a sale of its assets (plus whatever additional amount it might have received for the intercorporate debt it holds), after paying out the US\$55 million owing to the DFI Lenders, there would be at best only a fractional recovery for the US\$36.6 million in unsecured debt, in which the CDN\$6,060,773 owed to the debenture holders would rank *pari passu*.

[66] Although even a fractional recovery is admittedly better than no recovery at all, if, as I have concluded, the analysis of the Proposal Trustee presents the more accurate assessment of the value of the assets being sold, then the debenture holders are no worse off as a result of the sale.

F. Is the consideration to be received for the assets reasonable and fair, taking into account their market value?

[67] It is not disputed that the assets being sold in this transaction are difficult to value. I agree with the Proposal Trustee that their value cannot be calculated simply by applying a conventional price per hectare, given that ownership of PHC is shared with the government of the DRC and the long and consistent record of losses with which these assets are burdened. I also agree, for the reasons advanced by the Proposal Trustee, that Socfin's value does not serve as a helpful comparator for this purpose.

[68] Moreover, I disagree with Mr. Steers' submission that he has adduced the only valuation evidence before me. On the contrary, I also agree with the Proposal Trustee that a compelling indicator of the true value of Feronia's assets can be discerned from the disappointing results of the recently completed sales process, coupled with the willingness of the senior lenders to accept a reduction in the debt owing to them in order to keep the business operating.

[69] For those reasons, I have concluded that the consideration to be received in the proposed transaction is indeed reasonable and fair.

G. Were good faith efforts made to sell the assets to an unrelated party?

[70] Mr. Steers argues that there were no good faith efforts made to sell Feronia's assets in this case. In particular, he alleges that KKM forced Feronia to enter into the Sponsor Support Agreement, the terms of which were deliberately designed to ensure that the sales process would fail, as it ultimately did. KKM intended, in doing so, to acquire Feronia's assets for itself at little or no cost and without having to put a restructuring proposal to Feronia's creditors, it is alleged.

[71] In support of that submission, Mr. Steers cites *Hypnotic Clubs. Inc. (Re)*, 2010 ONSC 2987 as an example of a case in which a proposed asset sale was not approved under s. 65.13 of the *BIA*, despite the favourable opinion of the proposal trustee, for want of good faith efforts to sell the debtor's assets to an unrelated party. In that case, the debtor, Hypnotic Clubs Inc. ("Hypnotic") applied to sell its assets to

an affiliate of Muzik Club's Inc. ("Muzik"), an entity that was related to Hypnotic for purposes of s. 65.13(5) of the *BIA*. Hypnotic was a tenant under a sublease granted by Muzik. Muzik had refused to enter into any sublease with a subtenant who was not related to it, thereby leaving Muzik or one of its affiliates as the only potential purchaser and precluding any sale of Hypnotic's assets to the public.

[72] The facts of this case are distinguishable, however. The Sponsor Support Agreement did not preclude a sale of Feronia's assets to an unrelated party, as Muzik had. Rather, it contemplated an arm's-length, transparent sales process that appears to have been genuinely intended to generate such a sale. Feronia, unlike Hypnotic, retained third party advisors to run the sale process on its behalf. EY Capital Markets, with the assistance of Feronia, made what I find to be good faith efforts to find a willing and suitable arm's-length buyer. The fact that no such buyer came forward does not mean that the effort to find one was other than in good faith.

[73] In the circumstances, I find that Feronia did make good faith efforts to sell its assets to an unrelated party.

H. Is the consideration to be received superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition?

[74] It is not disputed that the consideration to be paid for Feronia's assets in the proposed sale is superior to any other offer made through the sales process, given that there were no such other offers.

V. Conclusion

[75] The factors enumerated in s. 65.13 of the *BIA* overwhelmingly favour approving the sale. I have therefore concluded that the sale should be approved and the order granted on the terms sought.

"Milman J."

Court of Queen's Bench of Alberta

Citation: Sanjel Corporation (Re), 2016 ABQB 257

Date: 05162016
Docket: 1601 03143
Registry: Calgary

In the matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36,
as amended

And in the matter of the Compromise or Arrangement of Sanjel Corporation, Sanjel Canada Ltd., Terracor Group Ltd., Suretech Group Ltd., Suretech Completions Canada Ltd., Sanjel Energy Services (USA) Inc., Sanjel (USA) Inc., Suretech Completions (USA) Inc., Sanjel Capital (USA) Inc., Terracor (USA) Inc., Terracor Resources (USA) Inc., Terracor Logistics (USA) Inc., Sanjel Middle East Ltd., Sanjel Latin America Limited and Sanjel Energy Services DMCC

Reasons for Decision
of the
Honourable Madam Justice B.E. Romaine

I. Introduction

[1] The Sanjel debtors seek orders approving certain sales of assets generated through a SISP that was conducted prior to the debtors filing under the *Companies' Creditors Arrangement Act*. The proceeds of the sales will be insufficient to fully payout the secured creditor, and will generate no return to unsecured creditors, including the holders of unsecured Bonds.

[2] The Trustee of the Bonds challenged the process under which the SISP was conducted, and the use of what he characterized as a liquidating CCAA in this situation. He alleged that the use of the CCAA to effect a pre-packaged sale of the debtors' assets for the benefit of the secured creditor was an abuse of the letter and spirit of the CCAA. He also alleged that bad faith and collusion tainted the integrity of the SISP.

[3] After reviewing extensive evidence and hearing submissions from interested parties, I decided to allow the application to approve the sales, and dismiss the application of the Trustee. These are my reasons.

II. Facts

[4] On April 4, 2016, the Sanjel Corporation and its affiliates were granted an Initial Order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended. PricewaterhouseCoopers Inc., ("PWC") was appointed as Monitor of the applicants.

[5] Sanjel and its affiliates (the "Sanjel Group" or "Sanjel") provide fracturing, cementing, coiled tubing and reservoir services to the oil and gas industry in Canada, the United States and Saudi Arabia. Sanjel Corporation, the parent company, is a private corporation, the shares of which are owned by the MacDonald Group Ltd. It was incorporated under the *Alberta Business Corporations Act* in 1980, and its principal executive and registered office is located in Calgary. Four of the other members of the group were incorporated in Alberta, seven in various American states and three in offshore jurisdictions.

[6] The sole director of all Canadian and US Sanjel companies resides in Calgary, as do all of the officers of these companies. The affidavit in support of the Initial Order sets out a number of factors relevant to the Sanjel Group's ability to file under the CCAA and that would be relevant to a determination of a Centre of Main Interest ("COMI") of the Sanjel Group. In subsequent Chapter 15 proceedings in the United States, the US Court declared COMI to be located in Canada and the CCAA proceedings to be a "foreign main proceeding." It is clear that the Sanjel Group is a fully integrated business centralized in Calgary.

[7] Sanjel Corporation and Sanjel (USA) Inc. are borrowers under a credit agreement (the "Bank Credit Facility") dated April 21, 2015 with a banking syndicate (the "Syndicate") led by Alberta Treasury Branches as agent. The total amount outstanding under the Bank Credit Facility at the time of the CCAA filing was approximately \$415.5 million. The Syndicate has perfected security interests over substantially all of the assets of the Sanjel Group, and is the principal secured creditor of the Sanjel Group in these CCAA proceedings.

[8] On June 18, 2014, Sanjel Corporation issued US \$300 million 7.5% Callable Bonds due June 19, 2019. Interest is payable on the Bonds semi-annually on June 19 and December 19. The Bonds are unsecured. Nordic Trust ASA (the "Trustee") is the trustee under the Bond Agreement.

[9] The Sanjel Group has been severely impacted by the catastrophic drop in global oil and gas prices since mid-2014. Over the last 18 months, the Sanjel Group has taken aggressive steps to cut costs, including by reducing staffing levels by more than half. However, by late October, 2015, Sanjel Corporation was in breach of certain covenants under the Bank Credit Facility. By late December, 2016, the Syndicate was in a position to exercise enforcement rights. In addition, an interest payment of USD \$11,250,000 was due on the Bonds on December 19, 2015. Since late 2015, the Sanjel Group has been in negotiations with both the Syndicate and two bondholders, Ascribe Capital LLC and Clearlake Capital Group L.P., (the "Ad Hoc Bondholders"). The Ad Hoc Bondholders hold over 45% of the Bonds.

[10] In the fall of 2015, Sanjel Corporation engaged Bank of America Merrill Lynch ("BAML") to identify strategic partners and attempt to raise additional capital for the Sanjel Group. BAML contacted 28 private equity firms; 19 non-disclosure agreements were executed and 9 management presentations were made. However, the BAML process did not result in a successful transaction.

[11] In December, 2015, the Ad Hoc Bondholders retained a New York law firm, Fried Frank, as their legal advisor and Moelis & Company as their financial advisor.

[12] On December 10, 2015, Fried Frank conveyed a proposal from the Ad Hoc Bondholders to Sanjel. Under this proposal, Sanjel would be required to pay the USD \$11,250,000 interest payment. Provided that the interest payment was made, the bondholders would agree to a standstill agreement for the same period as may be agreed with the Syndicate. In return, the Ad Hoc Bondholders would lend back their pro rata share of that interest payment to Sanjel in return for secured notes ranking *pari passu* with the Bank Credit Facility, bearing interest at the same rate as the Bank Credit Facility plus 2%. The new notes would not be repaid until the Bank Credit Facility was repaid.

[13] The Ad Hoc Bondholders indicated that they would consider acting as standby lenders to Sanjel for the remainder of the interest payment and would offer the other bondholders the option of lending back their pro-rata share to Sanjel on the same basis. If they agreed to be standby lenders, the Ad Hoc Bondholders would receive a commitment fee equal to 10% of their standby commitment, payable in new notes.

[14] The proposal letter indicated that the Ad Hoc Bondholders were aware that Sanjel had been engaged in a process to address liquidity and leverage issues over the past few months, including attempting to raise equity to sell assets. In their view, Sanjel had exhausted those efforts, and the only remaining option was a deal negotiated with the bondholders. However, the Ad Hoc Bondholders would only embark on such a process if the December 19, 2015 interest payment was made.

[15] Sanjel rejected the proposal on December 14, 2015. It is noteworthy that the Bank Credit Facility includes a negative covenant prohibiting Sanjel from granting a security interest over its assets. The Syndicate advised Sanjel that the Ad Hoc Bondholders' proposal to have their existing unsecured position elevated to rank *pari passu* with the Bank Credit Facility was unacceptable, and that it would not provide its consent.

[16] On December 15, 2015, the Ad Hoc Bondholders advised counsel to the Syndicate that they wished to work towards a restructuring, which they envisaged would involve paying down a portion of the Syndicate's debt "in an amount to be mutually agreed on". They also suggested that Sanjel would implement a rights offering to holders of Bonds and then to existing equity, with a conversion of the Bonds into new debt and equity.

[17] On or about December 15, 2015, the Ad Hoc Bondholders sent Sanjel a draft waiver and standstill agreement, which required the payment of part of the December 19 interest payment by December 23, 2015 and the payment of the fees and disbursements of Fried Frank and Moelis in return for arranging for a bondholder meeting to be called to consider a period of forbearance to March 31, 2016.

[18] Fried Frank and Moelis executed Non-Disclosure Agreements ("NDAs") on December 24, 2015, but the Ad Hoc Bondholders did not, thus not restricting their right to trade the Bonds. Fried Frank and Moelis were granted access to a Sanjel virtual database ("VDR") on January 9, 2016.

[19] By January, 2016, given the prolonged downturn in oil and gas prices, Sanjel's liquidity was limited. Events of default under the Bank Credit Facility that had occurred as of October 31, 2015 were exacerbated by a cross-default based on the non-payment of interest under the Bond

Agreement. As of January 31, 2016, the Sanjel Group had total consolidated liabilities of approximately \$1.064 billion.

[20] Sanjel was facing very significant negative cash flow projections over the next few months. As of early January, 2016, Sanjel's projected cash flows showed that its cash position would deteriorate by more than half as of the first week of April, 2016, and would be further reduced by anticipated forbearance payments.

[21] In the circumstances, Sanjel agreed with the Syndicate to implement a Sales and Investment Solicitation Process ("SISP"). Sanjel states that it hoped that if a SISP was implemented, it might find a transaction that preserved the business as a going concern, which would maximize stakeholder value and preserve goodwill and jobs.

[22] In mid-January, 2016, Sanjel engaged PWC as a proposed Monitor in the event it would become necessary to file under the CCAA.

[23] The SISP was commenced on behalf of Sanjel by its financial advisors, PJT Partners Inc. ("PJT") and Credit Suisse Securities (CANADA), Inc. ("CS") on January 17, 2016. The advisors contacted prospective bidders, many of whom had already been identified through the BAML process of late 2015.

[24] The process of soliciting non-bidding indications of interest ran from January 17, 2016 to February 22, 2016. On January 26, 2016, the advisers updated and opened a VDR available to anyone who had signed a NDA. A teaser letter was distributed and meetings and conference calls were held with bidders. A process letter was distributed on January 28, 2016. Nine indications of interest were submitted on or about February 22, 2016.

[25] Before and during the SISP process, Sanjel was negotiating with both the Syndicate and the Ad Hoc Bondholders with respect to separate forbearance agreements, and with the Ad Hoc Bondholders with respect to NDAs to be signed by the Ad Hoc Bondholders. The Ad Hoc Bondholders complain that there was a delay of almost a month before Sanjel's counsel responded to a mark-up of a NDA provided by Fried Frank, but negotiations were stymied by the Ad Hoc Bondholders' insistence that the December interest payment be paid. Until this issue was settled, there was no reason to finalize the NDAs. In addition, it was not until January 29, 2016 that representatives of the Ad Hoc Bondholders advised Sanjel that they were prepared to be restricted from trading and therefore able to receive confidential information. During this period of time, the Ad Hoc Bondholders refused to meet with Sanjel management when they travelled to New York on January 20, 2016.

[26] On February 1, 2016, counsel to Sanjel sent counsel to the Ad Hoc Bondholders a copy of the draft forbearance agreement between the Syndicate and Sanjel, which set out the key dates of the SISP, including the completion of definitive purchase and sales agreements by March 24, 2016. It would have been clear to the Ad Hoc Bondholders from this draft that Sanjel was proceeding on a dual track basis, considering both a potential stand-alone restructuring of the company and a sales process.

[27] The Ad Hoc Bondholders made a second proposal to Sanjel on February 2, 2016, very shortly after the NDAs were signed. This proposal involved the Syndicate recovering a portion of its loan from Sanjel's existing cash reserves and a rights offering backstopped by the Ad Hoc Bondholders. A portion of the Bonds would be converted into equity. The December interest payment would have to be paid. Sanjel's management team met with the Ad Hoc Bondholders

and their advisors in New York on February 3, 2016 and Sanjel's team, the Syndicate and its advisors and the Ad Hoc Bondholders met on February 8, 2016.

[28] Sanjel delivered an indicative restructuring term sheet to the Ad Hoc Bondholders on February 12, 2016, as required by the forbearance agreement that the parties were negotiating. The restructuring term sheet emphasized that a bondholder-led restructuring would require significant new money, a significant capital commitment and ongoing capital, with a significant pay-down of the Syndicate's debt.

[29] Commencing on February 15, 2016, Sanjel allowed representatives of Alvarez and Marsal ("A&M"), advisors to the Ad Hoc Bondholders, to attend in Calgary and conduct due diligence.

[30] On February 18, 2016, Sanjel uploaded to its VDR the final, unsigned versions of the Syndicate Amending and Forbearance Agreement and the Bondholders Forbearance Agreement.

[31] Under the SISP, preliminary, non-binding indications of interest were delivered to the advisors and the company by February 22, 2016. Six such indications of interest were received, all of which were materially superior to the Ad Hoc Bondholders proposal of February 2, 2016. The Ad Hoc Bondholders have admitted that they were aware of the milestones under the SISP and the Bank Forbearance Agreement by mid-February, 2016, although it is clear that their advisors would have been aware of these milestones from February 1, 2016.

[32] As part of finalizing the form of Bond Forbearance Agreement, counsel for Sanjel and for the Ad Hoc Bondholders had negotiated a form of summons that would be used to call a bondholder meeting to consider the agreement. The only item for consideration to be considered at the meeting was to be the Bond Forbearance Agreement. The plan was to have 2/3 of the bondholders approve and execute the Bond Forbearance Agreement, and then to hold a bondholders meeting.

[33] Instead, on February 25, 2016, the Ad Hoc Bondholders caused the Trustee to issue a summons for a meeting on March 10, 2016 to consider and vote on a) whether to declare the Bonds in default, accelerate them and exercise remedies, including commencing involuntary bankruptcy proceedings against Sanjel under Chapter 11 of the *United States Bankruptcy Code*, including claims against the MacDonald family and MacBain Properties Ltd., which owns the business premises that are leased by the Sanjel Group or b) approve the Bond Forbearance Agreement.

[34] On March 2, 2016, the Ad Hoc Bondholders submitted a restructuring proposal to Sanjel. This proposal provided no cash recovery to the Syndicate. Instead, a portion of the debt owed to the Syndicate would be converted to a new loan and the remainder extinguished, with the Syndicate receiving warrants in a reorganized company. There would be a Chapter 11 filing and the bondholders would provide a debtor-in-possession ("DIP") facility to rank *pari passu* with the Syndicate debt. Bondholders who contributed to the DIP would receive new 2nd lien notes for part of their previous notes, the remainder being extinguished. The DIP facility would be converted into 100% of the equity of the reorganized company. Sanjel would be required to appoint a Chief Restructuring Officer ("CRO") designated by the Ad Hoc Bondholders.

[35] On March 4, 2016, in a follow-up letter to a telephone meeting on March 3, 2016, US counsel to the Syndicate wrote to Fried Frank requesting that the March 10 bondholders meeting

be adjourned to March 31, 2016. Canadian counsel to Sanjel made the same request of the Trustee.

[36] Also on March 4, 2016, a template Asset Purchase Agreement (“APA”) for SISP bidders was posted on the VDRs, which disclosed a CCAA/Chapter 15 filing with PWC as designated Monitor. This template agreement was available to the Ad Hoc Bondholders and their advisors.

[37] Counsel for the Ad Hoc Bondholders replied on March 5, 2016 that they would advise the Trustee to postpone the March 10 meeting subject to:

- a) a response to their March 2 proposal by March 10, 2016;
- b) full disclosure of company records for A&M’s representative, “so that [that representative] is ready and best positioned to commence his duties as Chief Restructuring Officer for the Company”;
- c) payment by March 7, 2016 of roughly USD \$2.2 million in fees and disbursements for the Ad Hoc Bondholders’ legal and financial advisors.

[38] After some negotiation, Sanjel agreed to these terms for an adjournment, other than with respect to a small deduction in fees and disbursements. Sanjel made it clear that it reserved all rights with respect to the appointment of a CRO and a filing under Chapter 11, which it would not agree to at that time. On March 8, 2016 the Trustee confirmed that the meeting would be postponed to March 31.

[39] On March 9, 2016, second round bids under the SISP were received. Five bids were received, all of which were materially superior to the Ad Hoc Bondholders’ March 2, 2016 proposal in terms of cash recovery for the Syndicate.

[40] An information update conference for bondholders was scheduled to be held on March 11, 2016, at which Sanjel, the Trustee and the Ad Hoc Bondholders would provide an update to any bondholder that wished to call in. This was rescheduled by the Trustee to March 31, 2016.

[41] On March 11, 2016, the Syndicate sent the counter-offer required by the postponement of meeting agreement to the Ad Hoc Bondholders. This counter-proposal made it clear that there would be a CCAA/Chapter 15 process, rather than a Chapter 11 process. While this counter-proposal is confidential, it is fair to say that the parties were far apart in their negotiations, particularly with respect to treatment of the Syndicate indebtedness.

[42] Also on March 11, 2016, a representative of Sanjel met with A&M’s representative and discussed Sanjel’s intention to disclaim certain leases in the anticipated CCAA proceedings.

[43] Following receipt of the second round bids, Sanjel and its advisors identified the top three bidders and began negotiations with them with the goal of finalizing due diligence and being in a position to execute final APAs on March 24, 2016, as indicated in the Bank Forbearance Agreement.

[44] In the meantime, Sanjel continued meetings with the A&M representative, who asked for, and was provided with:

- a) access to the newly created VDR for second stage bidders/investors in the SISP on March 12, 2016.

- b) draft materials relating to the CCAA filing, including current drafts of cash flow projections and drafts of stakeholder communication regarding the CCAA, on March 21, 2016.

[45] On March 20, 2016, the Ad Hoc Bondholders provided Sanjel and the Syndicate with a third restructuring proposal. This one provided for some paydown of the Syndicate's debt, but involved less than half of that recovery in new money, about the same amount in debt secured by accounts receivable and a substantial amount of bank debt rolled over into a new loan. It also provided for a DIP facility to rank *pari passu* with a new bank credit facility in the event of a liquidation and the conversion of some bondholder debt into secured notes.

[46] On March 23, 2016, counsel for Sanjel requested that the Trustee postpone the bondholder meeting scheduled for March 31, 2016 to April 14, 2016. He also proposed to set up the requested informational update on March 31, 2016. On March 25, 2016, counsel for the Trustee consented to this request.

[47] In the SISP, final bids were received from the three top bidders on March 24, 2016, with negotiations to continue on final APAs. On the same day, Sanjel and its advisors hosted a call with A&M and Moelis, during which they walked through a 13 week cash forecast.

[48] On March 31, 2016 the Syndicate and the Ad Hoc Bondholders had discussions with respect to the Ad Hoc Bondholders' March 20 proposal. In previous correspondence, the Syndicate's counsel had questioned the adequacy of the proposed DIP financing in the proposal and noted Sanjel's significant cash needs following exit from an insolvency proceeding, as opposed to the proposal's assumption that there would be better cash flow. At the conclusion of the call, the Ad Hoc Bondholders indicated that they would provide further modelling with respect to their proposal.

[49] On April 3, 2016, Sanjel entered into final APAs with the proposed purchasers, STEP and Liberty. On April 4, 2016, the Sanjel Group filed for CCAA protection. Counsel for Sanjel Group disclosed that the application was made without notice to the Ad Hoc Bondholders. He submitted that notice would imperil the CCAA proceedings as the bondholders may, with notice, have pre-empted the CCAA filing by an involuntary filing under Chapter 11. There is no requirement to give notice to unsecured creditors of a CCAA filing. There are circumstances, and this was one of them, where it is appropriate to seek an initial order on an ex parte basis:

This may be an appropriate – even necessary – step in order to prevent “creditors from moving to realize on their claims, essentially a ‘stampede to the assets’ once creditors learn of the debtor’s financial distress”: J.P. Sarra, *Rescue! The Companies’ Creditors Arrangement Act* (2007), at p. 55 (“Rescue!”); see also *Algoma Steel Inc., Re* (2001), 25 C.B.R. (4th) 194 (Ont. C.A.), at para. 7

[50] On April 11, 2016, the Ad Hoc Bondholders presented their fourth proposal for restructuring, not to Sanjel but to the Syndicate. This proposal increases the amount the bondholders would contribute to Sanjel for new equity, which would be used to repay a portion of the Syndicate's loan.

[51] According to Fried Frank, the Syndicate's counsel responded on April 13, 2016 advising that while they appreciated the work done by the Ad Hoc Bondholders, the Syndicate preferred the sale route. The Syndicate proposed alternatives that it might consider involving a higher pay-

out of the Syndicate's debt than offered by the April 11, 2016 proposal. The Ad Hoc Bondholders have not responded.

[52] The Sanjel Group apply for an order approving the sales transactions generated through the SISP, being a sales agreement between Sanjel and STEP Energy Services Ltd., including an assignment of the sale of the debtor's cementing assets in favour of 1961531 Alberta Ltd., and a sales agreement between Sanjel and Liberty.

[53] The Trustee applied for an order dismissing the application for approval of these transactions, allowing the Ad Hoc Bondholders to propose a plan of arrangement, lifting the stay to allow the Trustee to commence a Chapter 11 filing and directing a new Court-monitored SISP, among other applications

III. Applicable Law

[54] Section 36(3) of the CCAA sets out six non-exhaustive factors that must be considered in approving a sale by a CCAA debtor of assets outside the ordinary course of business. They are:

- (a) whether the process leading to the proposed sale was reasonable in the circumstances;
- (b) whether the Monitor approved the process leading to the proposed sale;
- (c) whether the Monitor filed with the court a report stating that in its opinion the sale would be more beneficial to creditors than a sale or disposition under a bankruptcy;
- (d) the extent to which the creditors were consulted;
- (e) the effects of the proposed sale on creditors and other interested parties; and
- (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

[55] In this case, the Monitor was not in place at the time of the process leading to the proposed sales, nor at the time the SISP was commenced. However, the Monitor has given an opinion on the process, which I will consider as part of my review.

[56] Prior to the enactment of section 36, CCAA courts considered what are known as the Soundair principles in considering approval application, and they are still useful guidelines:

- a) Was there a sufficient effort made to get the price at issue? Did the debtor company act improvidently?
- b) Were the interests of all parties considered?
- c) Are there any questions about the efficacy and integrity of the process by which offers were obtained?
- d) Was there unfairness in the working out of the process?

Royal Bank v Soundair, 1991 Carswell Ont (Ont CA) at para 20.

[57] Gascon, J. (as he then was) suggested in *Re AbitibiBowater, Inc*, 2010 QCCS 1742 (C.S. Que.) at paras 70-72 that a court should give due consideration to two further factors:

- a) the business judgment rule, in that a court will not lightly interfere with the exercise of the commercial and business judgment of the debtor company and the

- monitor in the context of an asset sale where the marketing and sale process was fair, reasonable, transparent and efficient; and
- b) the weight to be given to the recommendation of the monitor.

[58] As noted by Gascon, J., it is not desirable for a bidder to wait to the last minute, even up to a court approval stage, to submit its best offer. However, a court can consider such an offer, if it is evidence that the debtor company did not properly carry out its duty to obtain the best price for creditors.

IV. Analysis

[59] The Trustee has raised a number of objections to the proposed sales, many of which relate to the factors and principles set out in section 36 of the CCAA, the Soundair principles and the AbitibiBowater factors:

- A. The Trustee submits that the CCAA can only be used to liquidate the assets of a debtor company and distribute the proceeds where such use is uncontested or where there is clear evidence that the CCAA provides scope for greater recoveries than would be available on a bankruptcy.

[60] Most of the cases relied upon by the Trustee with respect to this submission predate the 2009 enactment of section 36 of the CCAA. While prior to this change to the CCAA, there was some authority that questioned whether the CCAA should be used to carry out a liquidation of a debtors' assets, there was also authority that accepted this as a proper use of the statute .

[61] An analysis of the pre-section 36 state of the law on this issue, and support for the latter view, is well summarized in *Re Nortel Networks Corp.*, [2009] O.J. No. 3169. As noted by Morawetz, J. at para 28 of that decision, the CCAA is a flexible statute, particularly useful in complex insolvency cases in which the court is required to balance numerous constituents and myriad interests. This is such a case.

[62] Section 36 now provides that a CCAA court may authorize the sale or disposition of assets outside the ordinary course of business if authorized to do so by court order. There is thus no jurisdictional impediment to the sale of assets where such sales meet the requisite tests, even in the absence of a plan of arrangement.

[63] Morawetz, J in *Re Target Canada Co.*, 2015 ONSC 303 at paras 32 and 33, describes the change brought about by section 36:

Prior to the 2009 amendments to the CCAA, Canadian courts accepted that, in appropriate circumstances, debtor companies were entitled to seek the protection of the CCAA where the outcome was not going to be a going concern restructuring, but instead, a "liquidation" or wind-down of the debtor companies' assets or business.

The 2009 amendments did not expressly address whether the CCAA could be used generally to wind-down the business of a debtor company. However, I am satisfied that the enactment of section 36 of the CCAA, which establishes a process for a debtor company to sell assets outside the ordinary course of business while under CCAA protection, is consistent with the principle that the CCAA can be a vehicle to downsize or wind-down a debtor company's business.

See also *Re Brainhunter Inc.*, 2009 CarswellOnt 8207 at para 15.

[64] Whether before or after the enactment of section 36, Canadian courts have approved en bloc sales of a debtor company, recognizing that such sales are consistent with the broad remedial purpose and flexibility of the CCAA.

[65] What the provisions of the CCAA can provide in situations such as those facing the Sanjel Group is a court-supervised process of the execution of the sales, with provision for liquidity and the continuation of the business through the process provided by interim financing, a Key Employee Retention Plan that attempts to ensure that key employees are given an incentive to ensure a seamless transition, critical supplier relief that keeps operations functioning pending the closing of the sales and a process whereby a company with operations in Canada, the United States and internationally is able to invoke the aid of both Canadian and US courts during the process. It is true that the actual SISP process preceded the CCAA filing, and I will address that factor later in this decision.

[66] As counsel to the Sanjel Group notes, this type of insolvency proceeding is well-suited to the current catastrophic downturn of the economy in Alberta, with companies at the limit of their liquidity. It allows a business to be kept together and sold as a going concern to the extent possible. There have been a number of recent similar filings in this jurisdiction: the filing in Southern Pacific and Quicksilver are examples.

[67] The Monitor supports the sales, and is of the view, supported by investigation into the likely range of forced sale liquidation recoveries with financial advisors and others with industry knowledge, that a liquidation of assets would not generate a better result than the consideration contemplated by the proposed sales. The Monitor's investigations were hampered by the lack of recent sales of similar businesses, but I am satisfied by its thorough report that the Monitor's investigation of likely recoveries is the best estimate available. A CS estimate provided a different analysis, but I am satisfied by the evidence that it has little probative value.

[68] In summary, this is not an inappropriate use of the CCAA arising from the nature of the proposed sales.

B. The Trustee submits that the proposed sales are the product of a defective SISP conducted outside of the CCAA.

[69] It is true that the SISP, and the restructuring negotiations with the Ad Hoc Bondholders, took place prior to the filing under the CCAA, that this was a "pre-pack" filing.

[70] A pre-filing SISP is not of itself abusive of the CCAA. Nothing in the statute precludes it. Of course, a pre-filing SISP must meet the principles and requirements of section 36 of the CCAA and must be considered against the Soundair principles. The Trustee submits that such a SISP should be subject to heightened scrutiny. It may well be correct that a pre-filing SISP will be subject to greater challenges from stakeholders, and that it may be more difficult for the debtor company to establish that it was conducted in a fair and effective manner, given the lack of supervision by the Court and the Monitor, who as a court officer has statutory duties.

[71] Without prior court approval of the process, conducting a SISP outside of the CCAA means that both the procedure and the execution of the SISP are open to attack by aggrieved stakeholders and bitter bidders, as has been the case here. Any evidence or reasonable allegations of impropriety would have to be investigated carefully, whereas in a court-approved process, comfort can be obtained through the Monitor's review and the Court's approval of the process in

advance. However, in the end, it is the specific details of the SISP as conducted that will be scrutinized.

[72] Similar issues were considered in *Re Nelson Education Ltd.*, 2015 ONSC 5557 at paras 31-32, and in *Re Bloom Lake*, [p.1], 2015 QCCS 1920 at para 21.

[73] The Trustee submits that the SISP was defective in that its timelines were truncated and that it was destined not to generate offers that maximized value for all stakeholders. The Trustee filed an affidavit of a representative of Moelis indicating that it would be typical in a SISP to establish a deadline for non-binding offers one or two months following commencement of the process, while in this SISP, participants had only 12 to 25 days to evaluate the business and provide non-binding indications of interest. This opinion did not address the previous BAML process that identified likely purchasers and thus lengthened the review process for these parties who participated in the first process. The Trustee's advisor was also critical that the SISP provided only 16 days for final offers, suggesting that it is more typical to provide two months.

[74] While likely correct for normal-course SISP's, this analysis does not take into account the high cash burn situation of these debtors, nor the deteriorating market. The Moelis opinion suggests that potential purchaser would have a heightened diligence requirement in the current unfavourable market conditions, requiring extra time for due diligence. However, despite the speed of the SISP, it appears to have generated a range of bids significantly above liquidation value. The process was not limited to the SISP, but included the previous BAML process and the negotiations with the Ad Hoc Bondholders.

[75] The evidence discloses a thorough and comprehensive canvassing of the relevant markets for the debtors and their assets despite the aggressive timelines. The BAML process identified some interested parties and Sanjel's financial advisors built on that process by re-engaging with 28 private equity firms that had already expressed interest in these unique assets as well as identifying new potential purchasers, reaching out to 85 potential buyers.

[76] Of those 85 parties, 37 executed NDAs, 25 conducted due diligence and 17 met with the management team. Eight submitted non-binding indications of interest, five were invited to submit second-round bids and finally the top three were chosen for the continuation of negotiations to final agreements.

[77] While some interested parties may have found the time limits challenging, a reasonable number were able to meet them and submit bids. I am satisfied from the evidence that, despite a challenging economic environment, the process was competitive and robust.

[78] I also note the comments of the Monitor in its First Report dated April 12, 2016. While it was not directly involved in the SISP, the Monitor reports that the financial advisors advised the Monitor, that given the size and complexity of the Sanjel Group's operations and the time frames involved, all strategic and financial sponsors known to the advisors were contacted during the SISP and that it is unlikely that extending the SISP time frames in the current market would have resulted in materially better offers.

[79] Based on this advice and the Monitor's observations since its involvement in the SISP from mid-February 2016, the Monitor is of the opinion that it is highly improbable that another post-filing sales process would yield offers materially in excess of those received.

[80] Finally, I note that the Ad Hoc Bondholders' own March 20 proposal envisaged a pre-packaged CCAA proceedings. A sales process is only required to be reasonable, not perfect. I am

satisfied that this SISP was run appropriately and reasonably, and that it adequately canvassed the relevant market for the Sanjel Group and its assets.

C. The Ad Hoc Bondholders submit that negotiations among them, the Sanjel Group and the Syndicate were a sham conducted by Sanjel to delay the Ad Hoc Bondholders from taking action under Chapter 11 while it finalized the APAs. The Trustee alleges that the SISP has been conducted and the CCAA filing occurred in an atmosphere tainted by manoeuvring for advantage, bad faith, deception, secrecy, artificial haste and excessive deference by the Sanjel Group to the Syndicate.

[81] These are serious allegations, but they are not supported by the evidence.

[82] As the somewhat lengthy history of negotiations establishes, the Ad Hoc Bondholders had almost three months to present and negotiate restructuring proposals, with access to confidential information afforded to their advisors from January 9, 2016, weeks before the SISP participants. They presented four proposals, the last one after final bids had been received in the SISP. Although the final proposal breached the timelines of the SISP process, and could potentially raise an issue with respect to the integrity of the SISP process, Sanjel, the Syndicate and the prospective purchasers are not pressing that argument, as they take the position that the final offer is inferior at any rate.

[83] These proposals received responses from Sanjel and the Syndicate, and counter proposals were received. The evidence discloses that, in all proposals and counter proposals, the parties were far apart on a major issue: the extent to which the Syndicate's debt was to be paid down and how far it was willing to allow a portion to remain at risk.

[84] The Ad Hoc Bondholders were aware of the SISP from its commencement, and aware of the timing of the process. Throughout the SISP, the financial advisors had regular contact with Moelis and Fried Frank and directly with the Ad Hoc Bondholders. Michael Genereux, the lead partner at PJT with respect to the SISP, has sworn that he believes the Ad Hoc Bondholders were aware of the SISP and that it was progressing at a rapid pace. He says that he urged the Ad Hoc Bondholders to accelerate the pace at which they were advancing their restructuring negotiations.

[85] The Ad Hoc Bondholders were aware, or should have been aware, that the Sanjel Group intended a CCAA/Chapter 15 process from at the latest mid-March, 2016. Their representative from A&M was aware of the possibility of a CCAA filing from March 4, 2016. Reference to PWC as Monitor under the CCAA was available through the template APAs from March 4, 2016

[86] The Trustee and the Ad Hoc Bondholders submit that the Ad Hoc Bondholders' April 11, 2016 proposal provides superior recovery to the proposed sales generated by the SISP, that it "implies" a purchase price significantly in excess of the values generated by the APAs. The proposal, which was made directly to the Syndicate, was rejected by the Syndicate. It provides less immediate recovery to the Syndicate, and leaves a substantial portion of the Syndicate debt outstanding in a difficult and highly uncertain economic environment. It fails to address previously-expressed concerns about the need for capital going forward. The implied value of the proposal appears to rest on assumptions about improved economic recovery that the Syndicate does not accept or share.

[87] In addition, the proposal would require at least six months to execute and leaves a number of questions outstanding, not the least being whether a plan that raises some and not all

unsecured debt to secured status would pass muster. The proposal was rejected by the Syndicate for reasonable and defensible justifications.

[88] The Ad Hoc Bondholders describe their proposal as a “germ” of a viable plan. While a germ of a viable plan may be sufficient to justify the commencement of a CCAA proceeding, it is not comparable to the proposed sales generated by a reasonably-run and thorough SISP.

[89] The Trustee also submits that the Court should not be deterred by the Syndicate’s rejection of the proposal, insisting on its value and citing cases where a creditor’s stated intention not to accept a plan did not prevent a CCAA filing from proceeding. This is a different situation: the Ad Hoc Bondholder’s proposals are specific proposals with clear risks of timing and certainty. It is not up to this Court to second guess the Syndicate’s rejection of such a plan, even if inclined to do so.

[90] The Trustee submits that Sanjel did not act in good faith towards the Ad Hoc Bondholders in the period leading up to the filing. The Trustee notes that, contrary to the terms of the Bond Agreement, Sanjel failed to disclose to the bondholders that the Syndicate had issued a demand for payment acceleration and a notice of intention to enforce security pursuant to the terms of the Bankruptcy and Insolvency Act (the “Demand Acceleration and NOI”) on March 18, 2016. While this was a contractual breach, the Ad Hoc Bondholders were well aware that Sanjel was in breach of the Bank Credit Facility, and that the Syndicate was taking steps to enforce its rights in negotiations with Sanjel and the Ad Hoc Bondholders. The Syndicate, and the Ad Hoc Bondholders, were both careful to preserve their rights of enforcement in proposals and counter-proposals. In fact, the Syndicate did not exercise its right to set-off, and has allowed Sanjel to continue to have access to liquidity going into the CCAA process.

[91] This failure by Sanjel to advise the Trustee, (and other unsecured creditors that had similar provisions in their contracts), of this further step by the Syndicate does not constitute a reason to refuse to approve that APAs.

[92] The Trustee submits that Sanjel failed to make full and plain disclosure during the initial hearing because it failed to disclose that in 2015, 62 % of the Sanjel Group’s revenue was generated in the United States. Sanjel made extensive disclosure of its corporate structure and the integration of its business in its initial filing, including the fact that the Sanjel Group’s “nerve centre”, management team and treasury and financial functions are largely based in Calgary. The factors disclosed were more than sufficient to establish jurisdiction for a CCAA filing. The US Court in the Chapter 15 filing found the Sanjel Group’s COMI to be in Calgary. The single statistic of 2015 revenue would not have changed the outcome of the Initial Order.

[93] The Trustee’s most serious allegation, given its implications for the professional reputations of those involved, is that Sanjel and its counsel and the Syndicate and its counsel misled the Trustee and the Ad Hoc Bondholders in their requests for adjournment of the bondholders’ meeting, that the correspondence relating to the requests for adjournment created an obligation to negotiate in good faith, and that Sanjel and the Syndicate failed to do so. The Trustee and the Ad Hoc Bondholders allege that Sanjel and the Syndicate were negotiating with the Ad Hoc Bondholders only to gain time to finalize the APAs and file under the CCAA .

[94] Again, this serious allegation is not supported by the evidence. The correspondence relating to the adjournment requests discloses no promises to hold off proceedings. The letter of request for the first adjournment for counsel to the Syndicate, while it refers to engaging with the

Ad Hoc Bondholders with respect to the March 2, 2016 proposal, stipulates that in requesting the postponement of the meeting, counsel is not promising any course of action and reserves all rights.

[95] The request from counsel to Sanjel refers to the dual track of negotiating a financial restructuring and/or sale of assets. It speaks of focusing on negotiations for the balance of the month, instead of “prospective enforcement action as proposed for consideration at the scheduled bondholders meeting,” as was threatened by the notice of meeting. The Ad Hoc Bondholders were well-compensated financially for this adjournment.

[96] The second request to adjourn the meeting to April 14, 2016 was similarly without any promise to forbear and the acceptance of the request by the Trustee did not impose any conditions nor give any reasons for the acceptance. The representatives of the Ad Hoc Bondholders are knowledgeable and sophisticated with respect to financing and insolvency matters. They cannot be said to have been misled by the language used in the adjournment requests.

[97] The Trustee submits that the CCAA process to date has been engineered to effect a foreclosure in favour of the Syndicate “to the serious and material prejudice of the Bondholders” and other unsecured creditors.

[98] The SISF did not disclose any possibility that, in the current economic climate, the disposition of the assets would generate even enough to cover the debt owed to the secured creditors. The proposals made by the Ad Hoc Bondholders did not offer nearly enough to pay out that debt.

[99] The views of the Syndicate and its priority rights must be given due consideration: *Windsor Machine & Stamping Limited (Re)*, 2009 CarswellOnt 4471 (SCJ) at para 43.

[100] Section 6 of the CCAA requires that any compromise of creditors’ rights must be supported by a double majority of the affected creditors. The Syndicate (as the principal secured creditor group) and the Ad Hoc Bondholders (as unsecured creditors with other unsecured creditors) would form separate voting classes for the purposes of a vote on any plan of arrangement. Each class must have a double majority of creditors, representing both two-thirds in value and a majority of number, voting in support of the plan as a condition precedent to court approval. Thus, the Syndicate holds an effective “veto” over the approval of any plan proposed by the Ad Hoc Bondholders: *SemCanada Crude Co, Re*, 2009 ABQB 490 at para 22.

[101] As noted by the Syndicate, the Ad Hoc Bondholders proposals, including the April 11, 2016 proposal, pose substantial risk to the Syndicate, and it is under no obligation to support them. There is no evidence that the Syndicate is acting unreasonably or unfairly in asserting that it would exercise the statutory protection afforded to a secured creditor under the CCAA; in fact, the evidence is that the Syndicate was willing to consider a less than 100% payout in negotiations with the Ad Hoc Bondholders. There was however no agreement as to the extent of the payout and the extent to which the Syndicate would agree to remain at risk.

[102] The prejudice to the bondholders is that they were unable to persuade the secured creditors to compromise or put its financial interests at risk in order to provide the bondholders with some chance that an improved economic climate may save this enterprise. As noted, the Syndicate had doubts that the Ad Hoc Bondholder’s proposals would even provide sufficient

operating capital to keep the Sanjel Group operating for the months it would take to implement their proposals.

[103] The prejudice, if any, to the Ad Hoc Bondholders is that they were not able to pre-empt the CCAA filing with a filing under Chapter 11 of the *United States Bankruptcy Code*, with an automatic stay that, according to US bankruptcy law, has worldwide effect. A subsequent CCAA filing could be considered a breach of the stay, and provoke a jurisdictional issue that would delay proceedings and prove expensive to the Syndicate, improving the Ad Hoc Bondholders' bargaining position.

[104] While there is only hearsay opinion before me with respect to the advantages of a Chapter 11 filing, the Trustee suggests that under such a filing:

- (a) the Liberty and Step APAs would have been subject to market test and to higher and better offers;
- (b) Sanjel could confirm a plan without the consent of the Syndicate; and
- (c) parties in interest and estate fiduciaries could pursue claims and causes of action against Sanjel, the Syndicate, Sanjel's equity holders and MacBain.

[105] Sanjel cites academic commentary that the cram-down provisions of Chapter 11 require strict compliance so as not to override the protections and elections available to secured creditors in opposition to a plan that they do not support. Specifically, if a class of creditors is impaired, the plan must be fair and equitable with respect to that class.

[106] This is an issue for the US Courts. However, even if the Chapter 15 filing was replaced by a Chapter 11 filing, the current CCAA proceedings would not be terminated and any restructuring in the United States would necessarily have to be coordinated with these CCAA proceedings. Accordingly, the voting requirements for any plan of arrangement or the requirements for approval of a sale under the CCAA could not be avoided.

- D. The Ad Hoc Bondholders were prejudiced in that they were not provided with information regarding the process and the bids received.

[107] The Ad Hoc Bondholders had access to the same information afforded to bidders under the SISP and more. They were able to make proposals both before and after that process. Their financial advisors were afforded an opportunity for due diligence, and exercised it.

[108] What they did not receive was disclosure of the details of the bids. There was a dispute about whether or not the Ad Hoc Bondholders could be considered "bidders". While they were not part of the SISP, they certainly had interests in conflict with the SISP bidders. Had the bids been disclosed to them, there would indeed have been concern over the integrity of the process, as such disclosure would allow them to tailor their proposals in such a way as to undermine the bids.

[109] The Ad Hoc Bondholders were aware that they would not be given copies of the bids by mid-February, 2016 when the Bondholders Forbearance Agreement was settled, as it included a provision clarifying that they were not entitled to any pricing or bidder information from the SISP.

[110] The Bond Forbearance Agreement also recognized that, while Sanjel would negotiate in good faith with the Ad Hoc Bondholders, nothing restricted its ability to enter into or conduct

negotiations with respect to potential sales or other transactions. It was only on March 14, 2016 that the Ad Hoc Bondholders requested third party bid information.

[111] The Ad Hoc Bondholders were not improperly denied access to information, and would not have been entitled to know details of the third party bids.

V. Conclusion

[112] I am satisfied by the evidence before me that the factors set out in section 36(3) of the CCAA and Soundair favour the approval of the proposed sales. Specifically:

- (a) the process, while not conducted under the CCAA, was nevertheless reasonable in the circumstances, as established by the evidence. It was brief, but not unreasonably brief, given the previous BAML process, current economic climate and the deteriorating financial position of the Sanjel Group;
- (b) while the Monitor was not directly involved and did not actively participate in the SISP process prior to February 24, 2016, the Monitor has reviewed the process and is of the opinion that the SISP was a robust process run fairly and reasonably, and that sufficient efforts were made to obtain the best price possible for the Sanjel Group's assets in that process. I agree with the Monitor's assessment from my review of the evidence.

It is the Monitor's view, based on (i) the advice of CS and PJT, (ii) the nature of the Sanjel Group's operations and assets, (iii) the market conditions over the past year, (iv) the proposals received in the context of the SISP and from the Ad Hoc Bondholders, (v) the current ongoing depressed condition of the market and (vi) the underlying value of the Sanjel Group's assets, it is highly improbable that another post-filing sales process would yield offers for the Canadian and U.S. operations materially in excess of the values contained in the STEP and Liberty APAs.

I accept the Monitor's opinion in that regard, and nothing in my review of the evidence and the submissions of interested parties causes me to doubt that opinion.

- (c) The Monitor has provided an opinion that the proposed sales are more beneficial to creditors than a sale or disposition under bankruptcy.
- (d) Creditors, other than trade creditors, were consulted and involved in the process.
- (e) While the sales provide no return to any creditor other than the Syndicate, I am satisfied that all other viable or reasonable options were considered. While there is no guarantee of further employment arising from the sale, there is the prospect that since the business will continue to operate until the sale, there will be an opportunity for employment for Sanjel employees with the new enterprises, and an opportunity for suppliers to continue to supply them.
- (f) I am satisfied from the evidence that the consideration to be received for the assets is reasonable and fair.

I therefore approve the sale approval and vesting orders sought by the Sanjel Group.

VI. Postscript

[113] On May 9, 2016, before these reasons were released, I received a copy of a letter dated May 5, 2016 from Fried Frank on behalf of the Ad Hoc Bondholders addressed to Canadian and US counsel for the Sanjel Group, the Monitor, the Syndicate and the prospective purchasers. In extravagant language, the Ad Hoc Bondholders state that they have become aware of information that the addressees are “duty bound” to bring to the attention of the Courts as officers of the Courts. That information is that Shane Hooker has been designated to lead the Canadian cementing operations when the STEP sale closes, according to a STEP press release. Evidently, Mr. Hooker is married to the daughter of Dan MacDonald, the chairman of Sanjel’s board, and is the sister of Darin MacDonald, who was Chief Executive Officer of Sanjel and head of the restructuring committee.

[114] The letter asserts the following:

- a) There are “substantial and material” connections between STEP and the MacDonald family. It appears that the basis for this statement is that Mr. Hooker is married to Mr. MacDonald’s daughter and an employee and “executive in residence” of ARC Financial Corp., STEP’s financial sponsor in the sale;
- b) Mr. Hooker is “an intimate beneficiary of all that is and all that belongs to the MacDonald family.” In subsequent correspondence with the Monitor, it appears that the Ad Hoc Bondholders have no evidence to support this allegation;
- c) Mr. Hooker is “the loyal son-in-law and brother-in-law” of the MacDonald family. Again, the Ad Hoc Bondholders admit that they have no information to support this allegation;
- d) By reason of Mr. Hooker’s relationship with the “MacDonald family”, the proposed STEP transaction and the entirety of the SISP process “is tainted and worse”. “(O)ur clients have every reason to believe the substance, of self-dealing and deception of the highest order”;
- e) “Mr. Hooker’s personal and professional ties to the MacDonald family raise the spectre that all at hand is and has been a thinly-veiled scheme between the Company and the Syndicate and their advisors to deliver, on the one hand, an adequate recovery to the Syndicate and, on the other hand, Sanjel’s Canadian assets back into the hands of the MacDonald family thereby working a substantial forfeiture of value to the Bondholders and all other unsecured creditors of the Company”.

[115] The letter repeats previous allegations that the SISP was “driven by self-interest and self-dealing”, “riddled with conflicts of interest,” “inappropriate and flawed in every respect”, “chilled, inadequate” and “not conducted in good faith and efforts were undertaken to mislead and misdirect the company’s stakeholders”. It alleges:

- a) “That none of this has been brought to the attention of the Courts and all parties in interest is reprehensible at best and has all indicia of fraudulent intent and purpose.”
- b) “Be advised that with respect to each and all of you and each and all of your respective clients as well as with respect to STEP, Liberty and any and all funding sources and sponsors for each, our clients hereby reserve all of their rights and remedies with respect to any and all claims and causes of action of every kind and nature whatsoever whether such

claims and causes of action are grounded in contract, tort, equity, statute and otherwise including, but not limited to, any and all breach of fiduciary duties, civil conspiracy, tortious interference and lender liability.”

- c) “... the efforts to continue with malfeasance wrapped in the cloak of SISP and CCAA by each and all of you and your clients must stop now. As above, the Courts and others should and must be informed, the failure to do so is and will be a misrepresentation and fraud on the Courts.”

[116] The letter comments that “(w)hen Justice Romaine is in receipt of the information, she will have reason and basis and we believe that Her Ladyship will be constrained, to vacate the order.”

[117] The Monitor took immediate action to investigate these serious allegations of fraud, misrepresentation, conspiracy and collusion, requesting urgent responses from counsel for Sanjel, the Syndicate, Mr. MacDonald, PJT and CS. Relevant witnesses were contacted and follow-up questions directed. The Monitor was also in contact with Fried Frank to determine the source of the allegations, and what investigation had been undertaken by Fried Frank or the Ad Hoc Bondholders to verify or support their allegations.

[118] On Saturday, May 7, 2016, Fried Frank made the further allegation that potential bidders in the SISP were provided with forecasts that were far worse than actual results in order to facilitate the alleged fraud and conspiracy. The Monitor added this allegation to its investigation.

[119] The Monitor was satisfied by its rapid but thorough investigations that:

- a) Mr. Hooker and Mr. MacDonald have been estranged for the last two and a half-years, and have had no communication on any personal or business matters;
- b) Mr. Hooker left Sanjel in March, 2014 and began working for ARC Financial in the fall of 2015 to assist ARC in an unrelated transaction. ARC is a large private investor focussed on energy, which provides financing through a number of funds financed by from third party investors. ARC is the primary financial stakeholder in the STEP acquisition. No one from the MacDonald family has an ownership position in ARC, nor are any of them investors in any ARC funds. Mr. Hooker has no involvement in ARC’s fundraising efforts or fund deployment and he has no ownership interest in ARC;
- c) Mr. MacDonald had no involvement in the negotiation of the STEP APA, other than attendance as a Sanjel representative at three meetings between November 2015 and January 2016, before the SISP was commenced;
- d) Mr. Crilly as CFO of Sanjel (and later CRO) led the SISP process for Sanjel, while Mr. MacDonald concentrated on attempting to find a buyer for the whole company;
- e) The senior Mr. MacDonald has not had an active role in Sanjel’s management for years, was not involved in the SISP and does not own shares in STEP or ARC;
- f) Mr. Hooker’s involvement with the SISP and negotiations with STEP was limited to conducting on-site diligence on behalf of STEP;
- g) Sanjel has no direct or indirect ownership interest or other financial interest in ARC, STEP, the newly formed company that will be purchasing the cementing assets or any other entity owned or controlled by ARC;

- h) No consideration was provided to Mr. Hooker or either Mr. MacDonald in connection with the STEP APA;
- i) In the opinion of many of those who provided responses, the relationship between Mr. Hooker and Mr. MacDonald had an adverse effect, if anything, on the merits of the STEP bid. The advisors and the Syndicate repeat their previous position that the STEP offer, in combination with the Liberty offer, was materially superior to any en bloc bid or combination of bids, and was supported on the basis of its economic merits.

[120] This information was largely confirmed by a number of sources. The Monitor did not obtain sworn statements, nor conduct any kind of discovery process. It did not present the information in its Sixth Report to the Court as evidence, but as a report on its investigation to determine whether there was any probative value to the Ad Hoc Bondholders' allegations.

[121] When the Monitor was unable to find any real evidence to support the allegations, other than the bare fact that Mr. Hooker is an employee of ARC and is married to Mr. MacDonald's sister, it asked the Ad Hoc Bondholders if they had any supporting evidence. The substance of counsel to the Ad Hoc Bondholders' response is that there is an appearance of inappropriate dealing (arising from the relationship), and that it was up to the Monitor to investigate this.

[122] The Ad Hoc Bondholders instead provided the Monitor with a list of additional questions that they wish the Monitor to investigate through sworn statements subject to cross-examination. These questions appear designed to elicit some evidence that may support the Ad Hoc Bondholder's speculations.

[123] The Monitor cannot be faulted for failing to obtain sworn evidence from relevant parties. The allegations were made after approval of the APAs in the context of tight timelines to the closing of the transactions and the risk of losing the recommended sales transactions. If the Monitor had discovered anything that would give any legitimacy to the allegations, or raise any doubt about the integrity of the SISF, it may have been appropriate to direct further investigation, including sworn evidence. However, mere speculation resting on a family relationship is insufficient to require the Monitor to undertake further expensive investigation or to conduct a fishing expedition. This is particularly the case as there is no real evidence that Mr. Hooker's prospective employment will benefit either Mr. MacDonald or Sanjel in any way, or Mr. Hooker himself, other than the offer of employment.

[124] This is not a case where evidence that should be presented in affidavit form has been incorporated improperly into a Monitor's report. The Monitor decided, quite properly, that at this stage of the process, a quick investigation to determine whether there was any real basis for the Ad Hoc Bondholders complaint was warranted. This investigation has satisfied the Monitor that, other than the fact that Mr. Hooker is indeed Mr. MacDonald's brother-in-law, there is no evidence of collusion between them, Mr. MacDonald was not involved in the STEP APA, Mr. Hooker was in no position to influence that STEP APA and no evidence that Mr. Hooker or the "MacDonald family" will profit in any way from the STEP APA, other than Mr. Hooker's offer of employment.

[125] Given the lack of any indicia that there is any basis for the Ad Hoc Bondholders' speculations of fraud or conspiracy, there is no reason for this Court to require the Monitor to take further steps to investigate the allegations, which appear to be thinly veiled and reckless attempts to delay and obfuscate the process.

[126] With respect to the allegations that potential bidders were provided with forecasts far worse than actual results in order to facilitate the alleged fraud and conspiracy, the Monitor has reviewed the forecasts and the variances from the forecasts provided during the SISP to actuals. The Monitor reports that these relate to collection of accounts receivable and payment of accounts payable. The actual collection of receivables was better than forecasted for the months of March and April. However, the Monitor understands that is a temporary timing variance based on earlier collection of receivables and does not represent a permanent improvement in Sanjel's actual cash position.

[127] Thus, the Monitor is of the view that the allegations by the Ad Hoc Bondholders with respect to forecasts being far worse than actual results lack merit.

[128] I accept the Monitor's advice on this issue.

[129] With respect to disclosure, the Monitor was not aware of the connection between STEP and the company alleged in the Fried Frank letter. The Monitor has reported that it did not become aware of anything that would support or substantiate the allegations since its involvement in the SISP process after February 24, 2016.

[130] The Ad Hoc Bondholders' allegations are in essence that the SISP was structured to achieve a preferential outcome for the MacDonald family through the familial connections between Mr. Hooker and the MacDonald family. If a sale of assets of a debtor company is to be made to a person related to the debtor, the Court may only approve the sale if it is satisfied that:

- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the debtor company; and
- (b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale: CCAA section 36(4).

[131] A related party pursuant to section 36(5) is defined to include certain categories of persons, and neither Mr. Hooker, his wife or either Mr. MacDonald fall into these categories.

[132] There is no evidence or indication that any member of the "MacDonald family" will benefit from the STEP APA, other than Mr. Hooker's offer of employment. I am therefore satisfied that section 36(3) is not applicable to the STEP or the Liberty transactions and that no disclosure of any relationship was necessary before the APAs were approved.

[133] Even if disclosure had been made, given the evidence before me with respect to the SISP process and the offers received, I would have been satisfied the requirements of section 36(3) were met.

[134] In conclusion, the allegations of the Ad Hoc Bondholders do not change my decision with respect to approval of the APAs. I see no reason why the Monitor should continue its investigation.

[135] The issue of who should bear the cost of the investigation into these allegations is reserved.

Heard on the 28th day of April, 2016.

Dated at the City of Calgary, Alberta this 16th day of May, 2016.

B.E. Romaine
J.C.Q.B.A.

Appearances:

Chris Simard/Alexis Teasdale
for the Sanjel Group

Robert Anderson Q.C./Emily Paplawski
for the Trustee

Josef Kruger Q.C./Robyn Gurofsky/Jessie Cameron
for the Monitor

Kelly Bourassa/Kelly Peters
for the Syndicate

David Mann
for the Canadian Purchasers

Sean Collins/Walker Macleod
for the US Purchasers

Daniel Gilborn
for the TR Transport Inc.

Katherine Reiffenstein
for Aspen Air Corp. and Aspen Air US Corp.

Brian Davison/Ryan Algar/Karen Fellowes
for MacBain Properties Ltd. and MacBain Group

Melanie Gaston
for TAQA

Caireen Hanert
for Weir Group PLC

Heather Ferris
for GCC of America Inc.

Jennifer Davis
for CT Logics

Mary Buttery
for ARI Fuel Services

THIS IS EXHIBIT "5" TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's Stamp:

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT **APPLICATION**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP

2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com

File No. 077186-00004

NOTICE TO RESPONDENT(S)

This application is made against you. You are Respondents.

You have the right to state your side of this matter before the Master/Judge.

To do so, you must be in Court when the application is heard as shown below:

Date: December 8, 2020
Time: 2:00 PM
Where: Edmonton Courts Centre via Webex videoconference
Before Whom: The Honourable Justice M.J. Lema on the Commercial List

Go to the end of this document to see what else you can do and when you must do it.

Remedy Claimed or Sought:

1. The Applicants, Greenfire Oil and Gas Ltd. ("GOGL") and Greenfire Hangingstone Operating Corporation ("GHOPCO" and collectively "Greenfire" or the "Applicants") respectfully seek:
 - (a) an Order substantially in the form attached hereto as **Schedule "A"** (the "**Interim Financing Approval Order**"):
 - (i) abridging the time for service of this Application and the supporting materials, as necessary, and deeming service thereof to be good and sufficient;
 - (ii) pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**"), extending the period of time within which Greenfire is required to file a proposal to its creditors (the "**Proposal Period**") up to and including January 22, 2021 for the express purpose of permitting Greenfire to effect the Transaction (as defined below) and present a proposal to its creditors in these proceedings (the "**Stay Extension**");
 - (iii) pursuant to section 50.6 of the BIA, declaring that Greenfire shall be authorized and empowered to obtain and borrow under a credit facility from Trafigura Canada General Partnership (the "**Interim Lender**") in order to finance Greenfire's working capital requirements and other general corporate purposes and capital expenditures prior to the closing of the APA (defined below), provided that borrowings under such credit facility shall not exceed \$20,000,000 unless permitted by further Order of this Court (the "**Interim Financing Facility**");
 - (iv) pursuant to section 50.6(3) of the BIA, declaring that the Interim Lender shall be entitled to the benefit of a charge on the Property to a maximum amount of the Interim Financing Facility to secure all obligations to the Interim Lender ranking subordinate only to the Administration Charge previously granted in these proceedings (the "**Interim Lender Charge**");
 - (v) authorizing Greenfire to enter into a marketing agreement with the Interim Lender; and

- (vi) sealing the Confidential Supplement to Affidavit No.6 of Robert Logan.
- (b) an Order substantially in the form attached hereto as **Schedule "B"** (the "**SAVO**") pursuant to section 65.13 of the *Bankruptcy and Insolvency Act* the (the "**BIA**"):
 - (i) declaring that Greenfire shall be authorized and empowered to enter into the Asset Sale Agreement (the "**APA**") with Greenfire Acquisition Corporation ("**GAC**" or the "**Purchaser**");
 - (ii) authorizing Greenfire to take all necessary steps in order to complete the transaction contemplated by the APA (the "**Transaction**"); and
 - (iii) vesting the property which is the subject matter of the APA in the Purchaser free and clear of all encumbrances against the property and all claims against Greenfire, except for any permitted encumbrances described in the APA; and
- (c) such further and other relief as may be sought by Greenfire and this Honourable Court may deem appropriate.

Grounds for Making this Application:

- 2. On October 8, 2020, each of GOGL and GHOPCO filed a Notice of Intention to Make a Proposal (collectively, the "**NOI**") pursuant to section 50.4(1) of the BIA with the Office of the Superintendent of Bankruptcy. A&M is the Proposal Trustee of both GOGL and GHOPCO.

Extension of the Proposal Period

- 3. Most recently, pursuant to the Order of Justice J.S. Little on November 17, 2020, the Proposal Period was extended to December 8, 2020.
- 4. Greenfire requires the Stay Extension to effect the Transaction and otherwise continue the restructuring of its business and affairs and to work towards making a viable proposal to its creditors.
- 5. The Stay Extension is appropriate for, among others, the following reasons:
 - (a) Greenfire has acted, and continues to act in good faith and with due diligence;

- (b) Greenfire will likely be able to close the Transaction if the Stay Extension is granted; and
- (c) no creditor will be materially prejudiced by the requested Stay Extension.

6. The Proposal Trustee supports the Stay Extension.

Interim Financing

- 7. Both before and after the filing of the NOI, Greenfire and the Administrative Professionals have expended significant effort towards securing interim financing to, among other things, fund the restart of Greenfire's operations at its Hangingstone Facility.
- 8. However, Greenfire and the Administrative Professionals have not ceased in their efforts to seek interim financing (including on multiple occasions from Greenfire's senior secured lender) with parties accessing Greenfire's data room until recently.
- 9. As set forth below, Greenfire's only offer for interim financing is through the Interim Lender and is contingent on entering into the APA and completing the Transaction.

The APA

- 10. As a result of Greenfire being unable to secure interim financing and facing the expiry of the initial stay period under the BIA, Greenfire commenced negotiations with GAC with respect to the purchase of the Hangingstone Facility. GAC is not a "related person" to Greenfire within the meaning of the BIA.
- 11. The APA remains the only offer for Greenfire's assets and is anticipated to provide greater recovery to Greenfire's stakeholders than if Greenfire was to make an assignment into bankruptcy.
- 12. In order for GAC to complete the Transaction, closing needs to occur in the immediate future. It is essential that the GAC is able to acquire the Hangingstone Facility immediately for, among others, the following reasons:
 - (a) the plant at the Hangingstone Facility is subject to an ever-increasing risk of damage as average temperatures continue to decrease; and

- (b) it is likely that any delay in closing of the Transaction will result in increased costs associated with the restart of the Plant, which will reduce the amounts available under the APA to be distributed to Greenfire's creditors
13. In addition to the purchase price payable under the Transaction, provided that the Transaction receives the approval of this Honorable Court, the Interim Lender will make the Interim Financing Facility available to Greenfire.

Increase to Administration Charge

14. In May 2020, Greenfire terminated nearly all of its employees. Since the filing of these proceedings, Greenfire has relied significantly on its counsel, Alvarez and Marsal Canada Inc. ("A&M") in its capacity as proposal trustee (in such capacity the "**Proposal Trustee**") and the Proposal Trustee's counsel (collectively, the "**Administrative Professionals**"). In light of Greenfire's lack of funding, the Administrative Professionals were critical in Greenfire's efforts to, among other things, engage with stakeholders and obtain favorable directions from this Honorable Court.
15. In the event that the Interim Financing Order and the APA are not approved, Greenfire will become bankrupt and A&M will become the trustee in bankruptcy (in such capacity, the "**Bankruptcy Trustee**"). Any recovery to Greenfire's creditors will be contingent on the Bankruptcy Trustee's ability to effect a sale or obtain funding and it is just and reasonable that the Administration Charge is in an amount sufficient to cover the professional fees and disbursements of the Administration Professionals incurred to date and on a go-forward basis.

Material of Evidence to be Relied On:

16. Affidavit No.1 of Robert B. Logan, sworn October 9, 2020;
17. Affidavit No.2 of Robert B. Logan, sworn November 2, 2020;
18. Affidavit No.6 of Robert B. Logan, sworn December 2, 2020;
19. Confidential Supplement to Affidavit No.6 of Robert B. Logan;
20. Brief of Law of Greenfire;

21. Fourth Report of the Proposal Trustee, to be filed;
22. Pleadings and proceedings herein; and
23. Such further and other materials as counsel may advise and this Honourable Court may permit.

Applicable Rules:

24. The Alberta Rules of Court, AR 124/2010, as amended.
25. The *Bankruptcy and Insolvency General Rules* (CRC, c 368).

Applicable Acts and Regulations

26. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended; and
27. Such further and other Acts and Regulations as counsel may advise and that this Honourable Court may permit.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

SCHEDULE "A"

Clerk's Stamp:

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS. LTD.

DOCUMENT **Order (Approval of Interim Financing and Interim Financing Charge,
Extension of Time to File Proposal, Sealing)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1
Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

DATE ON WHICH ORDER WAS PRONOUNCED: DECEMBER 8, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: EDMONTON

JUSTICE WHO MADE THIS ORDER: M.J. LEMA

UPON THE APPLICATION of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and collectively "**Greenfire**" or the "**Applicants**"); AND UPON reading the Order AND UPON reading the Affidavits of Robert B. Logan sworn October 9, 2020, November 2, 2020 and December 2, 2020 ("**Logan Affidavit No.6**") and the Confidential

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Supplement to Logan Affidavit No.6 (the "**Confidential Supplement**"); AND UPON reading the Fourth Report of Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Greenfire (the "**Proposal Trustee**") dated December [●], 2020; AND UPON hearing submissions by counsel for Greenfire and any other counsel or other interested parties present,

IT IS HEREBY ORDERED THAT:

SERVICE

1. The time for service of the notice of application for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no one other than those persons served is entitled to service of the notice of application.

INTERPREATION

2. Capitalized terms not otherwise defined this Order shall have the meaning set forth the Administration Charge Order.

EXTENSION OF TIME TO FILE A PROPOSAL

3. The time within which Greenfire is required to file a proposal to its creditors with the Official Receiver, under section 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**"), shall be and is hereby extended to January 22, 2020.

INTERIM FINANCING

4. The terms of the interim financing facility, substantially in the form as set out in the term sheet attached as **Exhibit "A"** to Logan Affidavit No.6 (the "**Interim Financing Facility**") are hereby approved.
5. Greenfire is hereby authorized to borrow up to \$20,000,000 from Trafigura Canada General Partnership (the "**Interim Lender**") by way of the Interim Financing Facility to be advanced to Greenfire by the Interim Lender.
6. All of Greenfire's present and after-acquired assets, property and undertakings (the "**Property**") shall be, and hereby is, subject to a charge in the amount of \$20,000,000 (the "**Interim Lender Charge**"), in order to secure repayment to the Interim Lender of amounts advanced under the

Interim Financing Facility, which Interim Lender Charge shall be subordinate in priority only to the Administration Charge (as set forth in the Administration Charge Order).

7. For clarity, the respective ranking of the charges on the Property and the security interests in the Property shall be as follows:
 - (a) first, the Administration Charge granted pursuant to, and as defined in, the Order of Justice D.R. Mah on October 16, 2020; and
 - (b) second, the Interim Lender Charge, (together, the "**Charges**").
8. The filing, registration or perfection of the Charges shall not be required, and the Charges shall be 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.
9. The Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise in favour of any person (collectively, the "**Encumbrances**").
10. Except as otherwise provided herein, or as may be approved by this Honourable Court, Greenfire shall not grant any Encumbrances over the Property that rank in priority to, or *pari passu* with, any of the Charges, unless Greenfire obtains the prior written consent of the beneficiaries of the Charges (the "**Chargees**") or further order of this Court.
11. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder 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 the 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 Greenfire, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the 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 Greenfire 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 Charges, or the execution, delivery or performance of the Interim Financing Facility; and
 - (iii) the payments made by Greenfire pursuant to this Order and the granting of the 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.

Authorization to enter into Marketing Agreement

- 12. Greenfire is hereby authorized to enter into the marketing agreement contemplated by the Interim Financing Facility with the Interim Lender for the purpose of marketing and selling its production, and to take all steps necessary and incidental to completing and fulfilling its obligations under the marketing agreement, as it may determine in its discretion, on terms acceptable to Greenfire and the Interim Lender.

Sealing

- 13. Notwithstanding the procedural requirements of Rule 6.28 and Division 4, Part 6 of the Alberta Rules of Court, the Confidential Supplement shall be sealed on the Court file and shall not form part of the public record.
- 14. The Clerk of this Honourable Court shall file the Confidential Supplement in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

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THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS
SEALED PURSUANT TO THE SEALING ORDER ISSUED BY THE
HONORABLE JUSTICE M.J. LEMA ON DECEMBER 8, 2020.

15. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

J.C.Q.B.A

SCHEDULE "B"

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT **ORDER APPROVAL AND VESTING ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT

Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com

File No. 077186-00004

DATE ON WHICH ORDER WAS PRONOUNCED: DECEMBER 8, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: EDMONTON

NAME OF JUSTICE WHO MADE THIS ORDER: M.J. LEMA

UPON THE APPLICATION of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and collectively "**Greenfire**" or the "**Applicants**") filed December [•], 2020 for an order approving the sale transaction (the "**Transaction**") contemplated by an Asset Purchase Agreement dated December 1, 2020 (the "**APA**") between Greenfire and Greenfire

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Acquisition Corporation (the "**Purchaser**") and vesting in the Purchaser (or its nominee) Greenfire's right, title and interest in and to the Assets (as defined in the APA); AND UPON reading the Affidavits of Robert B. Logan sworn October 9, 2020, November 2, 2020 and December 2, 2020 ("**Logan Affidavit No.6**") and the Confidential Supplement to Logan Affidavit No. 6; AND UPON reading the Fourth Report of Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Greenfire (the "**Proposal Trustee**") dated December [●], 2020; AND UPON hearing submissions by counsel for Greenfire and any other counsel or other interested parties present,

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

INTERPREATION

2. Capitalized terms not otherwise defined in this Order or the Schedules hereto have meaning set forth in the APA.

APPROVAL OF TRANSACTION

3. The Transaction is hereby approved and execution of the APA by Greenfire is hereby authorized and approved, with such minor amendments as Greenfire, with the consultation of the Proposal Trustee, may deem necessary. Greenfire is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser (or its nominee).

VESTING OF PROPERTY

4. Subject to the terms of the Purchase Agreement, and subject only to approval by the Alberta Energy Regulator (the "**Energy Regulator**"), of transfer of any applicable licenses, permits and approvals pursuant to section 24 of the *Oil and Gas Conservation Act* (Alberta) and section 18 of the *Pipeline Act* (Alberta) upon delivery of a closing certificate from the Proposal Trustee to the Purchaser (or its nominee) substantially in the form set out in **Schedule "A"** hereto (the "**Closing Certificate**"), all of Greenfire's right, title and interest in and to the Assets hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all

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caveats, security interests, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, "**Claims**") including, without limiting the generality of the foregoing:

- (a) any charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system;
- (b) any liens or claims of lien under the *Builders' Lien Act* (Alberta); and
- (c) those Claims listed in **Schedule "B"** hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, caveats, interests, easements, and restrictive covenants listed in **Schedule "C"** (collectively, "**Permitted Encumbrances**")

and for greater certainty, this Court orders that all Claims including Encumbrances other than Permitted Encumbrances, affecting or relating to the Purchased Assets are hereby expunged, discharged and terminated as against the Purchased Assets

5. Upon delivery of the Closing Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities including those referred to below in this paragraph (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Closing Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required to convey to the Purchaser or its nominee clear title to the Purchased Assets subject only to Permitted Encumbrances. Without limiting the foregoing:

- (a) Alberta Energy (the "**Energy Ministry**") shall and is hereby authorized, requested and directed to forthwith:
 - (i) cancel and discharge those Claims including builders' liens, security notices, assignments under section 426 (formerly section 177) of the *Bank Act* (Canada) and other Encumbrances (but excluding Permitted Encumbrances) registered (whether before or after the date of this Order) against the estate or interest of

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Greenfire in and to any of the Purchased Assets located in the Province of Alberta;

- (ii) transfer all Crown leases listed in **Schedule "D"** to this Order standing in the name of Greenfire, to the Purchaser (or its nominee) free and clear of all Claims including Encumbrances but excluding Permitted Encumbrances; and
 - (iii) enter the Purchaser (or its nominee) as the owner and/or lessee of the Purchase Assets subject only to the Permitted Encumbrances;
- (b) the Registrar of the Alberta Personal Property Registry (the "**PPR Registrar**") shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of Greenfire in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods; and
- (c) notwithstanding the requirements of section 191(1) of the *Land Titles Act Land Titles Act*, RSA 2000, c.L-7 (the "**LTA**") and notwithstanding that the appeal period in respect of this Order has not elapsed, the Land Titles Registrar shall and is hereby authorized, requested and directed to forthwith register the transfer to the Purchaser (or its nominee) of all caveats currently registered in the name of the Applicant in respect of the Purchased Assets
6. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the APA. Presentment of this Order and the Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.
7. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by Greenfire of the APA, other than any required approval by the Energy Regulator referenced in paragraph 3 above.

8. Upon delivery of the Closing Certificate together with a certified copy of this Order, this Order shall be immediately registered by the Land Titles Registrar notwithstanding the requirements of section 191(1) LTA and notwithstanding that the appeal period in respect of this Order has not elapsed.
9. For the purposes of determining the nature and priority of Claims, net proceeds from sale of the Purchased Assets (to be held in an interest bearing trust account by the Proposal Trustee) shall stand in the place and stead of the Purchased Assets from and after delivery of the Closing Certificate and all Claims including Encumbrances (but excluding Permitted Encumbrances) shall not attach to, encumber or otherwise form a charge, security interest, lien, or other Claim against the Purchased Assets and may be asserted against the net proceeds from sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. Unless otherwise ordered (whether before or after the date of this Order), the Proposal Trustee shall not make any distributions to creditors of net proceeds from sale of the Purchased Assets without further order of this Court.
10. Upon completion of the Transaction, Greenfire and all persons who claim by, through or under Greenfire in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).
11. The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by Greenfire, or any person claiming by, through or against Greenfire.

12. Immediately upon closing of the Transaction, holders of Permitted Encumbrances shall have no claim whatsoever against Greenfire or the Proposal Trustee.
13. The Proposal Trustee is directed to file with the Court a copy of the Closing Certificate forthwith after delivery thereof to the Purchaser (or its nominee).
14. The Proposal Trustee may rely on written notice from Greenfire and the Purchaser or their respective counsel regarding the satisfaction of the Purchase Price and the fulfillment of conditions to closing under the APA and shall incur no liability with respect to the delivery of the Proposal Trustee's Certificate.
15. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada) and section 20(e) of the *Alberta Personal Information Protection Act*, Greenfire is authorized and permitted to disclose and transfer to the Purchaser (or its nominee) all human resources and payroll information in Greenfire's records pertaining to Greenfire's past and current employees. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use (of such information) to which Greenfire was entitled.

MISCELLANEOUS MATTERS

16. Notwithstanding:
 - (a) the pendency of these proceedings and any declaration of insolvency made herein;
 - (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended (the "**BIA**"), in respect of Greenfire, and any bankruptcy order issued pursuant to any such applications;
 - (c) any assignment in bankruptcy made in respect of Greenfire; and
 - (d) the provisions of any federal or provincial statute:

the vesting of the Purchased Assets in the Purchaser (or its nominee) pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of Greenfire and shall not be void or voidable by creditors of Greenfire, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or

other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

17. Greenfire, the Proposal Trustee, the Purchaser (or its nominee) shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

18. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Greenfire and/or the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Proposal Trustee, as an officer of the 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.

19. Service of this Order shall be deemed good and sufficient by:

(a) Serving the same on:

- (i) the persons listed on the service list created in these proceedings;
- (ii) any other person served with notice of the application for this Order;
- (iii) any other parties attending or represented at the application for this Order;
- (iv) the Purchaser or the Purchaser's solicitors; and

(b) Posting a copy of this Order on the Proposal Trustee's website at:
<https://www.alvarezandmarsal.com/greenfire>

and service on any other person is hereby dispensed with.

20. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

SCHEDULE "A" - PROPOSAL TRUSTEE'S CERTIFICATE

Form of Proposal Trustee's Certificate

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT PROPOSAL TRUSTEE'S CERTIFICATE

Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1
Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

RECITALS

- A. On October 8, 2020, Greenfire Oil & Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**") and together with GOGL, "**Greenfire**")
- B. Pursuant to an Order of the Court dated [•], the Court approved the agreement of purchase and sale made as of [•] (the "**APA**") between Greenfire and Greenfire Acquisition Corporation (the "**Purchaser**") and provided for the vesting in the Purchaser of Greenfire's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by Alvarez & Marsal Canada Inc. in its capacity as the Proposal Trustee

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of Greenfire (in such capacity, the "**Proposal Trustee**") to the Purchaser of a certificate confirming (i) the satisfaction of the Purchase Price for the Purchased Assets by the Purchaser; (ii) that the conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser; and (iii) that the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the APA.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchaser (or its nominee) has satisfied the Purchase Price for the Purchased Assets in accordance with the APA;
2. The conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser (or its nominee); and
3. The Transaction has been completed to the satisfaction of the Proposal Trustee.

THE PROPOSAL TRUSTEE CERTIFIES the following:

4. The Purchaser (or its nominee) has satisfied the Proposal Trustee has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APA;
5. The conditions to Closing as set out in the APA have been satisfied or waived by Greenfire and the Purchaser (or its nominee); and
6. The Transaction has been completed to the satisfaction of the Proposal Trustee.
7. This Certificate was delivered by the Proposal Trustee at **[Time]** on **[Date]**.

Alvarez & Marsal Canada Inc., in its capacity as Proposal Trustee of Greenfire Oil & Gas Ltd. and Greenfire Hangingstone Operating Corporation and not in its personal capacity.

Per; _____

**Name: Orest Konowalchuk
Title: Senior Vice President**

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SCHEDULE "B" – CLAIMS

Alberta Crown Oilsands Lease No. 072 728201AT70

No.	Encumbrance ID	Registration Date	Party
1.	2000801 BUILDERS LIEN 2002259 LIS PENDENS	2020/03/27 2020/09/21	BOOM CONSTRUCTION LTD. ROSE LLP BARRISTERS & SOLICITORS 440 2 AVE SW SUITE 2100 CALGARY AB T2P 5E9
2.	2001302 BUILDERS LIEN 2002273 LIS PENDENS	2020/05/05 2020/09/23	APEX DISTRIBUTION INC. CARSCALLEN LLP 332 6 AVE SW SUITE 900 CALGARY AB T2P 0B2
3.	2002866 SECURITY NOTICE	2020/11/27	ABC FUNDING, LLC, AS COLLATERAL AGENT 222 BERKELEY ST FLOOR 17 BOSTON MA 02116- US

SCHEDULE "C" – PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means:

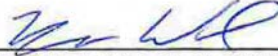
- (a) the rights reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, permit or authorization or by any Applicable Law, to terminate any such lease, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;
- (a) the rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets or operations (if any) in respect thereof in any manner;
- (b) easements, rights of way, servitudes and other similar rights in lands, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables; provided in each case to the extent that such rights do not materially impair the use of, access to, or operation (if any) of the Assets;
- (c) statutory exceptions to title and the reservations, limitations, provisos and conditions in any original grants from the Crown of any mines and minerals within, upon or under the Lands;
- (d) the terms and conditions of the Title and Operating Documents; provided that any Encumbrance created under or pursuant to any such Title and Operating Document will be a Permitted Encumbrance only if it is set forth in Schedule "A" to the APA or also satisfies another provision of this definition;
- (e) contracts for the purchase, sale, handling processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets terminable by any party thereto without penalty or other cost on 91 days' notice or less;
- (f) the terms of the GORR Agreement including the Lien granted therein; and
- (g) the royalties, burdens, reduction or conversion or alteration of interests and adverse claims and other Liens set forth in Schedule "A" to the APA,

provided that in no circumstances shall the Warner Contract or any rights of Warner Petroleum Corporation related thereto be a Permitted Encumbrance.

SCHEDULE "D" – CROWN LEASES

Crown Lease	Land Description, Rights and Area	Working Interest
<p>Alberta Crown Oilsands Lease No. 072 728201AT70</p> <p>Expiry: Section 13 Continuation</p>	<p>Twp. 84, Rge. 11 W4M: NW26, N27, N28, 33, 34, W35</p> <p>(Oil Sands in the Wabiskaw-McMurray)</p> <p>Area: 3.75 sections; 960 ha</p>	<p>100%</p>

THIS IS **EXHIBIT "6"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

CERTIFICATE OF LAWYER/STUDENT-AT-LAW

Documents commissioned by a Lawyer/Student-at-Law during a Public Emergency Period

1. I, **Aaron Marchadour**, being a student-at-law in and for the Province of Alberta certify that in witnessing and commissioning the within affidavit executed by Todd Pruden, the deponent herein, on December 14, 2020.
2. I have complied with the requirements and conditions as outlined in the Notice to the Profession and Public- Remote Commissioning 2020-02 by the Court of Queen's Bench of Alberta on March 25, 2020.
3. I am satisfied that a two-way video conferencing was necessary because it was impossible or unsafe, for medical reasons, for the deponent and the commissioner to be physically present together.
4. I witnessed the signature in a single session during which I was able at all times to *see and hear* the deponent signing the affidavit by electronic means.
5. I am satisfied that the deponent as named in the affidavit is who the person purports to be.
6. I received from the deponent the signed affidavit together with the exhibits by electronic means.
7. I have maintained in my files, the signed affidavit with my signature as a commissioner of oaths, and I have requested that the deponent provide to me the affidavit containing the deponent's original signature.

Dated this 14th day of December, 2020



(Signature of lawyer/student-at-law)

Aaron Marchadour _____

(Print or type name of lawyer/student-at-law)

**AARON MARCHADOUR
STUDENT-AT-LAW**

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COURT FILE NUMBER B201 679073
25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE OIL & GAS LTD.



1203098

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
Barristers and Solicitors
2100, 222 3rd Ave SW
Calgary, Alberta T2P 0B4
Attention: Ryan Zahara/Jonathan Bouchier
Phone: 403.693.5420/4310
Fax: 403.508.4349
File: 0144960.00001

AFFIDAVIT OF TODD PRUDEN
Sworn on December 14, 2020

I, Todd Pruden, of the City of Fort McMurray, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the sole director of the Respondent, Athabasca Workforce Solutions Inc. ("**Athabasca Workforce**"), and, as such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.
2. Athabasca Workforce is a major creditor of Greenfire Hangingstone Corporation ("**Greenfire Hangingstone**") and is owed approximately \$4,000,000.00 for services provided to Greenfire Hangingstone, plus significant additional damages resulting from, among other causes, Greenfire Hangingstone's breaches of contract.

A handwritten signature in blue ink, consisting of the letters "an" in a cursive style.

3. On December 12, 2020, Allan Bezanson, a director of both Greenfire Hangingstone and Greenfire Oil and Gas Ltd. (collectively with Greenfire Hangingstone, "Greenfire"), sent me the following text message:


"The federal announcement effectively killed Oilsands I would not be in a rush to invest, there will be no capital available for new participates in Canada".

4. With Mr. Bezanson's knowledge, I have been working to find investors for the Greenfire Hangingstone facility and to provide interim financing. Mr. Bezanson has repeatedly requested updates from me on this process.

5. I understand Mr. Bezanson's December 12, 2020 text message to be an attempt to dissuade me and other potential investors from providing interim financing or investing in the Greenfire Hangingstone facility.

6. I am swearing this Affidavit in opposition to Greenfire's Application to approve an Asset Purchase Agreement and for other relief which, if granted, will result in a significant and immediate loss to Athabasca Workforce of no less than \$4,000,000.00.

7. This affidavit was sworn using video technology as Todd Pruden was not physically present before the Commissioner, but was linked with the Commissioner utilizing video technology. The process for remote commissioning of affidavits was thoroughly followed as outlined in the Notice to the Profession and Public – Remote Commissioning 2020-02 by the Court of Queen's Bench on March 25, 2020.

SWORN BEFORE ME at the City of Fort)
McMurray, in the Province of Alberta, this)
14 day of December 2020)
)
)
)
)
A Notary Public/Commissioner for Oaths in)
and for the Province of Alberta)

TODD PRUDEN

AARON MARCHADOUR
STUDENT-AT-LAW

COURT FILE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

IN THE MATTER OF THE BANKRUPTCY AND
INSOLVENCY ACT, RSC 1985, C. B-3, AS
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AND IN THE MATTER OF THE NOTICE OF
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AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
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DOCUMENT

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Barristers and Solicitors
2100, 222 3rd Ave SW
Calgary, Alberta T2P 0B4
Attention: Ryan Zahara/Jonathan Bouchier
Phone: 403.693.5420/4310
Fax: 403.508.4349
File: 0144960.00001

AFFIDAVIT OF TODD PRUDEN
Sworn on December 14, 2020

I, Todd Pruden, of the City of Fort McMurray, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the sole director of the Respondent, Athabasca Workforce Solutions Inc. ("Athabasca Workforce"), and, as such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.
2. Athabasca Workforce is a major creditor of Greenfire Hangingstone Corporation ("Greenfire Hangingstone") and is owed approximately \$4,000,000.00 for services provided to Greenfire Hangingstone, plus significant additional damages resulting from, among other causes, Greenfire Hangingstone's breaches of contract.

3. On December 12, 2020, Allan Bezanson, a director of both Greenfire Hangingstone and Greenfire Oil and Gas Ltd. (collectively with Greenfire Hangingstone, "Greenfire"), sent me the following text message:

"The federal announcement effectively killed Oilsands I would not be in a rush to invest, there will be no capital available for new participates in Canada".

4. With Mr. Bezanson's knowledge, I have been working to find investors for the Greenfire Hangingstone facility and to provide interim financing. Mr. Bezanson has repeatedly requested updates from me on this process.

5. I understand Mr. Bezanson's December 12, 2020 text message to be an attempt to dissuade me and other potential investors from providing interim financing or investing in the Greenfire Hangingstone facility.

6. I am swearing this Affidavit in opposition to Greenfire's Application to approve an Asset Purchase Agreement and for other relief which, if granted, will result in a significant and immediate loss to Athabasca Workforce of no less than \$4,000,000.00.

7. This affidavit was sworn using video technology as Todd Pruden was not physically present before the Commissioner, but was linked with the Commissioner utilizing video technology. The process for remote commissioning of affidavits was thoroughly followed as outlined in the Notice to the Profession and Public – Remote Commissioning 2020-02 by the Court of Queen's Bench on March 25, 2020.

SWORN BEFORE ME at the City of Fort)
McMurray, in the Province of Alberta, this)
___ day of December 2020)

A Notary Public/Commissioner for Oaths in)
and for the Province of Alberta)



TODD PRUDEN

3-1

THIS IS **EXHIBIT "7"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

CERTIFICATE OF LAWYER/STUDENT-AT-LAW

Documents commissioned by a Lawyer/Student-at-Law during a Public Emergency Period

1. I, **Catrina Webster**, being an Associate in and for the Province of Alberta certify that in witnessing and commissioning the within affidavit executed by Todd Pruden, the deponent herein, on December 17, 2020.
2. I have complied with the requirements and conditions as outlined in the Notice to the Profession and Public- Remote Commissioning 2020-02 by the Court of Queen's Bench of Alberta on March 25, 2020.
3. I am satisfied that a two-way video conferencing was necessary because it was impossible or unsafe, for medical reasons, for the deponent and the commissioner to be physically present together.
4. I witnessed the signature in a single session during which I was able at all times to *see and hear* the deponent signing the affidavit by electronic means.
5. I am satisfied that the deponent as named in the affidavit is who the person purports to be.
6. I received from the deponent the signed affidavit together with the exhibits by electronic means.
7. I have maintained in my files, the signed affidavit with my signature as a commissioner of oaths, and I have requested that the deponent provide to me the affidavit containing the deponent's original signature.

Dated this 17th day of December, 2020



(Signature of lawyer/student-at-law)

Catrina Webster

(Print or type name of lawyer/student-at-law)

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COURT FILE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE OIL & GAS LTD.

Clerk's Stamp

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
Barristers and Solicitors
2100, 222 3rd Ave SW
Calgary, Alberta T2P 0B4
Attention: Ryan Zahara/Jonathan Bouchier
Phone: 403.693.5420/4310
Fax: 403.508.4349
File: 0144960.00001

SECOND AFFIDAVIT OF TODD PRUDEN
Sworn on December 14, 2020

I, Todd Pruden, of the City of Fort McMurray, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the sole director of the Respondent, Athabasca Workforce Solutions Inc. ("**Athabasca Workforce**"), and, as such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true. Athabasca Workforce is a 100% aboriginal-owned Alberta business.
2. This Affidavit is being sworn in addition and is supplementary to my first affidavit (the "**First Pruden Affidavit**") sworn on December 14, 2020.

3. Athabasca Workforce is a major creditor of Greenfire Hangingstone Corporation ("**Greenfire Hangingstone**") and is owed approximately \$4,000,000.00 for services provided to Greenfire Hangingstone (collectively, the "**Services**"), plus significant additional damages resulting from, among other causes, Greenfire Hangingstone's breaches of contract. Athabasca Workforce is also a significant shareholder of Greenfire Hangingstone, having been required by Greenfire Hangingstone to purchase \$2,500,000.00 of shares in its parent company, Greenfire Oil & Gas Ltd., as a term of its agreement to provide the Services to Greenfire Hangingstone.
4. Athabasca Workforce has engaged in discussions with the group of investors (the "**Investor Group**") as to ways in which Athabasca Workforce and other creditors of Greenfire can work together to try and find an alternative to the transaction and interim financing being proposed by Greenfire. Athabasca Workforce supports the Investor Group's proposal for alternative interim financing and in order to run a sales process in respect of the assets of Greenfire Hangingstone.
5. In continuation of the efforts to find interim financing or investors in the Greenfire Hangingstone Facility, on December 16, 2020, I received the attached preliminary indication of financing (the "**PIF**") from Alexander Christian Business Development Corporation in respect of putting forward an offer for the purchase of the assets of Greenfire Hangingstone. Attached hereto and marked as **Exhibit "A"** is a copy of the EOI.
6. I believe that if given additional time to work with the Investor Group and provide the due diligence information requested by ACBDC in the PIF that the creditors would be in a position to submit an offer for the assets in any sales process that would be superior to the offer being proposed by Greenfire Acquisition Company Ltd. ("**Acquisition Co.**") and for which Greenfire is seeking approval.
7. I am swearing this Affidavit in opposition to Greenfire's Application to approve an Asset Purchase Agreement with Acquisition Co. and for other relief which, if granted, will result in a significant and immediate loss to Athabasca Workforce of no less than \$4,000,000.00 for the Services it provided to Greenfire Hangingstone, in addition to the \$2,500,000.00 Athabasca Workforce was required to pay Greenfire Oil & Gas Ltd. in order to provide Greenfire Hangingstone the Services.

8. This affidavit was sworn using video technology as Todd Pruden was not physically present before the Commissioner, but was linked with the Commissioner utilizing video technology. The process for remote commissioning of affidavits was thoroughly followed as outlined in the Notice to the Profession and Public – Remote Commissioning 2020-02 by the Court of Queen’s Bench on March 25, 2020.

SWORN BEFORE ME at the City of Fort)
McMurray, in the Province of Alberta, this)
17 day of December 2020)



A Notary Public/Commissioner for Oaths in)
and for the Province of Alberta)

TODD PRUDEN

**CATRINA WEBSTER
BARRISTER & SOLICITOR**



December 16, 2020

AWS Group
Attention: Mr. Todd Pruden
c/o Ryan DeGobbi
10936 80th ave
Edmonton, Alberta,
T6G0R1

THIS IS EXHIBIT "A" TO THE
Affidavit of Todd Pruden sworn
before me this 17th day of December 2020

A Notary Public/Commissioner for Oaths in
and for the Province of Alberta

Via Email

Re Preliminary Indication of Financing

**CATRINA WEBSTER
BARRISTER & SOLICITOR**

Dear Mr. Pruden:

Thank you for the opportunity to permit Alexander Christian Business Development Corporation ("ACBDC") to review the potential for coordinating DIP Financing for the Greenfire Transaction. Excerpt from email received Wednesday, December 16, 2020, please confirm:

An LOI that states that we are willing to fund \$5M toward our partnership with Investor Group to provide DIP financing and prepare a proper APA to gain full control of the asset.

We need a total of between 7 and 7.5M (Investor group already has 2.5M sitting in a trust account and that has been presented to the courts) and this is the breakdown of funds needed:

- 1.5M - in Administration/Trustee fees
- 1.5M-2.1 - repair damages to the plant
- 1.7M - Month one of operation
- 1.7M - Month two of operation

Investor Group Contact:
Amanda Ovaichi - 403-370-9089

As we have discussed, in order for us to develop the necessary knowledge of the transaction and propose definite terms to you, we would like to discuss the opportunity and meet with yourself again to further discuss business strategies and industry trends, review interim and annual financial information and conduct a standard review of the assets in question and the proposed transaction. Satisfactory completion of due diligence would allow us to provide you with a firm funding proposal commitment.

This letter is simply an indication of interest, is not intended to be all-inclusive, and is not a commitment to lend or invest. While ACBDC and our investors may at any time decline further consideration of this transaction, we believe that the opportunity will prove to be a viable candidate for financing, pending the outcome of due diligence, which we are prepared to do on an expedited timeline.



Given our past relationship with the AWS Group and background knowledge of this transaction, we look forward to working with you. In the interim, please feel free to contact me at 1-604-440-9656.

Sincerely,

Director
Raymond Kisun
For and on behalf of
Alexander Christian Business Development Corporation

cc: Ryan DeGobbi

cu

COURT FILE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

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

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE OIL & GAS LTD.

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
Barristers and Solicitors
2100, 222 3rd Ave SW
Calgary, Alberta T2P 0B4
Attention: Ryan Zahara/Jonathan Bouchier
Phone: 403.693.5420/4310
Fax: 403.508.4349
File: 0144960.00001

SECOND AFFIDAVIT OF TODD PRUDEN
Sworn on December 17, 2020

I, Todd Pruden, of the City of Fort McMurray, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the sole director of the Respondent, Athabasca Workforce Solutions Inc. ("**Athabasca Workforce**"), and, as such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true. Athabasca Workforce is a 100% aboriginal-owned Alberta business.
2. This Affidavit is being sworn in addition and is supplementary to my first affidavit (the "**First Pruden Affidavit**") sworn on December 14, 2020.

000152

3. Athabasca Workforce is a major creditor of Greenfire Hangingstone Corporation ("Greenfire Hangingstone") and is owed approximately \$4,000,000.00 for services provided to Greenfire Hangingstone (collectively, the "Services"), plus significant additional damages resulting from, among other causes, Greenfire Hangingstone's breaches of contract. Athabasca Workforce is also a significant shareholder of Greenfire Hangingstone, having been required by Greenfire Hangingstone to purchase \$2,500,000.00 of shares in its parent company, Greenfire Oil & Gas Ltd., as a term of its agreement to provide the Services to Greenfire Hangingstone.
4. Athabasca Workforce has engaged in discussions with the group of investors (the "Investor Group") as to ways in which Athabasca Workforce and other creditors of Greenfire can work together to try and find an alternative to the transaction and interim financing being proposed by Greenfire. Athabasca Workforce supports the Investor Group's proposal for alternative interim financing and in order to run a sales process in respect of the assets of Greenfire Hangingstone.
5. In continuation of the efforts to find interim financing or investors in the Greenfire Hangingstone Facility, on December 16, 2020, I received the attached preliminary indication of financing (the "PIF") from Alexander Christian Business Development Corporation in respect of putting forward an offer for the purchase of the assets of Greenfire Hangingstone. Attached hereto and marked as Exhibit "A" is a copy of the EOI.
6. I believe that if given additional time to work with the Investor Group and provide the due diligence information requested by ACBDC in the PIF that the creditors would be in a position to submit an offer for the assets in any sales process that would be superior to the offer being proposed by Greenfire Acquisition Company Ltd. ("Acquisition Co.") and for which Greenfire is seeking approval.
7. I am swearing this Affidavit in opposition to Greenfire's Application to approve an Asset Purchase Agreement with Acquisition Co. and for other relief which, if granted, will result in a significant and immediate loss to Athabasca Workforce of no less than \$4,000,000.00 for the Services it provided to Greenfire Hangingstone, in addition to the \$2,500,000.00 Athabasca Workforce was required to pay Greenfire Oil & Gas Ltd. in order to provide Greenfire Hangingstone the Services.



8. This affidavit was sworn using video technology as Todd Pruden was not physically present before the Commissioner, but was linked with the Commissioner utilizing video technology. The process for remote commissioning of affidavits was thoroughly followed as outlined in the Notice to the Profession and Public – Remote Commissioning 2020-02 by the Court of Queen’s Bench on March 25, 2020.

SWORN BEFORE ME at the City of Fort)
McMurray, in the Province of Alberta, this)
___ day of December 2020)

A Notary Public/Commissioner for Oaths in)
and for the Province of Alberta)



TODD PRUDEN

Handwritten mark



December 16, 2020

AWS Group
Attention: Mr. Todd Pruden
c/o Ryan DeGobbi
10936 80th ave
Edmonton, Alberta,
T6G0R1

THIS IS EXHIBIT "A" TO THE
Affidavit of Todd Pruden sworn
before me this 17th day of December 2020

A Notary Public/Commissioner for Oaths in
and for the Province of Alberta

Via Email

Re Preliminary Indication of Financing

Dear Mr. Pruden:

Thank you for the opportunity to permit Alexander Christian Business Development Corporation ("ACBDC") to review the potential for coordinating DIP Financing for the Greenfire Transaction. Excerpt from email received Wednesday, December 16, 2020, please confirm:

An LOI that states that we are willing to fund \$5M toward our partnership with Investor Group to provide DIP financing and prepare a proper APA to gain full control of the asset.

We need a total of between 7 and 7.5M (Investor group already has 2.5M sitting in a trust account and that has been presented to the courts) and this is the breakdown of funds needed:

- 1.5M - in Administration/Trustee fees
- 1.5M-2.1 - repair damages to the plant
- 1.7M - Month one of operation
- 1.7M - Month two of operation

Investor Group Contact:
Amanda Ovaichi - 403-370-9089

As we have discussed, in order for us to develop the necessary knowledge of the transaction and propose definite terms to you, we would like to discuss the opportunity and meet with yourself again to further discuss business strategies and industry trends, review interim and annual financial information and conduct a standard review of the assets in question and the proposed transaction. Satisfactory completion of due diligence would allow us to provide you with a firm funding proposal commitment.

This letter is simply an indication of interest, is not intended to be all-inclusive, and is not a commitment to lend or invest. While ACBDC and our investors may at any time decline further consideration of this transaction, we believe that the opportunity will prove to be a viable candidate for financing, pending the outcome of due diligence, which we are prepared to do on an expedited timeline.



Given our past relationship with the AWS Group and background knowledge of this transaction, we look forward to working with you. In the interim, please feel free to contact me at 1-604-440-9656.

Sincerely,

Director
Raymond Kisun
For and on behalf of
Alexander Christian Business Development Corporation

cc: Ryan DeGobbi

THIS IS **EXHIBIT "8"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's Stamp:

ESTATE NUMBERS 25-2679073
25-2679074

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINTSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS. LTD.

DOCUMENT **AFFIDAVIT NO.1 OF ROBERT B. LOGAN**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

AFFIDAVIT NO. 1 OF ROBERT B. LOGAN

Sworn October 9, 2020

I, Robert B. Logan of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and Chairman of the Applicants, Greenfire Hangingstone Operating Corporation ("GHOPCO") and Greenfire Oil and Gas Ltd. ("GOGL" and collectively, "Greenfire" or the "Company"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

Background

2. GHOPCO is a body corporate incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta and is a wholly-owned subsidiary of GOGL. An Alberta Corporation/Non-Profit Search of GHOPCO is attached hereto and marked as **Exhibit "A"**.

3. GOGL is a body corporate incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta and is the sole shareholder of GHOPCO. An Alberta Corporation/Non-Profit Search of GOGL is attached hereto and marked as **Exhibit "B"**. The only business of GOGL is as the parent and holding company of GHOPCO.

4. Greenfire is engaged in the business of oil and natural gas development and production in Western Canada, namely operations conducted at Greenfire's SAGD production facility located fifty kilometres south of Fort McMurray, in the Regional Municipality of Wood Buffalo, Alberta (the "**Hangingstone Facility**").

History

5. Commencing in or about the first quarter of 2020, the sole marketer of the bitumen produced at the Hangingstone Facility failed to make payment on over 300,000 barrels of bitumen that Greenfire had produced. This resulted in a severe working capital and liquidity shortage that culminated in the orderly shut-in of the plant located at the Hangingstone Facility (the "**Plant**") and the termination of all Greenfire employees in and around May 2020.

6. In addition, Greenfire's strategic process has been complicated by the public health emergency caused by COVID-19, the public health orders introduced by the Government of Alberta requiring self-isolation and restricting the size of gatherings, and the closure or significantly reduced operations of most companies in and around Calgary, Alberta and North America more generally.

Proposal

7. On October 8, 2020, each of GOGL and GHOPCO filed a Notice of Intention to Make a Proposal (collectively, the "**NOI**") with the Official Receiver pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the "**BIA**"). Alvarez & Marsal Canada Inc. ("**A&M**") was appointed as the proposal trustee under the NOI in such capacity, (the "**Proposal Trustee**"). Attached hereto and marked as **Exhibit "C"** is a copy of the NOI.

8. Attached hereto and collectively marked as **Exhibit "D"** is the cash flow statement Greenfire prepared with the assistance of the Proposal Trustee which I understand will ultimately be filed with the Official Receiver (the "**Cash Flow Statement**").

9. As of the date of the filing of the NOI, Greenfire's books and records indicated that it owed its unsecured creditors approximately \$18,000,000. As at April 4, 2020, based on the calculations of the Alberta Energy Regulator (the "**AER**") calculations under its Licensee Liability Rating ("**LLR**") Program, Greenfire's oil and gas assets were valued at approximately \$131,424,642.59. Subsequent to this estimate, the Hangingstone Facility has been shut-in and, as at October 3, 2020, the AER's estimate of value has decreased to \$86,442,193.33. However, based on the AER's calculations under the LLR Program, the associated abandonment and reclamation obligations for those assets are valued at \$7,181,859. As a result, the value of the assets is uncertain.

Need for Interim Financing

10. Based upon my review of the Cash Flow Statement, Greenfire requires interim financing to assist in its ongoing restructuring efforts. Most urgently, Greenfire requires the interim financing to allow it to restart operations at the Hangingstone Facility.

11. Greenfire has been in discussions with a group that includes Tier One Capital LP and B.E.S.T. Venture Opportunities Fund Inc. (collectively, the "**Interim Lender**") for the provision of an interim financing facility to assist in the restarting and continuation of Greenfire's operations during the NOI proceedings (the "**Interim Financing Facility**").

12. As a result of these discussions, the Interim Lender and Greenfire have essentially agreed to the terms and conditions of an interim financing facility term sheet (the "**Term Sheet**"), pursuant to which the Interim Lender will, subject to the approval of this Honourable Court, provide Greenfire with a revolving credit facility in the maximum amount of \$8,000,000. Attached hereto as **Exhibit "E"** is an unexecuted copy of the Term Sheet substantially in the form that I expect to be executed by Greenfire and the Interim Lender in the coming days. A finalized and executed copy of the Term Sheet will be provided to the Court and Greenfire's stakeholders once obtained.

13. The Interim Lender is prepared to provide interim financing on a debtor-in-possession basis provided that the Interim Financing Facility is protected by a priority charge pursuant to section 50.6 of the BIA ahead of all other creditors, but subordinate to the Administration Charge (as defined below) (the "**Interim Financing Charge**").

14. To the extent required, the Interim Financing Facility will be used to ensure Greenfire's continued operations by funding its working capital and other general corporate requirements, as well as to pay the costs and expenses incurred by Greenfire in connection with these restructuring proceedings. The Interim Financing Facility is critical for allowing Greenfire to formulate a proposal and implement a restructuring that maximizes the recovery for all of Greenfire's stakeholders.

Restarting the Plant

15. In addition to the foregoing, the Interim Financing Facility is urgently required in order to mitigate against environmental risks and avoid unnecessary costs associated with Greenfire's operations at the Hangingstone Facility.

16. On or about May 2020, and in connection with Greenfire ceasing operations, the Plant was laid-up "wet". In other words, the equipment is "charged", as it is fully or partially full of water and other fluids (the "**Liquids**"). This has the advantage that Greenfire is able to restart production at the Plant in approximately two weeks, but also has the disadvantage that if the Plant is not restarted in the near future, there are significant risks to the Plant and the environment resulting from the presence of these Liquids.

17. As temperatures are increasingly tending towards freezing, there is a risk of equipment and environmental damage from cracking and/or breaking pipes if the Plant is not restarted as the Liquids will freeze.

18. Greenfire, with the assistance of the Proposal Trustee, has proactively engaged with the AER to ensure that the AER is aware of the current state of the Plant, potential risks in the event that the Interim Financing Facility is not approved, and Greenfire's NOI proceedings generally.

19. The alternative available to Greenfire is to dry the Plant, i.e. draining the Plant of the Liquids. This can also be accomplished in relatively short order but will ultimately add significant time and cost to restarting the Plant and will require Greenfire to make additional draws from the Interim Financing Facility.

20. Below is an estimate that includes risks, costs (\$USD) and mitigation options with respect to keeping the Plant from freezing.

Drying the Plant

21. I estimate that drying the Plant will cost in the range of \$750,000 to \$1,000,000, which Greenfire can complete in approximately two weeks. However, this will add approximately six to eight weeks to the time required to restart the Plant and an additional \$2,000,000 - \$3,000,000 in costs.

Starting the Plant from its Current State

22. I estimate that this will cost approximately \$1,500,000 per month and Greenfire will be required to make a pre-payment on gas and electricity in the approximate amount of \$250,000. Once Greenfire has restarted the Plant and warmed up the equipment, the risk of environmental and property damage is greatly reduced as Greenfire can restart its heaters and processes immediately to prevent freezing.

Additional Costs if Interim Financing is not Approved

23. The following is an approximate cost and time delay by temperature in the event that Greenfire isn't able to access the Interim Financing Facility:

Average Temperature (°C) for Extended Period over 3-5 Days	Impacts / Damages	Estimated Additional Costs (\$USD)	Estimated Additional Restart Time (Months)
-5	Risk of potential light freezing on piping, pumps, vessels and tanks. WAC Resin (used for water softening) can freeze, causing it to crack and will need to be replaced.	\$0-\$1,000,000	1
-10	Piping dead legs and isolated runs can freeze (split piping), crack pump casings, tanks and vessels. Media and resin damage.	\$1,000,000-\$3,000,000	2
-20	Split piping, split heat exchanger tubes ruptured tanks, vessels and pipelines.	\$10,000,000 – \$20,000,000	4-6
-30	Significant damage to major equipment and pipelines in addition to the above.	\$20,000,000+	6-9

24. As evidenced by the above table, with each passing week and decreasing temperatures, the damage to, and costs associated with restarting the, Plant increase significantly. It is critical that Greenfire have access to the Interim Financing Facility as it is in the best interests of Greenfire and its stakeholders. Without the Interim Financing Facility, Greenfire's prospects of making a viable proposal to its creditors will be drastically reduced.

25. The Cash Flow Statement demonstrates the need and the critical role for the Interim Financing Facility. For that reason, among others, I understand that the Proposal Trustee supports the Interim Financing Facility.

26. Greenfire's existing secured lender, Summit Partners, is aware of the Interim Financing Facility and is supportive of the Interim Financing Facility and the Interim Financing Charge.

Administration Charge

27. Greenfire requires the assistance of its legal counsel, Burnet Duckworth & Palmer LLP ("**BD&P**") and the Proposal Trustee to prepare, present and implement a proposal. Without the continued involvement of BD&P and the Proposal Trustee, the Company will not be able to restructure its affairs. Greenfire therefore requests a priority charge be granted in respect of the fees and disbursements of BD&P and Proposal Trustee (including the professional fees and disbursements of the Proposal Trustee's legal counsel), ranking ahead of all other creditors (the "**Administration Charge**").

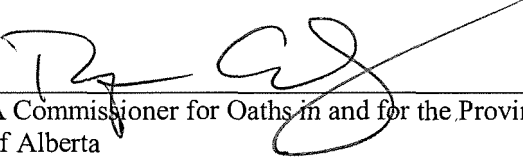
Relief Sought

28. Greenfire has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Greenfire will be materially prejudiced if this Honourable Court grants the relief sought.

29. I understand that the AER supports the Administration Charge and the Interim Financing Charge in reasonable amounts and that its priority is to see Greenfire work towards a solution where none of its assets become the responsibility of the Orphan Well Association.

30. I make this Affidavit in support of an application for an Order, among other things, (i) approving the Interim Financing Facility and (ii) approving the Interim Lender's Charge and the Administration Charge and for no improper purpose.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta this 9th day of October,)
2020)
)



A Commissioner for Oaths in and for the Province
of Alberta


Ryan E. Algar
Barrister and Solicitor



ROBERT B. LOGAN

THIS IS EXHIBIT "A" REFERRED TO IN
THE AFFIDAVIT OF ROBERT B. LOGAN.

SWORN BEFORE ME THIS 9TH DAY OF
OCTOBER 2020.



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2020/10/09
Time of Search: 10:53 AM
Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD
Service Request Number: 34203803
Customer Reference Number:

Corporate Access Number: 2020840779
Business Number: 778306712
Legal Entity Name: GREENFIRE HANGINGSTONE OPERATING CORPORATION

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2017/12/04 YYYY/MM/DD

Registered Office:

Street: 2400-525 8 AVE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Records Address:

Street: 2400-525 8 AVE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Email Address: RALGAR@BDPLAW.COM

Directors:

Last Name: BEZANSON
First Name: ALLAN
Street/Box Number: 4536 HAMPTONS WAY NW
City: CALGARY
Province: ALBERTA
Postal Code: T3A5H7

Last Name: LOGAN
First Name: ROBERT
Middle Name: B.
Street/Box Number: SUITE 1650, 444 - 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8

Voting Shareholders:

Legal Entity Name: GREENFIRE OIL AND GAS LTD.
Corporate Access Number: 2020059628
Street: SUITE 1650, 444 - 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8
Percent Of Voting Shares: 100

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE RE AUTHORIZED SHARES
Share Transfers Restrictions: SEE SCHEDULE RE SHARE TRANSFER RESTRICTIONS
Min Number Of Directors: 1
Max Number Of Directors: 15
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE SCHEDULE RE OTHER PROVISIONS

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2019	2020/09/02

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2017/12/04	Incorporate Alberta Corporation
2020/02/22	Update BN
2020/05/29	Change Director / Shareholder
2020/09/02	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2020/09/11	Change Address

Attachments:


Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2017/12/04
Restrictions on Share Transfers	ELECTRONIC	2017/12/04
Other Rules or Provisions	ELECTRONIC	2017/12/04

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "B" REFERRED TO IN
THE AFFIDAVIT OF ROBERT B. LOGAN.

SWORN BEFORE ME THIS 9TH DAY OF
OCTOBER 2020.



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2020/10/09
Time of Search: 10:52 AM
Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD
Service Request Number: 34203798
Customer Reference Number:

Corporate Access Number: 2020059628
Business Number: 730710928
Legal Entity Name: GREENFIRE OIL AND GAS LTD.

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2016/11/18 YYYY/MM/DD

Registered Office:

Street: 2400-525 8 AVE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Records Address:

Street: 2400-525 8 AVE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Email Address: RALGAR@BDPLAW.COM

Directors:

Last Name: BEZANSON
First Name: ALLAN
Street/Box Number: 4536 HAMPTONS WAY NW
City: CALGARY
Province: ALBERTA
Postal Code: T3A5H7

000170

Last Name: LOGAN
First Name: ROBERT
Middle Name: B.
Street/Box Number: SUITE 1650, 444 - 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8

Voting Shareholders:

Last Name: BEZANSON
First Name: ALLAN
Street: 4536 HAMPTONS WAY NW
City: CALGARY
Province: ALBERTA
Postal Code: T3A5H7
Percent Of Voting Shares: 4.9

Last Name: LIBERATOR CRUDE TRADING, LLC
Street: 2480 SOUTH CLARE AVENUE
City: CLARE
Province: MICHIGAN
Postal Code: 48617
Percent Of Voting Shares: 7.9

Last Name: LOGAN
First Name: ROBERT
Middle Name: B.
Street: SUITE 1650, 444 - 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8
Percent Of Voting Shares: 22.22

Last Name: PAWLUK
First Name: RICK
Middle Name: W.
Street: 4000, 421 - 7 AVENUE SW
City: CALGARY

Province: ALBERTA
Postal Code: T2P4K9
Percent Of Voting Shares: 4.43

Last Name: STARK
First Name: ALBERT
Street: 14324 DEER RIDGE DRIVE SE
City: CALGARY
Province: ALBERTA
Postal Code: T2J5W1
Percent Of Voting Shares: 7.68

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE RE AUTHORIZED SHARES
Share Transfers Restrictions: SEE SCHEDULE RE TRANSFER RESTRICTIONS
Min Number Of Directors: 1
Max Number Of Directors: 15
Business Restricted To: NONE.
Business Restricted From: NONE.
Other Provisions: SEE SCHEDULE RE OTHER PROVISIONS

Holding Shares In:

Legal Entity Name
GREENFIRE HANGINGSTONE OPERATING CORPORATION

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2019	2020/01/22

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2016/11/18	Incorporate Alberta Corporation
2017/11/09	Name/Structure Change Alberta Corporation
2020/01/22	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2020/02/22	Update BN
2020/06/18	Change Director / Shareholder
2020/09/11	Change Address

Attachments:

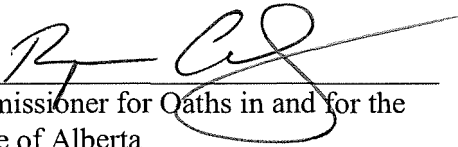
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Restrictions on Share Transfers	ELECTRONIC	2016/11/18
Other Rules or Provisions	ELECTRONIC	2016/11/18
Share Structure	ELECTRONIC	2016/11/18
Memo to File	ELECTRONIC	2016/12/21
Share Structure	ELECTRONIC	2016/12/21
Other Rules or Provisions	ELECTRONIC	2017/10/06
Consolidation, Split, Exchange	ELECTRONIC	2017/11/09
Letter - Spelling Error	10000607127039044	2018/05/01

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "C" REFERRED TO IN
THE AFFIDAVIT OF ROBERT B. LOGAN.

SWORN BEFORE ME THIS 9TH DAY OF
OCTOBER 2020.



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2679074
Estate No. 25-2679074

In the Matter of the Notice of Intention to make a
proposal of:

Greenfire Oil and Gas Ltd.
Insolvent Person

ALVAREZ & MARSAL CANADA INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: October 08, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 09, 2020, 12:12

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902
000175

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2679073
Estate No. 25-2679073

In the Matter of the Notice of Intention to make a
proposal of:

Greenfire Hangingstone Operating Corporation
Insolvent Person

ALVAREZ & MARSAL CANADA INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: October 08, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 09, 2020, 12:10

E-File/Dépôt Electronique

Official Receiver

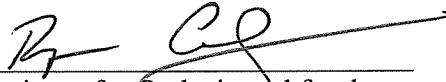
Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

000176

Canada


THIS IS EXHIBIT "D" REFERRED TO IN
THE AFFIDAVIT OF ROBERT B. LOGAN.

SWORN BEFORE ME THIS 9TH DAY OF
OCTOBER 2020.



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor

Greenfire Hangingstone Operating Corporation		Forecast														
13-Week Cash Flow Forecast ending January 1, 2021		Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13-week total
SCAD 000's		week ended	9-Oct-20	16-Oct-20	23-Oct-20	30-Oct-20	6-Nov-20	13-Nov-20	20-Nov-20	27-Nov-20	4-Dec-20	11-Dec-20	18-Dec-20	25-Dec-20	1-Jan-21	Total
Cash Receipts																
Oil receipts	1	-	-	-	-	-	-	-	-	-	-	1,005	-	1,005	-	2,009
GST refunds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash receipts		-	-	-	-	-	-	-	-	-	-	1,005	-	1,005	-	2,009
Operating Cash Disbursements																
Transportation and marketing	2	-	-	-	-	-	-	-	-	-	564	-	282	282	659	1,787
Natural gas and electricity	2	-	250	-	-	643	-	-	-	-	507	-	254	254	219	2,126
Contractor and employee expenses	3	-	-	-	-	-	-	-	-	-	296	-	148	148	118	709
Chemicals, consumables and trucking	2	-	75	-	-	117	-	-	-	-	109	-	54	54	45	454
Camp and travel	2	-	25	-	-	53	-	-	-	-	88	-	44	44	35	289
Regulatory	2	-	-	-	-	93	-	-	-	-	47	-	23	23	19	205
Maintenance	2	-	-	-	-	76	-	-	-	-	38	-	19	19	15	167
Other operating expenses	2	-	-	-	-	87	-	-	-	-	57	-	29	29	24	225
Royalties	4	-	-	-	-	-	-	-	-	-	-	-	-	27	-	27
Total operating cash disbursements		-	350	-	-	1,069	-	-	-	-	1,705	-	852	879	1,135	5,990
Operating Net Cash Flow		-	(350)	-	-	(1,069)	-	-	-	-	(1,705)	1,005	(852)	125	(1,135)	(3,981)
Capital Cash Disbursements																
Drilling, facilities and other acquisitions	5	-	-	-	-	-	-	-	-	-	350	-	175	175	-	700
Total capital cash disbursements		-	-	-	-	-	-	-	-	-	350	-	175	175	-	700
Non-Operating Cash Disbursements																
Salaries & benefits	6	-	-	-	-	78	-	78	-	78	-	78	-	78	-	390
Bank charges & interest	7	-	-	-	11	-	-	-	-	-	35	-	-	-	36	81
GST remittance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	8	-	-	225	-	275	-	-	-	-	155	-	-	-	155	810
Total non-operating cash disbursements		-	-	225	11	353	-	78	-	-	268	-	78	-	269	1,281
Net Cash Flow		-	(350)	(225)	(11)	(1,422)	-	(78)	-	-	(2,322)	1,005	(1,105)	(50)	(1,404)	(5,962)
Cash																
Beginning of period		-	-	1,650	1,425	2,414	992	1,992	1,914	3,664	1,342	2,347	1,242	1,442	-	-
Net Cash Flow	9	-	(350)	(225)	(11)	(1,422)	-	(78)	-	(2,322)	1,005	(1,105)	(50)	(1,404)	(5,962)	
Proposed Interim Financing Lending Facility Borrowing	9	-	2,000	-	1,000	-	1,000	-	1,750	-	-	-	250	-	6,000	
Ending of period	9	-	1,650	1,425	2,414	992	1,992	1,914	3,664	1,342	2,347	1,242	1,442	38	38	
Proposed Interim Lending Facility																
Beginning of period		-	-	2,000	2,000	3,000	3,000	4,000	4,000	5,750	5,750	5,750	5,750	6,000	-	-
Borrowing		-	2,000	-	1,000	-	1,000	-	1,750	-	-	-	250	-	6,000	
Repayment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending of period		-	2,000	2,000	3,000	3,000	4,000	4,000	5,750	5,750	5,750	5,750	6,000	6,000	6,000	
UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT. MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSAL TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT																
		October 9, 2020														
Robert. B Logan		Date														
Director																

In the Matter of the Notice of Intention
to make a Proposal of
Greenfire Hangingstone Operating Corporation

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending January 1, 2021**

Purpose and General Assumptions of the Cash Flow Statement

Greenfire Hangingstone Operating Corporation (“**Greenfire OpCo**” 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 October 8, 2020.

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 October 8, 2020 to January 1, 2021 (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. Cash receipts consist of forecast oil receipts based on forecast production in November at strip pricing. Proceeds from production forecast are generally received on or around the 25th of the following month. Greenfire OpCo has connected with a third-party marketer that confirms the ability to receive 50% of the receipts on or around the 10th of the following month and the remaining 50% balance on or around the 25th of the following month. In addition, in exchange for a fee from the revenue on the next month’s production, there will be no first month third-party marketing and transportation fee.
2. Operating cash disbursements consist of transportation and marketing fees, natural gas and electricity expenses and other operating expenses to facilitate the restart and operations of the facility. These disbursements are based on historical lease operating statements at the assumed production levels. Payments are assumed to be made in the week/month the goods or services are

provided based on our assumption that parties will require “cash on delivery” payment terms or immediately after invoicing in the NOI filing. There is approximately one times (1.0) contingency in the first month of operating expenses for natural gas, as there is less natural gas required during the restart of operation, but is also subject to weather conditions.

3. Contractor and employee expenses based on historical lease operating statements at the assumed production levels. Payments are assumed to be made on two week accruals upon start dates.
4. Royalty expenses include Crown royalties plus GORR royalties at strip pricing.
5. Capital expenses consist of an optional transfer pump to increase production levels, and is subject to production and cash flow performance and the decision to purchase and install this equipment will be made based on several considerations. These payments are assumed to be made in the week/month the goods or services are provided based on our assumption that parties will require “cash on delivery” payment terms or immediately after invoicing in the NOI filing.
6. Salaries, benefits and related source deductions based on expected timing of payment (two week accruals upon start dates).
7. Based on the Proposed Interim Lending Facility interest rate and interest payment dates.
8. Includes the ongoing professional fees and expenses of the Company’s legal counsel and those of the Proposal Trustee and its legal counsel through to the end of December.
9. Forecast cash balance based on the Company’s net cash flow and borrowings of the Interim Lending Facility.

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2679073
Estate No. 25-2679073

- 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)

In the matter of the proposal of
Greenfire Oil and Gas Ltd.
of the city of Calgary, in the municipality of Calgary, in the Province of Alberta

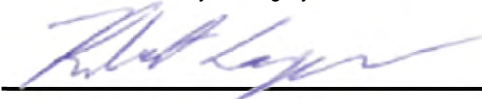
The Directors of Greenfire Hangingstone Operating Corporation, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 9th day of October 2020, consisting of a 13-week cash flow statement and accompanying notes and assumptions.

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

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

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

Dated at the city of Calgary in the Province of Alberta, this 9th day of October 2020.



Greenfire Hangingstone Operating
Corporation
Debtor

Name and title of signing officer

Name and title of signing officer

000181

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2679073
Estate No. 25-2679073

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)

In the matter of the proposal of
Greenfire Oil and Gas Ltd.
of the city of Calgary, in the municipality of Calgary, in the Province of Alberta

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 9th day of October 2020.

Greenfire Hangingstone Operating
Corporation

000182

Greenfire Oil and Gas Ltd.		Forecast													
13-Week Cash Flow Forecast ending January 1, 2021	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13-week total
\$CAD 000's	week ended	9-Oct-20	16-Oct-20	23-Oct-20	30-Oct-20	6-Nov-20	13-Nov-20	20-Nov-20	27-Nov-20	4-Dec-20	11-Dec-20	18-Dec-20	25-Dec-20	1-Jan-21	Total
Cash Receipts															
Total cash receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Disbursements															
Total operating cash disbursements		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Net Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Operating Cash Disbursements															
Total non-operating cash disbursements		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash															
Beginning of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSAL TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT															
															
Robert. B Logan		October 9, 2020													
Director		Date													

In the Matter of the Notice of Intention
to make a Proposal of
Greenfire Oil and Gas Ltd.

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending January 1, 2021**

Purpose and General Assumptions of the Cash Flow Statement

Greenfire Oil and Gas Ltd. (“**Greenfire HoldCo**” 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 October 8, 2020.

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 October 8, 2020 to January 1, 2021 (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. Greenfire HoldCo wholly-owns Greenfire Hangingstone Operating Corporation (“Greenfire OpCo”). Greenfire HoldCo does not have any operational income or expenses. All of the operational income and expenses are reflected in Greenfire OpCo, which also filed for creditor protection pursuant to the BIA (Notice of Intention to Make a Proposal) on October 8, 2020.

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2679074
Estate No. 25-2679074

- 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 Directors of Greenfire Oil and Gas Ltd., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 9th day of October 2020, consisting of a 13-week cash flow statement and accompanying notes and assumptions.

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

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

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

Dated at the city of Calgary in the Province of Alberta, this 9th day of October 2020.



Greenfire Oil and Gas Ltd.
Debtor

Name and title of signing officer

Name and title of signing officer

000185

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2679074
Estate No. 25-2679074

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:

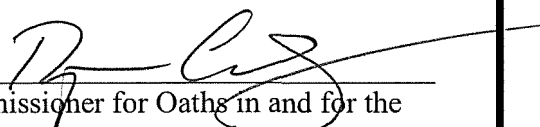
Please refer to additional items attached.

Dated at the city of Calgary in the Province of Alberta, this 9th day of October 2020.

Greenfire Oil and Gas Ltd.

THIS IS EXHIBIT "E" REFERRED TO IN
THE AFFIDAVIT OF ROBERT B. LOGAN.

SWORN BEFORE ME THIS 9TH DAY OF
OCTOBER 2020.



A Commissioner for Oaths in and for the
Province of Alberta

Ryan E. Algar
Barrister and Solicitor

DIP Financing Term Sheet

- Borrowers:** Greenfire Hangingstone Operating Corporation and Greenfire Oil and Gas Ltd., (together the “Borrowers”, “Greenfire”, or the “Company”), acting jointly and severally.
- Guarantors:** Greenfire Hangingstone Operating Corporation and Greenfire Oil and Gas Ltd., (collectively, the “Guarantors”).
- DIP Lenders:** Tier One Capital LP, B.E.S.T. Venture Opportunities Fund Inc., its affiliates, and/or others acceptable to B.E.S.T. Funds (collectively “B.E.S.T.”).
- Purpose:** To provide for the short-term liquidity needs of the Company pursuant to the Cash Flow Budget (herein defined) and while the Company is under Court protection pursuant to a notice of intention to make a proposal (“NOI”) process.
- DIP Facility and Maximum Amount** A super-priority debtor-in-possession grid note (the “DIP Facility” or “DIP”) up to a maximum principal amount of \$6,000,000, subject to the terms and conditions contained herein.
- Co-Investments** As part of the DIP Facility, a minimum co-investment threshold of \$2,000,000 from co-investors acceptable to B.E.S.T. and under the same rights terms and conditions as B.E.S.T. (together with B.E.S.T., the “DIP Lenders”).
- Extension to DIP Facility** Per the Cash Flow Budget (herein defined), no more than a maximum principal outlay of \$6,000,000 will be required under the DIP Facility. If, for any reason, additional capital is required, as the sole discretion of B.E.S.T., an additional \$2,000,000 may be extended to Greenfire (the “Extended DIP”).
- Interest Rate and Default Interest** Advances under the DIP Facility (“DIP Advances” and each a “DIP Advance”), up to a maximum of \$6,000,000 shall bear interest at a rate equal to 8.0% per annum.
- Advances under the Extended DIP, up to a maximum of \$2,000,000 shall bear interest at a rate equal to 20.0% per annum.
- Interest shall accrue daily on the aggregate outstanding principal and shall be calculated and payable in cash in arrears on the first business day of each month.
- Any amounts which are not paid when due and payable shall accrue interest (after as well as before maturity and judgement) on a daily basis up to and including the

date of actual payment from the due date, at a rate equal to 20.0% per annum, payable on demand by the DIP Lenders.

**Anticipated
Investment
Decision Tree**

Refer to **Schedule A** for the anticipated investment decision tree (the “Anticipated Investment Decision Tree”). Advances to the Borrowers are at the sole discretion of the DIP Lenders, including each tranche within the Anticipated Investment Decision Tree.

Each tranche within the Anticipated Investment Decision Tree is based upon the management cash flow forecast in **Schedule B** (the “Management Cash Flow Forecast”)

**Specialty Finance
Facility**

All invested, but not yet extended principal, will be paid into a specialty finance credit facility (the “Specialty Finance Facility”).

Capital from the DIP Facility will only be released to Alvarez & Marsal (the “Proposal Trustee”), at the sole discretion of B.E.S.T., subject to the Anticipated Investment Decision Tree, and disbursed to any party through the oversight of the Proposal Trustee using the Management Cash Flow Forecast as a budget.

No additional funds will be available, in excess of any entry noted in the Management Cash Flow Forecast without the express written consent of B.E.S.T.

Further, Alvarez & Marsal will consult B.E.S.T. of the reason for any negative variance to the Management Cash Flow Forecast and anticipated remedies.

All collections made by Greenfire will sweep into the Specialty Finance Facility, under the oversight of the Proposal Trustee.

Initially, all repaid principal, interest, fees, and costs will be paid into the Specialty Finance Facility before being paid to the DIP Lenders, at the sole discretion of B.E.S.T.

Use of Proceeds

The Borrowers are authorized to use DIP Advances: (i) for working capital, including for restructuring costs in the NOI proceedings or the CCAA proceedings and for other general corporate purposes of the Borrowers; (ii) to make payments necessary to comply with Court orders; (iii) to pay the fees and expenses of the Borrowers’ legal counsel, the beneficiaries of the Proposal Trustee and the Proposal Trustee’s legal counsel (together, the “Administration Charge”), (iv) the DIP Lenders’ legal counsel, the and such other agents, advisors, as the DIP Lenders deem necessary, in each case of the foregoing paragraphs (i) to (iv), consistent with (and as provided for in) the Cash Flow Budget (herein defined); provided that no proceeds from the DIP Facility shall be used other than in accordance with this DIP financing term sheet unless otherwise agreed in writing by the DIP Lenders.

Cash Flow Budget Initially, before the initial principal outlay of the DIP Facility, and thereafter, by 12:00 pm noon MST of every Thursday of each week following the initial principal outlay of the DIP Facility, the borrowers shall provide to the DIP Lenders with (i) an updated cash flow budget (25-week cash flow forecast) in a form and substance satisfactory to the DIP Lenders, together with (A) a comparison of the previous week's forecast to actual cash receipts and expenditures for each line item in the cash flow budget (i.e. a week in arrears) and (B) an explanation of the differences (the "Variance Report") and (ii) a report showing the average daily barrel of oil equivalent produced for the immediately preceding week. All documents will be in a form and substance satisfactory to the DIP Lenders (collectively, the "Cash Flow Budget")

The initial Cash Flow Budget is noted in Schedule B – Management Cash Flow Forecast.

Royalty Payments: Subsequent to the DIP Facility being repaid in full (including all accrued and unpaid interest thereon and all fees, costs, and other amounts due and payable in connection therewith), the DIP Lenders will thereafter receive from the Borrowers a gross overriding royalty payment of \$0.25 per barrel of oil equivalent produced for the next 10,000,000 barrels of oil equivalent free and clear of any and all costs of every kind and nature whatsoever subject only to the Ministry of Energy, Mines, and Petroleum Resources from time to time (the "Gross Overriding Royalty").

Greenfire and the DIP Lenders agree that, notwithstanding any agreement to the contrary, no Gross Overriding Royalty will be payable in excess of that permitted under the laws of Canada.

Greenfire will be subject to royalty reporting requirements during the entire royalty payment period, including but not limited to:

1. Monthly lease operating statements.
2. Monthly and annual filings with any Ministry.
3. Monthly financial statements within 60 days of each month-end.
4. Annual audited financial statements within 90 days of each fiscal year-end.
5. Access to Greenfire's accounting system, Qbyte Financial Management.
6. A reserves assessment and evaluation of the Hangingstone property conducted by McDaniel & Associates every year following the initial DIP Advance.
7. A daily production report through a dashboard prepared by management.
8. Access to the management team, Board of Directors, employees, and operating locations.

Common Equity: On or before DIP Facility is approved by the Courts, Greenfire to issue a new class of common equity shares (i.e. Class B), represented by 40% on a fully-diluted basis

post-issuance of the cap table (the "Equity"). The Equity will be issued at \$0.0000001 per common share, and with anti-dilution rights.

The new class of share will:

- a) Nominate 51% of the Board of Directors,
- b) Nominate up to 51% of all committees of the Board of Directors,
- c) Contain veto rights with regards to any material decisions or resolutions.
- d) Contain the following approval rights:
 - Approval for all significant capital expenditures >\$250,000.
 - Approval for any and all contracts or material agreements.
 - Approval for a new shareholders' agreement.
 - Approval for refinancing.
 - Approval for key hires.

The Extended DIP should not be required, per Schedule B – Management Cash Flow Forecast, however, if Greenfire requires any of the Extended DIP, Greenfire will issue additional common equity shares of the same class (i.e. Class B), equal to 20% on a fully-diluted basis post-issuance of the cap table ("Additional Equity"). Additional Equity would be issued at \$0.0000001 per common share and with anti-dilution rights.

DIP Lenders may choose at any time to forfeit any portion of the Equity or Additional Equity issued to benefit management and Greenfire.

Insurance:

Robert Logan insured for the total DIP Facility naming B.E.S.T. as loss payee.

**Conditions
Precedent to
Effectiveness**

The effectiveness of this DIP financing term sheet is subject to the satisfaction of the following conditions precedent as determined by the DIP Lenders in its sole discretion:

- (a) The DIP Lenders (or their respective counsel) shall have a reasonable opportunity to review advance copies of, and shall be reasonably satisfied with, all material documents to be filed in respect of an initial order commencing the NOI proceedings in a form satisfactory to the DIP Lenders;
- (b) The Court shall have issued an order (the "Charging Order") in a form satisfactory to the DIP Lenders, in its absolute discretion, approving this DIP term sheet and DIP Facility and granting the DIP Lenders a super-priority charge (the "DIP Lenders' Charge") for the benefit of the DIP Lenders (the "DIP Secured Parties") securing all obligations, covenants, and liabilities owing by the Borrowers to the DIP Secured Parties hereunder or under any other related agreement, including without limitation, all principal, interest, fees, indemnities (collectively, the "DIP Financing Obligations").

The Charging Order shall include any and all claims from the Alberta Energy Regulator (“AER”) to be subordinated and postponed.

- (c) The credit documentation securing the DIP Secured Parties shall be satisfactory to the DIP Lenders, and shall have been executed by the Borrowers and Guarantors, as applicable;
- (d) Upon entry of the Charging Order, the Borrowers shall have obtained all governmental, regulatory, and third party approval required to be obtained to permit it to enter into the transactions contemplated by the terms hereof;
- (e) The DIP Lenders shall receive the Cash Flow Budget in accordance with the terms of this DIP term sheet, and which shall provide, for all payments to be made as required in this DIP term sheet;
- (f) There shall be no material damage or destruction to any of the Borrowers’ collateral, nor any material depreciation in the value thereof, and the Borrowers’ operations shall comply, in all material respects, with all applicable health and safety, environmental, labour, and other applicable laws and regulations;
- (g) All of the representations and warranties of the Borrowers and Guarantors as set forth herein and through the legal documents pertaining to this DIP financing term sheet shall be true and correct in all respects;
- (h) Satisfaction with plant conditions, engineering, and operational statistics versus previous plant restarts, in B.E.S.T.’s sole discretion;
- (i) There shall be no liens or securities ranking in priority to the DIP Lenders’ charge, including those from the Alberta Energy Regulator, other than the Administration Charge.

Repayment:

The DIP Facility shall be repayable in full (including all accrued and unpaid interest thereon and all fees, costs, and other amounts due and payable in connection therewith) on the earlier of: (i) the occurrence of any event of default hereunder which is continuing and not cured, (ii) the conversion of the proceedings under the Bankruptcy and Insolvency Act (Canada), (iii) the sale of any assets of the Borrowers, (iv) April 15, 2021 (the earliest being the “Maturity Date”). The Maturity Date may be extended for a 30 day period at the request of the Borrowers with the prior written consent of the DIP Lenders and on such terms and conditions as the DIP

Lenders may require, including without limitation, the obligation for the Borrowers to pay the DIP Lenders an extension fee equal to \$100,000.

Subject to the terms above with respect to an extension of the Maturity Date, all amounts outstanding under the DIP Facility shall be repaid in full no later than the Maturity Date, without the DIP Lenders being required to make demand upon the Borrowers or give notice that the DIP Facility has expired and the obligations are due and payable. The order of the Court sanctioning any plan shall not discharge or otherwise affect in any way any of the obligations of the Borrowers to the DIP Lenders under the DIP Facility, other than after the permanent and indefeasible payment in cash to the DIP Lenders of all obligations under the DIP Facility on or before the date the plan is implemented.

Costs and Expenses

The Borrowers shall pay all of the DIP Lenders' fees and out-of-pocket disbursements. Further, the Borrowers will pay any and all costs of realization or enforcement, in each case in connection with or otherwise related to the DIP Facility, the NOI proceedings, and otherwise. The Borrowers will reimburse the DIP Lenders for any and all travel associated with the DIP Financing and any and all fees to any external Board of Directors.

The Borrowers will pay a monitoring fee to the DIP Lenders estimated to be \$10,000 per month, which will act as a prepayment of any and all out of pocket expenses for monitoring the DIP Facility. Any excess of prepayment will be returned to the Company on a quarterly basis.

Start-up Reporting

During the start-up period, B.E.S.T. will be physically present at the Greenfire headquarters and operating plant, and Greenfire will provide the following reporting requirements:

1. Daily progress updates concerning the status of the Company's 26 systems.
2. Access to the Pre Start System Review checklist for each of the 26 systems.
3. Key engineering statistics:
 - a. A review of the distributed control system including but not limited to:
 - Data by well
 - Schemes generation
 - Steam generation
 - Well pressure and temperature
 - Transfer pump availability
 - Electricity supply
 - Natural gas supply
 - Plant condition including cleanliness, quality, and operational efficiency
 - b. PSSR progress
 - c. Production levels
 - d. Storage levels
 - e. Trucking volumes

- f. Sales volumes and prices
 - g. Vendor quotes
 - h. Notification of any plant issues, breakdowns, maintenance, with supporting costs and timelines to resolve any issues
4. Along with the above engineering statistics, management is to provide commentary on each key performance indicator to describe any variances from the forecast or suboptimal performance of any system.

**Ongoing
Operational
Reporting**

In addition to all reporting requirements in the Borrower's existing debenture agreements, Greenfire to provide the following ongoing operational reporting to the DIP Lenders on a daily basis:

1. Production
 - a. Total steam utilized.
 - b. Total barrels of oil extracted.
2. Storage
 - a. Total barrels of oil sent to storage.
 - b. Total barrels of oil currently in storage.
3. Trucking
 - a. Total barrels of oil exported by truck.
 - b. Total trucks utilized for export.
4. Sales
 - a. Total barrels of oil subsequently sold after export by truck and the prices at which each barrel is sold.
5. Access to all bank accounts to track all revenues and expenses.
6. Key engineering statistics.
7. Notification of any plant issues, breakdowns, maintenance, with supporting costs and timelines to resolve any issues.
8. Access to Greenfire's accounting system, Qbyte Financial Management
9. Access to Greenfire's management team, Board of Directors, and physical operating locations.
10. Notification of any unexpected costs, and the reasoning behind these costs, whether that be input pricing increases, production delays, or other.

**DIP Financing
Security**

The DIP Financing obligations shall be secured by:

- (a) A super-priority security charge subordinate only to the Administration Charge. This super-priority charge shall include any and all claims from the AER, and
- (b) Such other documentation as the DIP Lenders may request (which will include a fixed and floating charge debenture granted by the Borrowers in favour of the DIP Lenders), and a pledge of any and all shares and security.

Events of Default

The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") under this DIP financing term sheet:

- (a) The failure of the Borrowers to pay any principal amount owing under this DIP financing term sheet;
- (b) The failure of the Borrowers to pay any interest or fees or any portion thereof owing under this DIP financing term sheet;
- (c) The issuance of an order of the Court or any other court:
 - i. Dismissing the CCAA proceedings or lifting the stay in the NOI proceedings or CCAA proceedings to permit the enforcement of any lien against any Company, or any material portion of its property, assets or undertaking, or the appointment of a receiver and manager, receiver, interim-receiver, or similar official or the making of a bankruptcy order against any Guarantor;
 - ii. Granting any liens which are senior or pari passu with the DIP Lenders other than the Administration Charge;
 - iii. Staying, reversing, vacating, or otherwise modifying any Court orders in a manner materially adverse to the interests of the DIP Lenders; or
 - iv. Adversely impacting the rights and interest of the DIP Lenders in a material manner, without the prior consent of the DIP Lenders.
- (d) Unless consented in writing by the DIP Lenders, the expiry without further extension of the stay of proceedings initially provided for by the Courts;
- (e) Any material adverse change whereby a liability arises or an event occurs, including any change in the business, assets, or conditions (financial or otherwise) that will, in the DIP Lenders' judgement materially further impair the Borrowers' financial condition or ability to comply with its obligations under this DIP financing term sheet;
- (f) There exists a negative variance from the Cash Flow Budget in excess of \$100,000 on a cumulative basis on any line item without the express written approval from B.E.S.T.
- (g) The Cash Flow Budget or any update thereof contemplates or forecasts an adverse change or charges from the then existing Cash Flow Budget and such change(s) constitute(s) a material adverse change or any updated Cash Flow Budget forecasts that under the DIP Facility will exceed the maximum principal outlay at any time (unless the DIP Lenders have consented in writing to increase the maximum principal outlay, excluding the Extended DIP, which shall be in the DIP Lenders' sole and absolute discretion);
- (h) Any representation or warranty herein or in any agreement with the DIP Lenders shall be incorrect or misleading in any material respect when made;

- (i) Borrowings under the DIP Facility exceed the maximum principal outlay at any time without the prior written consent of the DIP Lenders;
- (j) An event of default has occurred under any of the DIP Lenders' agreements, including any credit agreements with the DIP Lenders;
- (k) Any proceeding, motion, or application is commenced or filed by the Borrowers, or if commenced by another party, supported or otherwise consented to by the Borrowers, seeking the invalidation, subordination, or otherwise challenging of the terms of the DIP Facility, its security, or this DIP financing term sheet, unless the plan or restructuring option provides for repayment in full of the DIP Facility, the approval of any plan or restructuring option which does not have the prior written consent of the DIP Lenders;
- (l) Any plan that is proposed or any restructuring option that is consummated by the Borrowers that contravenes any provision of this DIP financing term sheet, or any other agreements pertaining to the DIP financing, unless the DIP Lenders have consented thereto;
- (m) If the Borrowers agree to pay any of the legal, consulting, or other professional fees and/or disbursements incurred by any other party in the NOI proceedings or the CCAA proceedings without the prior consent of the DIP Lenders, other than DIP financing fees and expenses and the fees and expenses associated with the Administration Charge;
- (n) The DIP Lenders' charge ceases to be a valid, perfected, and enforceable super-priority lien senior to all other liens;
- (o) The denial or repudiation by any Guarantor of the legality, validity, binding nature, or enforceability of this DIP financing term sheet or any other agreement with the DIP Lenders;
- (p) If the borrower commences an action or takes any other proceeding to obtain any form of relief against the DIP Lenders; or
- (q) If at any time, the reporting information provided to B.E.S.T. is deemed to be fraudulent and/or misleading.

Conditions:

In addition to the matters described elsewhere in this DIP financing term sheet, the completion of the transaction will be subject to the following conditions:

- (a) Satisfaction by B.E.S.T. with the results of due diligence;

- (b) Satisfaction by B.E.S.T. regarding the verification, through supporting written agreements, of the key assumptions utilized for the Management Cash Flow Forecast in Schedule B, inclusive but not limited to the following:
 - i. The ability to collect revenues bi-weekly or through better terms, decided at the sole discretion of B.E.S.T., through a quick pay agreement (the “Quick Pay Agreement”) to match any and all assumptions used in Schedule B without exception;
 - ii. The ability to secure a marketing agreement at terms consistent or better than the Management Cash Flow Forecast in Schedule B, decided at the sole discretion of B.E.S.T., including any and all assumptions used in Schedule B without exception; and
 - iii. The ability to install a transfer pump for the quoted price of \$700,000 or less.
- (c) Approval from the DIP Lenders’ Board of Directors;
- (d) Satisfaction by B.E.S.T. with the completion and terms of a Shareholders’ Agreement, to be drafted prior to DIP repayment;
- (e) Co-investment to B.E.S.T. of no less than \$2,000,000 under the same terms and conditions;
- (f) Use of funds will be subject to approval by the Proposal Trustee;
- (g) The Company and its wholly-owned subsidiaries providing legal documentation, disclosure schedules, customary representations and warranties, and an opinion satisfactory to the Investors and their legal counsel, acting reasonably, with respect to the usual matters, including, without limitation, validity, legally binding effect and enforceability and valid of the security granted in respect of the Investment;
- (h) No material adverse change to the Company’s business and assets having occurred;
- (i) The Company obtaining all necessary third party, shareholder, and regulatory consents;
- (j) Satisfaction by B.E.S.T. with the quality of the plant as it pertains to the ability to restart or shut down operations; and
- (k) Court granting super-priority on DIP Facility over any and all claims from the AER;

Schedule A – Anticipated Investment Decision Tree

1. On or before October 16, 2020: Greenfire, in consultation and requiring the approval of B.E.S.T., to make a decision to restart the plant or not.

a) If the Company decides not to restart the plant:

i. DIP financing will not be provided – dry plant and drain the equipment (defined hereafter as a “Dry Plant”).

b) If the Company desires to restart the plant:

i. Greenfire to demonstrate the following:

- I. Satisfaction with plant conditions, engineering, and operational statistics versus previous plant restarts.
- II. Positive results from completing the Pre Start System Review (“PSSR”) checklists from the Company’s 26 systems to ensure responsible startup procedures.

Achieving I and II above requires the approval of B.E.S.T., in its sole discretion. If approved, initial DIP principal outlay of \$2,000,000.

- I. Approximately \$1,800,000 of the \$2,000,000 would be used materially (>90%) for operating expenses through to October 31, 2020.
 - Cumulative funding to date = \$2,000,000

2. On or before October 31, 2020:

a) If the Company is in a Dry Plant process, no further funding outlays.

b) If the Company continues to lay up the plant wet (defined hereafter as a “Wet Plant”):

ii. Greenfire to demonstrate the following:

- I. Trucking at least 1,000 barrels of oil per day, on average, for the past 4 days with an expectation of collection in December 2020 through written commitment(s).

If satisfied:

On or before October 30, 2020, another \$1,000,000 in DIP principal outlay will be released to Greenfire, materially (>90%) for operating expenses for October 31, 2020 to November 15, 2020.

- Cumulative funding to date for a Wet Plant = \$3,000,000

If I, above, is not satisfied, proceed to shut the plant down through a Dry Plant process.

- II. DIP principal outlay of \$1,000,000 to shut down, through consultation with B.E.S.T. and counsel on the desired proceedings thereafter.

3. On or before November 16, 2020:

a) If the Company is in a Dry Plant process, no further funding outlays.

b) If the Company is currently in Wet Plant process:

i. Greenfire to demonstrate the following:

- I. The plant is producing at least 1,000 barrels of oil per day, on average, for the past 5 days.
- II. There are at least 25,000 barrels of oil ready for sale from November 2020 production to date with an expectation of collection in December 2020 through written commitment(s).

If I and II above are satisfied:

On or before November 16, 2020, another \$1,000,000 in DIP principal outlay will be released to Greenfire, materially (>90%) for operating expenses from November 15, 2020 to November 30, 2020.

- Cumulative funding to date for a Wet Plant = \$4,000,000

If I and II above are not satisfied, proceed to shut the plant down through a Dry Plant process.

- III. DIP principal outlay of \$1,000,000 to shut down, through consultation with B.E.S.T. and counsel on the desired proceedings thereafter.

4. On or before November 26, 2020:

a) If the Company is in a Dry Plant process, no further funding outlays.

b) If the Company is currently in Wet Plant process:

i. Greenfire to demonstrate the following:

- I. The plant is producing at least 2,000 barrels of oil per day, on average, for the past 5 days.
- II. There are at least 52,000 barrels of oil ready for sale from November 2020 production to date with an expectation of collection in December 2020 through written commitment(s).

- III. Materially similar conditions to achieving at least 5,000 barrels per day in December 2020 by comparing the production, engineering, and operational statistics to the same time period for the last plant restart.

If I, II, and III above are satisfied:

On or before December 1, 2020, another \$1,750,000 in DIP principal outlay will be released to Greenfire, materially (>90%) for operating expenses from December 1, 2020 to December 15, 2020, and for capital upgrades needed to remove bottlenecks and increase production to 7,500 barrels of oil per day in March 2021.

- Cumulative funding to date for a Wet Plant = \$5,750,000

If I, II, and III above are not satisfied, proceed to shut the plant down through a Dry Plant process.

- IV. DIP principal outlay of \$1,000,000 to shut down, through consultation with B.E.S.T. and counsel on the desired proceedings thereafter.

5. On or before December 25, 2020:

a) If the Company is in a Dry Plant process, no further funding outlays.

b) If the Company is currently in Wet Plant process:

i. Greenfire to demonstrate the following:

- I. Collection of at least \$2,000,000 from November 2020 production
- II. The plant is producing at least 5,000 barrels of oil per day, on average, for the past 5 days.
- III. There are at least 125,000 barrels of oil ready for sale from December 2020 production to date with an expectation of collection in January 2021 through written commitment(s).
- IV. Visibility to achieving at least 6,000 barrels per day in January 2021 by comparing the production, engineering, and operational statistics to the same time period for the last plant restart.

If I, II, III, and IV above are satisfied:

B.E.S.T. to discuss with Greenfire additional funding requiring or to utilize cashflow from operations in January 2021 and February 2021.

Draft

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Private and Confidential

Schedule B – Management Cash Flow Forecast

Weekly Cash Flow Projection	Notes	Forecast																									25-week total
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	
\$CAD 000's	week ended	9-Oct-20	16-Oct-20	23-Oct-20	30-Oct-20	6-Nov-20	13-Nov-20	20-Nov-20	27-Nov-20	4-Dec-20	11-Dec-20	18-Dec-20	25-Dec-20	1-Jan-21	8-Jan-21	15-Jan-21	22-Jan-21	29-Jan-21	5-Feb-21	12-Feb-21	19-Feb-21	26-Feb-21	5-Mar-21	12-Mar-21	19-Mar-21	26-Mar-21	Total
Cash Receipts																											
Oil receipts net of transportation		-	-	-	-	-	-	-	-	-	1,005	-	1,005	-	3,440	-	3,440	-	4,274	-	4,274	-	4,451	-	4,451	-	26,339
Gas receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain/(loss) on hedging		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST refunds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash receipts (net of hedging and transportation)		-	-	-	-	-	-	-	-	-	1,005	-	1,005	-	3,440	-	3,440	-	4,274	-	4,274	-	4,451	-	4,451	-	26,339
Operating Cash Disbursements																											
Operating		-	-	-	-	355	355	355	355	852	852	852	852	1,135	1,135	1,135	1,135	1,135	1,636	1,636	1,636	1,636	1,701	1,701	1,701	1,701	23,848
Contingency for additional operating costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surface and mineral leases		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalties		-	-	-	-	-	-	-	-	-	-	-	27	-	-	-	69	-	-	-	82	-	-	-	88	-	266
Gas Cost Allowance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Freehold Mineral Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AER fees and levies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating cash disbursements		-	-	-	-	355	355	355	355	852	852	852	880	1,135	1,135	1,135	1,204	1,135	1,636	1,636	1,718	1,636	1,701	1,701	1,788	1,701	24,114
Operating Net Cash Flow		-	-	-	-	(355)	(355)	(355)	(355)	(852)	(852)	(852)	(125)	(1,135)	(2,305)	(1,135)	(2,236)	(1,135)	(2,638)	(1,636)	(2,556)	(1,636)	(2,750)	(1,701)	(2,663)	(1,701)	2,226
Capital Cash Disbursements																											
Drilling facilities and other acquisitions		-	-	-	-	-	-	-	-	175	175	175	175	-	-	-	-	-	-	-	-	-	-	-	-	-	700
Abandonment and reclamation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total capital cash disbursements		-	-	-	-	-	-	-	-	175	175	175	175	-	-	-	-	-	-	-	-	-	-	-	-	-	700
Non-Operating Cash Disbursements																											
Salaries & benefits		-	-	-	39	39	39	39	39	39	39	39	39	31	31	31	31	31	39	39	39	39	39	39	39	39	780
Wage subsidy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Severance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G&A		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank charges & interest		-	-	3	5	5	6	6	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	183
GST remittance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees		-	-	-	125	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
Total non-operating cash disbursements		-	-	3	5	169	45	45	48	123	48	48	48	40	40	40	40	40	48	48	48	48	48	48	48	48	1,163
Net Cash Flow		-	-	(3)	(5)	(523)	(400)	(400)	(403)	(1,150)	(70)	(1,075)	(98)	(1,175)	(2,265)	(1,175)	(2,196)	(1,175)	(2,591)	(1,684)	(2,509)	(1,684)	(2,702)	(1,748)	(2,615)	(1,748)	362
Weekly Credit Facility Projection																											
\$CAD 000's	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	25-week total
	week ended	9-Oct-20	16-Oct-20	23-Oct-20	30-Oct-20	6-Nov-20	13-Nov-20	20-Nov-20	27-Nov-20	4-Dec-20	11-Dec-20	18-Dec-20	25-Dec-20	1-Jan-21	8-Jan-21	15-Jan-21	22-Jan-21	29-Jan-21	5-Feb-21	12-Feb-21	19-Feb-21	26-Feb-21	5-Mar-21	12-Mar-21	19-Mar-21	26-Mar-21	Total
Cash																											
Beginning of period		-	-	2,000	1,997	2,992	2,469	3,069	2,669	4,017	2,867	2,796	1,721	1,623	449	2,714	1,539	3,735	2,560	5,151	3,467	5,976	4,292	6,994	5,246	7,861	-
Net Cash Flow		-	-	(3)	(5)	(523)	(400)	(400)	(403)	(1,150)	(70)	(1,075)	(98)	(1,175)	(2,265)	(1,175)	(2,196)	(1,175)	(2,591)	(1,684)	(2,509)	(1,684)	(2,702)	(1,748)	(2,615)	(1,748)	362
Interim Financing		-	2,000	-	1,000	-	1,000	-	1,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,750
Ending of period		-	2,000	1,997	2,992	2,469	3,069	2,669	4,017	2,867	2,796	1,721	1,623	449	2,714	1,539	3,735	2,560	5,151	3,467	5,976	4,292	6,994	5,246	7,861	6,112	6,112
Interim Financing (DIP)																											
Beginning of period		-	-	3,000	2,000	3,000	3,000	4,000	4,000	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750
Borrowing		-	2,000	-	1,000	-	1,000	-	1,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,750
Repayment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending of period		-	2,000	2,000	3,000	3,000	4,000	4,000	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750
Interest	DIP Rate 8%			3.07	4.60	4.60	6.14	6.14	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82	8.82

000201

THIS IS EXHIBIT "9" TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's Stamp:

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL AND GAS. LTD.

DOCUMENT **AFFIDAVIT NO.2 OF ROBERT B. LOGAN**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP

2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

AFFIDAVIT NO. 2 OF ROBERT B. LOGAN

Sworn November 2, 2020

I, Robert B. Logan of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and Chairman of the Applicants, Greenfire Hangingstone Operating Corporation ("GHOPCO") and Greenfire Oil and Gas Ltd. ("GOGL" and collectively, "Greenfire" or the "Company"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. This is my second affidavit sworn in these proceedings. Capitalized terms not otherwise defined herein have the meaning set forth in my Affidavit sworn October 9, 2020 ("**Logan Affidavit No.1**" or my "**First Affidavit**") which I will also refer to herein.

I. STAY EXTENSION AND RESTRUCTURING EFFORTS

3. Since the filing of the NOI on October 8, 2020, Greenfire has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a proposal to its creditors (a "**Proposal**"). These steps have included:

- (a) preparing and analyzing a list of creditors for each of the Greenfire entities, and identifying issues specific to certain creditors;
- (b) providing the Proposal Trustee with access to Greenfire's books and records;
- (c) applying to this Honourable Court and obtaining an Order (i) consolidating the separate proceedings of GHOPCO and GOGL into these proceedings, and (ii) granting an Administration Charge in favour of the Proposal Trustee, its counsel, and Greenfire's counsel;
- (d) working with the Proposal Trustee and legal advisors generally, and in particular with respect to:
 - (i) exploring and considering the various exit strategies available to Greenfire in the context of these proceedings, including the structure and financing of any Proposal;
 - (ii) preliminary discussions with an arm's length party in respect of a transaction which may form the basis for a Proposal;
 - (iii) preparing cash flow projections and identifying issues with respect to Greenfire's financial condition; and
 - (iv) engaging with a number of parties to secure interim financing, ultimately coming to an agreement with the Interim Lender (as defined and described in further detail below);

- (e) identifying and engaging with the potential employees and contractors which will be necessary to restart the Plant; and
- (f) communicating with various stakeholders, including numerous creditors and the Alberta Energy Regulator (the "**AER**").

4. Greenfire requires an extension of the period of time within which Greenfire is required to file a Proposal (the "**Proposal Period**") up to and including December 21, 2020 (the "**Stay Extension**"). The Stay Extension will allow Greenfire to, among other things:

- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
- (b) restart the Plant and thereby avoid (i) damage to the Plant which will result from prolonged cold weather if the Plant is not restarted, and (ii) the increased costs associated with restarting the Plant at a later date;
- (c) resume operations and generate revenue;
- (d) preserve and enhance the value of Greenfire's business, for the benefit of all of Greenfire's stakeholders; and
- (e) execute an Asset Purchase Agreement (the "**APA**") with Greenfire Acquisition Company Ltd. ("**Acquisition Co**").

5. Greenfire's creditors will not be prejudiced by the Stay Extension. Rather, the Stay Extension is critical to ensure that the APA can be executed, maximizing the value of Greenfire's assets, which will benefit its Proposal or restructuring to the benefit of Greenfire and all its stakeholders.

6. I am informed by my counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**"), that without the Stay Extension a bankruptcy will occur and there will be no prospect of executing the APA or restarting the Plant, resulting in a significant erosion of value to the detriment of stakeholders.

7. Further, the Stay Extension will give Greenfire the time it needs to consider strategic alternatives, formulate a restructuring plan, and present a Proposal to its creditors.

II. PRE-NOI MARKETING PROCESS

8. As a result of, among other things:

- (a) the macro-environment challenges facing Greenfire due to low oil prices stemming from a dispute between major oil-producing countries;
- (b) the COVID-19 pandemic decreasing demand;
- (c) challenges specific to Greenfire, including non-payment and non-performance of the company's sole petroleum marketer, Warner Petroleum Corporation, beginning in late 2019; and
- (d) a lack of financial liquidity due to the monetization of commodity price risk contracts and partial repayment of its senior loan obligations in February 2020 and March 2020,

Greenfire experienced a severe working capital shortfall that led to the company temporarily halting operations and terminating employment for all employees in May 2020.

9. Beginning in February 2020, in anticipation of potentially exhausting the remaining working capital and liquidity, the company proactively began to source strategic alternatives, which included seeking all strategic alternatives, from a refinancing to an outright sale in order to maximize value for all stakeholders.

A. Imperial Capital

10. As a result of its prior role in sourcing a USD \$75,000,000 refinancing for Greenfire in December 2019 (which included a USD \$25,000,000 term loan, a USD \$25,000,000 commodity risk management facility, and an optional undrawn USD \$25,000,000 facility for future growth and consideration), Greenfire engaged Imperial Capital ("**Imperial**") to lead its strategic process.

11. Imperial is an international firm with a full service investment bank that offers comprehensive services to institutional investors and middle market companies. For middle market companies, Imperial offers a wide range of investment banking, advisory, capital market and restructuring services to its clients. Its services include analyzing a company's capital structure and position within its specific sector, and advising on the most practical solution from the most likely sources of capital.

12. Beginning in February 2020, and through the initial impact and heightened awareness of the COVID-19 pandemic, Imperial assisted Greenfire in its strategic alternatives process. The original target date for sourcing a strategic alternative was April 28, 2020, the date that Greenfire's board was expected to make a decision on whether or not to shutter operations due to the working capital shortfall. The company subsequently temporarily shut down operations in May 2020. In total, the company, through its advisors and through its own means, contacted at least 43 different parties, consisting of both financial and strategic buyers.

13. Among the capital providers contacted, the company received a single term sheet from McIntyre Partners ("**McIntyre**") with the intention of closing a refinancing transaction. A term sheet was signed on July 13, 2020. Through the strategic process, there were no other indications of interest from other capital providers. Given the circumstances of the macroeconomic environment and its insolvency, Greenfire decided to focus its time and resources to pursue this term sheet as it provided sufficient capital and liquidity for the company resume operations.

14. The original intention was to close the refinancing transaction by mid-September 2020, but was extended to mid-October 2020 to accommodate financial and technical due diligence. Ultimately, facing an uncertain weather window and an application for a bankruptcy order, Greenfire filed the NOI with the intention to secure interim financing to protect and preserve asset value for all stakeholders.

III. INTERIM FINANCING

15. As stated in my First Affidavit, absent alternative relief and based upon my review of the Cash Flow Statement, Greenfire requires interim financing to assist in its ongoing restructuring efforts. Most urgently, Greenfire requires the interim financing to allow it to restart operations at the Hangingstone Facility. Unfortunately, when the October 16, 2020 Application was heard before Justice Mah, Greenfire was unable to come to terms with the then-proposed Interim Lender described in my First Affidavit (the "**BEST Group**").

16. Despite the continued efforts of Greenfire, the Proposal Trustee, and the BEST Group (along with their respective counsel), the parties were unable to reach an agreement in respect of an interim financing facility.

17. However, since I swore my First Affidavit, Greenfire has continued to actively and diligently pursue opportunities to obtain interim financing with at least 10 alternative potential interim lenders. Ultimately, Revolution Midstream LLC (the "**Rev Midstream**") emerged as the party most likely to

execute a binding term sheet and commit to provide the necessary interim financing. As a result, Greenfire focused its efforts on finalizing a term sheet with Rev Midstream.

18. I am informed by BD&P that Rev Midstream's counsel sent documents in connection with the proposed interim financing on October 27, 2020. From and after that point, Greenfire, the Administrative Professionals and Rev Midstream worked diligently on effecting the Rev Midstream term sheet. Unfortunately, on October 30, 2020, Rev Midstream informed Greenfire that it would not be in a position to proceed as Greenfire's interim lender. Greenfire continues to explore any further potential options for interim financing.

IV. ASSET PURCHASE AGREEMENT

19. As stated, Greenfire previously executed a term sheet with McIntyre for a new senior secured loan. From that point, until the filing of the NOI, Greenfire remained focused on commencing a refinancing transaction with McIntyre

20. As described above, after commencing the NOI, Greenfire turned its focus to securing Interim Financing. However, Greenfire had continued to engage with McIntyre during the course of these proceedings with a view to completing a transaction that would provide for a distribution to Greenfire's creditors.

21. After learning of Rev Midstream's inability to move forward, Greenfire, the Administrative Professionals, and McIntyre and its counsel have been working diligently towards negotiating the APA with Acquisition Co, a nominee corporation of McIntyre.

22. The APA would provide for a material distribution for Greenfire's creditors and given the current timing, weather window, and state of the Hangingstone Facility, I believe, the APA is the best outcome for all stakeholders.

23. Generally speaking, pursuant to the APA, Acquisition Co will acquire GHOPCO's assets and property as a going concern sale of Greenfire's business. While the APA has not yet been finalized, I understand that commercial terms of the APA include:

- (a) a total purchase price, releasable upon Closing in an amount that Greenfire anticipates would be sufficient to pay the costs of the Administrative Professionals and Summit Partners, with the remainder available for distribution among Greenfire's creditors;

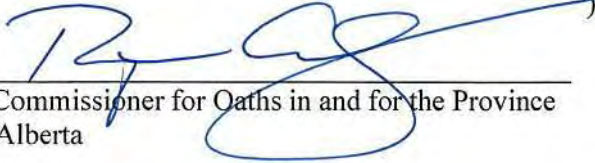
- (b) Acquisition Co will have access to additional working capital to ensure the Hangingstone Facility is a going concern;
- (c) the APA has an anticipated closing date of November 11, 2020 ("**Closing**");
- (d) by no later than Closing, Acquisition Co shall identify its employee and contractor requirements and offer employment or consulting contracts to the majority of individuals who were previously terminated by Greenfire, which is estimated to be approximately 40 to 50 people;
- (e) by no later than Closing, Acquisition Co will assume certain contracts and leases that are integral to the operation of the Hangingstone Facility; and
- (f) conditions to Closing, such as:
 - (i) Court approval of the APA, vesting the Assets in Acquisition Co free and clear of encumbrances (subject to the Permitted Encumbrances);
 - (ii) consent by the AER approving Acquisition Co as an operator of the Hangingstone Facility; and
 - (iii) no additional bonding required by the AER for reclamation obligations associated with the assets.

V. RELIEF SOUGHT

24. Greenfire has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Greenfire will be materially prejudiced if this Honourable Court grants the relief sought.

25. I make this Affidavit in support of an application for an Order, among other things, (i) granting Greenfire the Stay Extension and (ii) approving the APA.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta this 2nd day of)
November, 2020)



A Commissionner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor



ROBERT B. LOGAN

THIS IS **EXHIBIT "10"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's Stamp:

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL AND GAS. LTD.

DOCUMENT **AFFIDAVIT NO.6 OF ROBERT B. LOGAN**

ADDRESS FOR
SERVICE AND
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PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP

2400, 525 - 8 Avenue SW
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Lawyer: David LeGeyt / Ryan Algar
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Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

AFFIDAVIT NO. 6 OF ROBERT B. LOGAN

Sworn December 2, 2020

I, Robert B. Logan of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and Chairman of the Applicants, Greenfire Hangingstone Operating Corporation ("GHOPCO") and Greenfire Oil and Gas Ltd. ("GOGL" and collectively, "Greenfire" or the "Company"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. This is my sixth affidavit sworn in these proceedings (my "**Sixth Affidavit**"). Capitalized terms not otherwise defined herein have the meaning set forth in my five prior Affidavits sworn:

- (a) October 9, 2020 (my "**First Affidavit**");
 - (b) November 2, 2020 (my "**Second Affidavit**");
 - (c) November 9, 2020 (my "**Third Affidavit**");
 - (d) November 16, 2020 (my "**Fourth Affidavit**");
 - (e) November 16, 2020 (my "**Fifth Affidavit**"),
- (collectively, my "**Prior Affidavits**").

3. I make this affidavit in support of Greenfire's Application scheduled December 8, 2020 (the "**Application**") for Orders, among other things:

- (a) extending the Proposal Period to January 22, 2021;
- (b) approving the Interim Financing Facility entered into between Greenfire and the Interim Lender, granting the Interim Lender Charge in favour of the Interim Lender and authorizing Greenfire to enter into the Marketing Agreement; and
- (c) approving the APA between Greenfire and GAC and granting an Approval and Vesting Order in favour of GAC, vesting the Assets in GAC free and clear of any encumbrances (the "**SAVO**"),

as those terms are defined below, in Application or Greenfire's written submissions in connection with the Application.

II. STAY EXTENSION AND RESTRUCTURING EFFORTS

4. On November 17, 2020, Greenfire was granted, among other relief, the extension of the time to make a proposal to its creditors (the "**Proposal Period**") to December 8, 2020 (the "**Second Stay Extension Order**"). Since the Second Stay Extension Order, Greenfire has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a proposal to its creditors (a "**Proposal**"). These steps have included:

- (a) working with the Proposal Trustee and legal advisors generally, and in particular with respect to:
- (i) exploring and considering the various exit strategies available to Greenfire in the context of these proceedings, including the structure and financing of any Proposal;
 - (ii) advancing discussions with an arm's length party, Greenfire Acquisition Corporation ("**GAC**" or the "**Purchaser**") in respect of a transaction which may form the basis for a Proposal and which is detailed further below;
 - (iii) re-engaging with three potential interim lenders previously explored, including Rev Midstream and one additional new potential interim lender;
 - (iv) granting two additional potential interim lenders access to Greenfire's data room who executed Non-Disclosure Agreements;
 - (v) requesting on several occasions that its senior secured lender provide interim financing;
 - (vi) requesting discussions with Greenfire's debenture holders and other senior debt providers;
 - (vii) negotiating the terms of an Asset Purchase Agreement with GAC (the "**APA**");
 - (viii) negotiating with Trafigura Canada General Partnership ("**Trafigura**") on the terms of interim financing (Trafigura in such capacity, the "**Interim Lender**"), which is contingent on this Honourable Court approving the APA (the "**Interim Financing Facility**");
 - (ix) negotiating the terms of a Marketing Agreement with Trafigura to negotiate to transport Greenfire's Product once the Hangingstone Facility is up and running; and
 - (x) preparing cash flow projections and identifying issues with respect to Greenfire's financial condition;

- (b) identifying and engaging with the potential employees and contractors which will be necessary to restart the Plant; and
- (c) communicating with various stakeholders, including numerous creditors and the Alberta Energy Regulator (the "**AER**").

5. Greenfire requires an extension of the Proposal Period up to and including January 22, 2021 (the "**Third Stay Extension**"). The Third Stay Extension will allow Greenfire to, among other things:

- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
- (b) restart the Plant and thereby avoid (i) damage to the Plant which will result from prolonged cold weather if the Plant is not restarted, and (ii) the increased costs associated with restarting the Plant at a later date;
- (c) resume operations and generate revenue;
- (d) preserve and enhance the value of Greenfire's business, for the benefit of all of Greenfire's stakeholders; and
- (e) take steps to effect the APA and obtain the benefits of the Interim Financing Facility.

6. Greenfire's creditors will not be prejudiced by the Stay Extension. Rather, the Stay Extension is critical to ensure that the APA can be effected, maximizing the value of Greenfire's assets, which will benefit its Proposal or restructuring to the benefit of Greenfire and all its stakeholders.

7. I am informed by my counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**"), that without the Stay Extension, a bankruptcy will occur and there will be no prospect of executing the APA or restarting the Plant, resulting in a significant erosion of value to the detriment of stakeholders.

8. Further, the Stay Extension will give Greenfire the time it needs to effect the APA, consider any other strategic alternatives, formulate a restructuring plan, and present a Proposal to its creditors.

III. INTERIM FINANCING

9. Greenfire's efforts to obtain interim financing are detailed, among other places, paragraphs 10 through 14 of my First Affidavit, paragraphs 15-18 of my Second Affidavit, paragraphs 24 through 31 of the First Report of the Proposal Trustee.

10. In connection with its negotiations with GAC for the APA, Greenfire has also negotiated a Term Sheet with the Interim Lender (the "**Term Sheet**"). The terms of the Term sheet include, but are not limited to:

- (a) a senior secured, super priority debtor-in-possession, interim, credit facility in the aggregate principal amount of up to \$20,000,000 (the "**Facility Amount**"), comprised of two sub-facilities in the maximum amount of \$4,000,000 ("**Facility A**") and in the maximum amount of \$16,000,000 "**Facility B**");
- (b) Facility A is a non-revolving single draw credit facility that is available subject to the Initial Funding Conditions. Facility B is a revolving multiple draw credit facility that is available subject to the terms and conditions in the Term Sheet herein, including, without limitation, the completion of the Initial Funding Conditions and the Additional Conditions Precedent (as defined in the Term Sheet).

11. A copy of the Term Sheet executed by Greenfire is attached hereto as **Exhibit "A"**. As a result of, among other things, the time zone differences between Greenfire and the Interim Lender, Greenfire anticipates a copy of the Term Sheet executed by the Interim Lender tomorrow substantially in the form attached hereto.

12. The Initial Funding Conditions, include, but are not limited to:

- (a) a senior officer of Greenfire completing a certificate attaching a fully executed copy of the APA; and
- (b) Greenfire and the Interim Lender entering into a marketing agreement in a form and substance satisfactory to the Interim Lender with respect to marketing all of all production from the assets and property of Greenfire.

13. Without access to the Interim Financing Facility:

- (a) Greenfire has no ability to generate revenue;
- (b) Greenfire has no ability to mitigate against environmental risks and damage to the Hangingstone Facility; and

- (c) in all likelihood, Greenfire will make an assignment into bankruptcy on December 8, 2020.

14. Additionally, and critically, receipt of an Interim Financing Facility at the hearing of the Application is mandated by the AER Amended Direction (as defined and discussed in further detail below).

15. As stated, the Interim Financing Facility requires that Greenfire enter into the Marketing Agreement. The Marketing Agreement is critical to ensure that Greenfire has the ability to generate revenue in exchange for its production at the Hangingstone Facility.

IV. APPROVAL OF THE APA

A. Pre-NOI marketing process

16. Further details on Greenfire's pre-NOI Marketing Process are set forth in paragraphs 10 through 14 of Second Affidavit and I adopt them again herein. Additionally, both through Imperial Capital (who led Greenfire's strategic process), and on its own initiative, Greenfire explored potential transactions with at least eleven different providers which differed in structure and included:

- (a) one royalty sale;
- (b) three transactions whereby Greenfire would have taken on additional debt;
- (c) a joint venture;
- (d) three forward sale contracts to obtain liquidity whereby Greenfire would obtain a loan leveraged against its future, near-term production;
- (e) one transaction that would have seen an equity injection into Greenfire followed by a subsequent sale; and
- (f) one transaction that would that would have seen a mix of new equity injected into Greenfire coupled with Greenfire taking on additional debt.

B. Purchase Price Paid by Greenfire for the Hangingstone Facility

17. Greenfire purchased the Hangingstone Facility from Japan Canada Oil Sands Limited ("JACOS") Pursuant to the terms of an April 3, 2018 Asset Sale Agreement (the "JACOS ASA") Greenfire purchased the Hangingstone Facility from Japan Canada Oil Sands Limited ("JACOS"). The "Purchase Price" as defined in the JACOS ASA was as follows:

- (a) one dollar (CAD \$1.00); plus
- (b) any applicable GST; plus
- (c) any applicable Taxes (as defined in the JACOS ASA); plus or minus; and
- (d) adjustments determined in accordance with Article 12 of the JACOS ASA in the approximate amount of CAD \$800,000 to account for costs largely incurred after closing but prior to Greenfire obtaining the benefit of certain agreements, including but not limited to gas, electricity and property taxes).

18. A copy of the JACOS ASA (without Schedules other than "C" removed) is attached hereto as **Exhibit "B"** and a copy of the Statement of Adjustments is attached hereto as **Exhibit "C"**.

19. Additionally, in connection with the JACOS ASA, Greenfire and JACOS entered into a Non Convertible Gross Overriding Royalty Agreement appended as Schedule "C" to the JACOS ASA (the "**JACOS GORR Agreement**").

20. Pursuant to the JACOS GORR Agreement, JACOS retained ownership of the Retained Royalty Interest and Excluded Assets. The Details of the Retained Royalty interest include:

- (a) where the Reference Price (defined in the JACOS ASA as "*in a Fiscal Quarter, the average of the price per barrel of West Texas Intermediate light sweet crude oil on the NYMEX, for each trading day in such Fiscal Quarter, as made public by NYMEX*"); is less than US\$50.00 per bbl, CDN\$0 per bbl of Hangingstone Bitumen Values produced in such Month;
- (b) where the Reference Price is equal to or greater than US\$50.00 per bbl but less than US\$60.00 per bbl, CDN\$1.00 per bbl of Hangingstone Bitumen Volumes produced in such Month;

- (c) where the Reference Price is equal to or greater than US\$60.00 per bbl but less than US\$70.00 per bbl, CDN\$1.50 per bbl of Hangingstone Bitumen Volumes produced in such Month; and
- (d) where the Reference Price is equal to or greater than US\$70.00 per bbl, CDN\$2.00 per bbl of Hangingstone Bitumen Volumes produced in such Month.

21. At the time of the JACOS ASA, the Hangingstone Facility had been shut-in for over two years in a "dry" state (preventing risk of damage from freezing) and the approximate price for West Texas Intermediate Crude Pricing ("**WTI**") was approximately USD \$65/bbl.

22. Currently, while the Hangingstone Facility has only been shut in for approximately 7 months, it has been shut in "wet" (that has resulted in ongoing equipment damage from freezing) and WTI is has dropped approximately USD \$45/bbl.

23. The risks to the Hangingstone Facility a result of being shut in "wet" set forth in paragraphs 15-26 of my First Affidavit and I adopt them herein.

C. Comparable Transaction – Receivership of Southern Pacific Resources Corp.

24. I have reviewed certain of the pleadings in Court of Queen's Bench Action No. 1801-05914 (the "**SPR Action**"). The Southern Pacific Action was commenced by PricewaterhouseCoopers Inc. ("**PwC**") in its capacity as the court-appointed receiver and manager of a group of entities related to Southern Pacific Resources Corp. (collectively, "**Southern Pacific**").

25. PwC's Statement of Claim in the SPR Action states, among other things, that:

- (a) PwC and the Defendant in the SPR Action, Viceroy Canadian Resources Corp. ("**Viceroy**") entered into an Asset Purchase Agreement dated December 11, 2017 (the "**SPR APA**");
- (b) Viceroy purchased the interests of Southern Pacific in the "MacKay Facility and related assets, a steam assisted gravity drainage facility located in Fort Mackay, Alberta. In particular, Viceroy agreed to purchase certain Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests as described in the [SPR] APA (together, the ["**SPR Assets**"]) located within the white map areas particularized in the [SPR] APA";

- (c) Pursuant to the APA, Viceroy agreed to pay to PwC a total of \$2,000,000 (the "**Purchase Price**") for the SPR.
26. A copy of PwC's Statement of Claim is attached hereto as **Exhibit "D"**.
27. I have also reviewed a copy of PwC's Fourth Report dated October 11, 2017, which states, among other things:
- (a) The McKay Facility was originally built for a total cost of approximately \$468 million. Additionally, there were capital costs of \$300 million incurred up to June 30, 2016, bringing the investment into the McKay Facility to approximately \$768 million;
 - (b) The McKay Facility was commissioned for first steam in July of 2012;
 - (c) The McKay Facility was designed to process approximately 12,000 bbls/day of raw bitumen but Southern Pacific never reached levels higher than 2,100 [sic] per day with the 12 SAGD well pairs producing approximately 2,132 barrels per day prior Southern Pacific's filing under the *Companies' Creditors Arrangement Act*;
 - (d) Alberta Energy allowed Southern Pacific to maintain its operating licence provided PwC initiate and maintain the McKay Facility in warm hibernation state (defined in the report as "**Warm Hibernation**");
 - (e) the Warm Hibernation was designed to maintain cogeneration turbines, plant equipment and plant facilities in a state that would allow a prospective purchaser to resume SAGD operations;
 - (f) the Warm Hibernation was supported by Southern Pacific's First Lien Creditors (as defined in the report) and it was determined that a "cold hibernation would risk significant deterioration of the entire facility as well as the ability to restart operations for a prospective purchaser".
28. A copy of PwC's Fourth Report (without appendices) is attached hereto as **Exhibit "E"**.
29. I am generally aware of the McKay Facility. Similar to the Hangingstone Facility, it is a Steam-Assisted Gravity Drainage facility near Fort McMurray, Alberta. When comparing it to the Hangingstone

Facility, I note the following, some of which is found directly in Southern Pacific's 2015 Annual Performance Presentation (the "**SPR Presentation**"):

- (a) the McKay Facility is designed to produce 12,000 bbl/day whereas the Hangingstone Facility's maximum production is 10,000 bbl/day;
- (b) the McKay Facility is approximately 15 years newer;
- (c) in December 2017, WTI was approximately USD \$58/bbl whereas today it is has dropped significantly to approximately USD \$45/bbl;
- (d) as detailed on in Southern Pacific's 2015 Annual Performance Presentation, which is available on the AER's website, the original bitumen in place ("**OBIP**") at the McKay Facility was 89,376,000m³, equivalent to 560 million barrels, whereas the OBIP at Hangingstone Facility was 165 million barrels, less than one third of the McKay Facility.

30. Copies of the relevant pages of Southern Pacific's presentation is attached hereto as **Exhibit "F"**. The entire presentation is accessible at: <https://static.aer.ca/prd/documents/oilsands/insitu-presentations/2015AthabascaSouthernPacificMcKaySAGD11461.pdf>

D. State of the Hangingstone Facility

31. In addition to the risks and good-faith damage projections detailed in my First Affidavit, as a result of Greenfire's inability to secure interim financing, the Hangingstone Facility has suffered material damage.

32. As at November 15, 2020, Greenfire estimates the damage to the Hangingstone Facility to be approximately USD \$1,820,000 /CAD \$2,363,000 (the "**Site Damage**"). Of the Site Damage:

- (a) Greenfire estimates that approximately USD \$160,000 can be deferred for approximately one year;
- (b) USD \$1,190,000 is directly related to remedying the damage to the Hangingstone Facility; and
- (c) USD \$630,000 of "Site Burn", associated with additional utilities, labor and overhead costs while the Site Damage is being remedied and the Hangingstone Facility is not

generating any revenue, including but not limited to electricity, natural gas, workers, camp, taxes, insurance, computers etc.

33. I estimate that, over the course of the past two weeks, the Site Damage may have increased by approximately USD \$180,000 to USD \$2,000,000.

34. Attached hereto as **Exhibit "G"** is a copy of an excel spreadsheet detailing these estimated repair costs as at November 15, 2020.

35. On November 17, 2020, Greenfire received AER Order RCAM 2020-001 (the "**AER Order**"). The AER Order states, among other things:

- (a) "Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures";
- (b) "freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;
- (c) Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020"
- (d) that, by **December 1, 2020**, Greenfire shall ensure all substances at the Sites (as defined therein) are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions;
- (e) on or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures being taken at all Sites (the "**Surface Action Plan**");
- (f) on or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment; and
- (g) Implement the above Action Plans as authorized until otherwise directed by the AER.

36. A copy of the AER Order is attached hereto as **Exhibit "H"**.

37. On November 25, 2020, in furtherance of the AER Order, Greenfire received further correspondence from the AER (the "**Amended AER Direction**"). The Amended AER Direction states, among other things:

- (a) the AER acknowledged receipt the Surface Action Plan on November 23, 2020 in response to the AER Order (and referenced in paragraph 35(e);
- (b) the AER reviewed and accepted the Surface Action Plan as presented, contingent on Greenfire obtaining "debtor in possession financing" to be confirmed in court at the Application;
- (c) depending on the outcome of the Application, the AER may require Greenfire to update the Surface Action Plan accordingly;
- (d) Greenfire's request to extend the direction in paragraph 35(d) above is extended to December 15, 2020 but is subject to rescission by the AER if circumstances Warrant.

38. A copy of the Amended AER Direction is attached hereto and marked as **Exhibit "I"**.

39. In the event that the Interim Financing Facility and the APA are not approved, I am concerned that the AER may issue an order that would put the site into the possession of the AER and/or the Orphan Well Association as a result of Greenfire not having sufficient funds to comply with the AER Order.

E. The APA

40. As stated, Greenfire previously executed a term sheet with McIntyre for a new senior secured loan. From that point, until the filing of the NOI, Greenfire remained focused on commencing a refinancing transaction with McIntyre.

41. As described above, after commencing the NOI, Greenfire turned its focus to securing Interim Financing. However, Greenfire had continued to engage with McIntyre during the course of these proceedings with a view to completing a transaction that would provide for a distribution to Greenfire's creditors.

42. After learning of Rev Midstream's inability to move forward, Greenfire, the Administrative Professionals, and McIntyre and its counsel have been working diligently towards negotiating a new transaction focused on the APA with GAC, a nominee corporation of McIntyre (the "**Transaction**").

43. Generally speaking, pursuant to the APA, GAC will acquire GHOPCO's assets and property as a going concern sale of Greenfire's business. I understand that commercial terms of the Transaction to include:

- (a) a total purchase price, releasable upon Closing in an amount sufficient to pay the costs of the Administrative Professionals and, as a result of adjustments to the purchase price tied to the Site Damage, a partial distribution Summit Partners;
- (b) a representation from Greenfire that the SAVO will provide for the transfer of the Assets free and clear of all Liens, Encumbrances, royalties, conversions, rights and other Claims of Third Parties created by through or under Vendor other than the Permitted Encumbrances (as those terms are defined in the APA);
- (c) the APA has an outside closing date of February 12, 2021 ("**Closing**");
- (d) as a result of the Interim Financing, Greenfire pre-Closing, and GAC post-closing, will have access to additional working capital to ensure the Hangingstone Facility is a going concern;
- (e) upon obtaining access to the Interim Financing Facility, Greenfire will require both employees and consultants in order to undertake the repair work to remedy the Site Damage and commence operations. GAC will identify its employee and contractor requirements and either take assignment of such Greenfire employment or consulting contracts or, offer employment or consulting contracts to the majority of individuals who were previously terminated by Greenfire, which is estimated to be approximately 40 to 50 people;
- (f) by no later than Closing, GAC will assume certain contracts and leases that are integral to the operation of the Hangingstone Facility; and
- (g) conditions to Closing, such as:
 - (i) Court approval of the APA, vesting the Assets in GAC free and clear of encumbrances (subject to the Permitted Encumbrances); and
 - (ii) consent of the AER, whereby the AER approves GAC as an operator of the Hangingstone Facility and the transfer of all AER licences held by Greenfire to

GAC with no additional bonding required by the AER for reclamation obligations associated with the assets.

44. A redacted copy of the APA is attached hereto as **Exhibit "J"**. An unredacted copy is attached as Exhibit "1" to the Confidential Supplement to my Sixth Affidavit.

F. Employees & Trade Creditors

45. Should this Honourable Court approve the APA and the Interim Financing Facility, Greenfire would be in a position to restart operations at the Hangingstone Facility in approximately 3 weeks, with production restarting in approximately 7 weeks. Once it has done so, and to the best of its ability, Greenfire will engage in good faith negotiations, enter into new contracts with the majority of its unsecured trade creditors, many of which Greenfire considers key service providers that will enhance the success of future operations.

46. In 2019, while ramping up its production, Greenfire incurred approximately \$40 million in operating, marketing and transportation expenses, and Greenfire expects to incur a similar of annual expenses upon restarting operations on a *pro rata* basis and the Hangingstone Facility operates at increasing levels of production.

47. In restarting operations at the Hangingstone Facility, Greenfire also intends, to the best of its ability, to make good faith efforts to rehire approximately 40 to 50 employees and contractors, who are have unique skillsets and knowledge relative to the Hangingstone Facility (the "**Greenfire Employees**").

48. Additionally, I am informed by Julian McIntyre, Director of GAC, that GAC also intends to, on a best efforts basis, both utilize Greenfire's existing trade creditors as well as hire the Greenfire Employees on similar terms offered to them by Greenfire during the course of these NOI Proceedings.

49. In summary, I believe that the APA is in the best interests of Greenfire and its stakeholders for, among other reasons:

- (a) it provides for a material purchase price for the Hangingstone Facility, including the injection of funds under the Interim Financing Facility to immediately allow Greenfire to repair the Site Damage and recommence operations;

- (b) once GAC has obtained its Directive 067 eligibility and the AER licence have been approved by the AER, the Hangingstone Facility will be in the hands of a solvent entity and not an additional burden on the Orphan Well Association;
- (c) it remains the only viable option to enter into agreements with Greenfire's trade creditors; and
- (d) critically, is the best viable option for long-term and steady employment for upwards of 50 Canadians who were critical to the prior success of the Hangingstone Facility.

50. I fear that if the APA and the Interim Financing Facility are not approved, that Greenfire will have little chance of further extending these Proposal Proceedings and all potential benefits to Greenfire and its stakeholders will be lost once Greenfire becomes bankrupt and the Hangingstone Facility enters the control of the Orphan Well Association.

51. Greenfire has exhausted all efforts to obtain interim financing and the Interim Financing Facility is the only interim financing that has come to fruition. I also fear that, unless the Hangingstone Facility is restarted with the funds from the Interim Financing Facility that is tied to the APA, the damage to the Hangingstone Facility will be so significant, and the repairs so costly, that it will render the purchase by any other potential purchaser uneconomic.

G. Warner Petroleum Corporation

52. As set forth in greater detail in my Prior Affidavits:

- (a) Greenfire and Warner Petroleum Corporation ("**Warner**") were parties to a Marketing Agreement dated April 15, 2019 (the "**Marketing Agreement**").
- (b) the Marketing Agreement has given rise to significant disputes between Greenfire and Warner.

53. On November 17, 2020, Greenfire and Warner were involved in a full-day hearing in these proceedings to determine issues related to the Marketing Agreement (the "**November 17 Hearing**").

54. Prior to the November 17, 2020 hearing, Greenfire issued a termination notice in respect of the Marketing Agreement based on Warner's breach of the same. In addition, Greenfire had issued a Notice of Disclaimer or Resiliation in respect of the Marketing Agreement pursuant to the terms of the

Bankruptcy and Insolvency Act (the "**BIA**"). A copy of the transcript of Justice Little's decision at the November 17 Hearing is attached hereto as **Exhibit "K"** (the "**Little Decision**").

55. Warner disputed both the termination and disclaimer of the Marketing Agreement. As a consequence, Greenfire and Warner sought relief from this Honourable Court in respect of the Marketing Agreement at the November 17 Hearing.

56. In particular, Warner has alleged that:

- (a) the Marketing Agreement gave rise to an interest in land, which could not be disclaimed and which would bind subsequent purchasers;
- (b) the Marketing Agreement was an "eligible financial contract" ("**EFC**") within the meaning of the BIA and therefore could not be disclaimed; and
- (c) the Court should not allow the disclaimer of the Marketing Agreement in any event.

57. I am informed by BD&P that, at the November 17 Hearing, Justice Little rejected all of Warner's arguments and dismissed Warner's Application. Conversely, Justice Little granted Greenfire's application with respect to the disclaimer and interest in land in its entirety.

58. In summary, Justice Little found and Ordered:

- (a) the Marketing Agreement does not grant an interest in land in favour of Warner;
- (b) the Marketing Agreement is not an EFC; and
- (c) Greenfire's disclaimer of the Marketing Agreement was permitted,

(the "**Disclaimer Approval Order**")

59. On November 27, 2020, Warner filed the Warner Appeal the Disclaimer Approval Order in Action No

60. I am informed by BD&P that the Warner Appeal is without merit, particularly as it relates to the interest in land issue, particularly in light of the following, which are referenced in the Little Decision:

- (a) a March 30, 2019 e-mail from myself to Byron Thomas on behalf of Warner in which I stated Logan states "Hi Byron, Here's the section we're talking about on page 19 that prevents us from giving an interest in land"; and
- (b) critically, an email from Warner's counsel, Bennett Jones LLP, who remains its counsel in these proceedings, to Greenfire's counsel at the time that states "Please find attached hereto a revised draft of the Marketing Agreement, incorporating comments from our discussions with Warner yesterday (including the deletion of the "interest in land" language), tax comments & other clean-up".

The blackline appended Warner's counsel's email s that the following text was removed from the Marketing Agreement:

"It is the express intention of the Parties that the Area of Dedication contemplated herein constitutes, and is to be construed as, an interest in land in the Lands subject to the Area of Dedication and that all terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the Lands subject to the Area of Dedication".

61. A copy of the March 30, 2019 email that I sent to Mr. Thomas was attached to my Fifth Affidavit as Exhibit 1. A copy of Bennett Jones' email and the relevant blackline (schedules excluded) are attached hereto as **Exhibit "L"**.

62. Additionally, I am informed by BD&P that Warner has not registered its alleged security interest at any registry system and that if Warner has any interest in land (which it does not) its interest is not perfected and therefore is subordinate to the interests of Greenfire's true secured creditors.

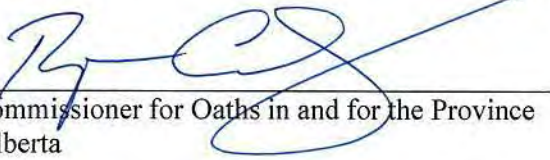
63. For these reasons, among others, Greenfire respectfully requests that this Honourable Court grant the SAVO notwithstanding the Warner Appeal with respect to its claim that it has an interest in land (which it does not).

V. RELIEF SOUGHT

64. Greenfire has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Greenfire will be materially prejudiced if this Honourable Court grants the relief sought.

65. I make this Affidavit in support of the Orders sought by Greenfire at the Application and for no improper purpose.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta this 2nd day of)
December, 2020)

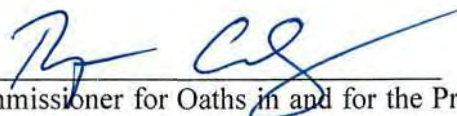

A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor


ROBERT B. LOGAN

THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

DIP FINANCING TERM SHEET

Dated as of December 1, 2020

WHEREAS Greenfire Hangingstone Operating Corporation (the "**Borrower**") has requested that the DIP Lender (as defined below) provide financing to the Borrower during the pendency of the Borrower's restructuring proceedings under Court of Queen's Bench of Alberta (the "**Court**") file nos. 25-2679073 and 25-2679074 (the "**BIA Proceedings**") commenced by way of a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), such financing to be provided in accordance with the terms and conditions set out herein;

AND WHEREAS, the DIP Lender has agreed to provide financing in order to fund certain obligations of the Borrower during the BIA Proceedings and for certain other purposes as hereinafter set forth;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWER:** Greenfire Hangingstone Operating Corporation
2. **GUARANTOR:** Greenfire Oil and Gas Ltd. (the "**Guarantor**" and, together with the Borrower, the "**Loan Parties**" and each a "**Loan Party**")
3. **DIP LENDER:** Trafigura Canada General Partnership (the "**DIP Lender**").
4. **DEFINED TERMS:** Unless otherwise defined herein, capitalized words and phrases used in this DIP Financing Term Sheet have the meanings given thereto in Schedule A hereto. Unless otherwise noted, all references to currency, "dollars" or "\$" shall be deemed to refer to Canadian dollars.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all present and after-acquired real and personal, tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document (including this DIP Financing Term Sheet and the other DIP Documents) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented, extended, amended and extended, renewed or otherwise modified (subject to any restrictions on such amendments, supplements, restatements, amendments and restatements, extensions, renewals or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended,

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supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this DIP Financing Term Sheet in its entirety and not to any particular provision hereof and (e) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this DIP Financing Term Sheet.

5. DIP FACILITY:

A senior secured superpriority debtor-in-possession, interim, credit facility (the "**DIP Facility**") in the aggregate principal amount of up to \$20,000,000 (the "**Facility Amount**"), which is comprised of two sub-facilities in the maximum amount of \$4,000,000 ("**Facility A**") and in the maximum amount of \$16,000,000 ("**Facility B**"), subject to the terms and conditions contained herein. For certainty, the maximum aggregate amount outstanding under Facility A and Facility B shall never exceed the Facility Amount.

Facility A is a non-revolving single draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions. Facility B is a revolving multiple draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions and the Additional Conditions Precedent.

6. INTEREST:

The Borrower shall pay interest on each advance made under the DIP Facility in Canadian Dollars, after, as well as before, maturity, default and judgment at a rate equal to LIBOR plus eight percent (8%) per annum. Such interest shall accrue daily, be calculated and compound monthly, and shall be payable in arrears on the first (1st) Business Day of each month for the period from and including the date each such advance is made to and including the day preceding interest payment date and shall be calculated on the principal amount of the DIP Facility outstanding during such period.

LIBOR shall be determined on the date of this DIP Financing Term Sheet and shall be redetermined and reset on the first (1st) Business Day on each calendar month thereafter. Each determination by the DIP Lender of LIBOR shall, in the absence of manifest error, be *prima facie* evidence thereof and, where applicable, may be computed using any reasonable averaging and attribution method. Changes made by the DIP Lender upon the redetermination of LIBOR under this paragraph shall cause an immediate adjustment of the interest rate applicable to all advances outstanding hereunder without the necessity of any notice to the Borrower.

All interest and fees payable under this DIP Financing Term Sheet shall be computed on the basis of a year of 365 days or

366 days, as applicable. Whenever a rate of interest or other rate per annum hereunder or in any DIP Document is expressed or calculated on the basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation (such as LIBOR, which is calculated on the basis of a 360 day year), such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing the resulting figure by the number of days in the deemed year.

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this DIP Financing Term Sheet. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, after as well as before maturity, default and judgment. The rates of interest specified in this DIP Financing Term Sheet are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the DIP Lender and any provision of the *Interest Act* (Canada) or the *Judgment Interest Act* (Alberta) which restricts any rate of interest set forth herein shall be inapplicable to this DIP Financing Term Sheet and is hereby waived by the Borrower

If any provision of this DIP Financing Term Sheet or any ancillary document in connection with this DIP Financing Term Sheet would obligate the Borrower to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the DIP Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the DIP Lender of interest at a criminal rate and any such amounts actually paid by the Borrower in excess of the adjusted amount shall be forthwith refunded to the Borrower.

7. DEFAULT INTEREST:

Notwithstanding any other provision hereof, after the occurrence of any Event of Default, the applicable interest rate payable hereunder will increase by an additional two percent (2.0%) per annum on all amounts owing hereunder until all such amounts are indefeasibly paid on demand in full in cash, after as well as before maturity, default and judgment. All such interest shall accrue daily, be calculated and compounded

monthly and be payable on demand.

8. COSTS AND EXPENSES

The Borrower will reimburse, without duplication, the DIP Lender for all expenses (including legal and professional fees and expenses of the DIP Lender on a full indemnity basis), in connection with the negotiation and development of: (i) this DIP Financing Term Sheet, (ii) the BIA Proceedings and, (iii) the on-going monitoring, administration and enforcement of the DIP Facility, including due diligence, review and negotiation of filing materials, negotiation and documentation of the DIP Documents and related documentation and the on-going monitoring and administration of each and the enforcement of the DIP Lender Charge and any other security for the DIP Financing Obligations.

All such expenses (including legal and professional fees and expenses on a full indemnity basis) of the DIP Lender under paragraphs (ii) and (iii) above shall be included in the DIP Financing Obligations and secured by the DIP Lender Charge and may be deducted from any advance under Facility B.

9. PURPOSE OF FACILITY A:

The Borrower shall use proceeds of Facility A solely to pay a portion of the Purchase Price in accordance with the APA, the Escrow Agreement, the DIP Order and the DIP Budget.

For the purpose of this Section 9 and subject to the satisfaction or waiver of the conditions precedent in Section 12 and Section 13, the DIP Lender will advance on the Escrow Closing Date an amount equal to \$4,000,000 less the aggregate amount of all Repair Costs incurred by the Borrower between the date of the first advance under Facility B and the Escrow Closing (the "**Escrowed Funds**").

The Escrowed Funds will be deposited with the Escrow Agent under the Escrow Agreement on Escrow Closing and dealt with in accordance with the Escrow Agreement. The amount of the Escrowed Funds to be released to the Borrower on Final Closing is an amount equal to the Escrowed Funds less the aggregate amount of all Repair Costs incurred by the Borrower between the Escrow Closing Date and the Final Closing Date.

Any portion of the Escrowed Funds which is not paid to the Borrower on the Final Closing in accordance with the Escrow Agreement shall be immediately repaid to the DIP Lender to be credited against amounts advanced under Facility A.

10. PURPOSE OF FACILITY B:

The Borrower shall use proceeds of Facility B solely for the following purposes:

- (a) to pay the expenses of the DIP Lender in accordance with Section 8 hereof;
- (b) to pay the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel;

- (c) to pay the fees and interest owing to the DIP Lender under this DIP Financing Term Sheet and the other DIP Documents;
- (d) to pay an instalment on the Purchase Price in accordance with the APA in an amount equal to \$1,000,000; provided, however, that such funds shall be used by the Borrower to pay for the administration of the BIA Proceedings (including the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel) (the "**Deposit**"); and
- (e) to pay for Repair Costs and restarting the operation of the Facilities; provided, however, that such Repair Costs are certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

The advances made for the purpose set forth in Section 10(e) shall be subject to the prior approval of the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, based upon the DIP Budget. All such advances made for the purpose set forth in Section 10(e) shall be in amounts of not less than \$500,000.

Without limiting the other provisions of this Section 10, each advance under Facility B shall be made in accordance, and subject to compliance, with the DIP Order, the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

11. CONDITION PRECEDENT TO EFFECTIVENESS:

Notwithstanding anything to the contrary herein, or the date, or date of execution, hereof, the effectiveness of this DIP Financing Term Sheet (other than this Section 11) is subject to the Court Approval having been obtained with immediate effect. For certainty, other than this Section 11, this DIP Financing Term Sheet shall be of no force and effect and create no legal obligations on any party hereto until the Court Approval has been obtained with immediate effect.

To the extent such Court Approval has not been obtained with immediate effect on or before December 8, 2020, the DIP Lender's obligations pursuant to this Section 11 shall be of no further force and effect; provided that a later Court Approval and/or deferred application of such approval may, at the DIP Lender's sole and exclusive election, satisfy the condition precedent to effectiveness contemplated by this Section 11.

12. CONDITIONS PRECEDENT TO FIRST ADVANCE:

The DIP Lender's agreement to fund any advance under the DIP Facility to the Borrower in accordance with Section 14 is subject to the satisfaction or waiver of the following conditions precedent prior to the first such advance (the "**Initial Funding Conditions**"):

- (a) the DIP Lender shall be satisfied with the DIP Budget;

- (b) the Loan Parties shall have executed and delivered this DIP Financing Term Sheet and all other DIP Documents shall have been duly executed and delivered by all parties thereto;
- (c) the DIP Lender shall be satisfied that each of the Loan Parties is in compliance in all material respects with Applicable Law in relation to its business other than as may be permitted under a Court Order or as to which any enforcement in respect of non-compliance is stayed by a Court Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default;
- (d) the Court shall have issued and entered an immediately effective order (the "**DIP Order**") in a form acceptable to the DIP Lender (or its counsel), which shall include the grant by the Court of a super-priority charge in favour of the DIP Lender (the "**DIP Lender Charge**") on the Collateral, securing all indebtedness, obligations, covenants or liabilities owing by the Borrower to the DIP Lender under this DIP Financing Term Sheet and any other DIP Document including, without limitation, all principal, interest, fees, indemnities and expenses owing to the DIP Lender as set out herein (collectively, the "**DIP Financing Obligations**") and providing, among other things, that the DIP Lender Charge shall have priority on the Collateral over all other Liens, other than solely and exclusively the Permitted Priority Liens, and the DIP Order shall not have been stayed, vacated or otherwise amended, restated or modified in any manner, without the prior written consent of the DIP Lender;
- (e) the DIP Lender (or its counsel) shall be satisfied that (i) the entering into of this DIP Financing Term Sheet and the other DIP Documents, the granting of the DIP Lender Charge, the consummation of the transactions contemplated hereby has been approved by each Loan Party and (ii) service has been effected on a list of parties acceptable to the DIP Lender;
- (f) the DIP Lender shall have received a certificate of a senior officer of the Borrower attaching a complete executed copy of the APA, together with all amendments or modifications thereto;
- (g) the DIP Lender shall have valid and perfected super-priority Liens on the Collateral pursuant to the DIP Order and the DIP Lender Charge granted thereby, and there shall be no Liens (including, without limitation, any ranking in priority to the DIP Lender Charge) over the property and assets of the Borrower, other than the Permitted Priority Liens;

- (h) the DIP Lender has received evidence satisfactory to it that applicable Governmental Authorities including, without limitation, the Alberta Energy Regulator and the Orphan Well Association, acknowledge and agree that the DIP Lender Charge will have super-priority to any Lien or priority that such Governmental Authorities can claim;
- (i) the DIP Lender and the Borrower shall have entered into a marketing agreement in form and substance satisfactory to the DIP Lender, with respect to marketing of all production from the assets and property of the Borrower (the “**Marketing Agreement**”); and
- (j) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full or will be paid from the proceeds of the requested advance within such period of time as is acceptable to the DIP Lender in its discretion and as and to the extent required under Section 8.

13. CONDITIONS PRECEDENT TO EACH ADVANCE:

In addition to the Initial Funding Conditions, the DIP Lender’s agreement to fund any advance under Facility A and/or Facility B to the Borrower in accordance with Section 14 (including, without limitation, the first advance under the DIP Facility but excluding the advance of that portion of Facility B which is comprised of the Deposit) is subject to the satisfaction or waiver of the following conditions precedent prior to each such advance (the “**Additional Conditions Precedent**”):

- (a) no Material Adverse Change shall have occurred since the date of the DIP Order, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (b) no Default or Event of Default shall have occurred, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (c) the representations and warranties of each of the Loan Parties herein and in any DIP Document shall be true and correct in all respects as of the date of such advance, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (d) the DIP Lender shall have received a Drawdown Request Certificate from the Borrower in accordance with the terms of this DIP Financing Term Sheet;
- (e) the requested advance shall not cause the aggregate amount of: (i) the outstanding advance under Facility A to exceed \$4,000,000, (ii) all outstanding advances

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under Facility B to exceed \$16,000,000, (iii) all outstanding advances under Facility A and Facility B collectively to exceed the Facility Amount, and (iv) all advances under Facility B to be greater than the amounts shown on the DIP Budget;

- (f) in respect of the advance under Facility A only, all conditions precedent to the Escrow Closing as contemplated by the APA, other than those which relate solely to the payment of the Escrowed Funds to the Escrow Agent in the manner contemplated by the APA and the Escrow Agreement, shall have been satisfied or waived, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (g) in respect of advances under Facility B only, the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, shall have approved each advance under Facility B and such advance shall be in accordance with the DIP Budget;
- (h) in respect of advances under Facility B only that relate to reimbursement for or the payment of Repair Costs, the DIP Lender shall: (A) have received a certificate in form and substance satisfactory to the DIP Lender from an independent engineering firm or such other party satisfactory to the DIP Lender which certifies the aggregate amount of the Repair Costs; and (B) be satisfied that the Repair Costs are consistent with the then current DIP Budget;
- (i) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full as and to the extent required under Section 8;
- (j) actual cash receipts received by the Borrower are not twenty percent (20%) or more below the cash receipt projections set out in the most recent Cash Flow Forecast or Revised Cash Flow Forecast delivered to the DIP Lender, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same; and
- (k) in respect of the advance under Facility A only, any claims, actions, suits, or proceedings (including any appeals thereof) by or on behalf of Warner Petroleum Corporation in relation to the Warner Contract shall be fully and finally dismissed, confirmed as terminated or disclaimed, abandoned or settled (and any and all appeal rights therefrom shall have expired without any such appeal having been initiated or shall have been fully determined).

14. DRAWDOWNS:

No portion of the DIP Facility shall be funded until the Initial Funding Conditions have been satisfied or waived by the DIP Lender. In addition, each advance under the DIP Facility shall be subject to the satisfaction or waiver by the DIP Lender of the Additional Conditions Precedent.

The Borrower may issue a Drawdown Request Certificate for an advance under Facility B no more than once each week with the amount of each drawdown to be in accordance with, and in amounts specified in, the DIP Budget (subject to the Permitted Variance), as requested by the Borrower from time to time and confirmed by the DIP Lender in writing (which may be by email).

For each advance under Facility A and Facility B, the DIP Lender shall have received from the Borrower a Drawdown Request Certificate at least three (3) Business Days prior to the date of such advance.

Each Drawdown Request Certificate shall certify: (i) that all representations and warranties of the Borrower contained herein and in each DIP Document are true and correct in all respects both before and after giving effect to such advance and the use of such proceeds, (ii) that no Default or Event of Default has occurred or would result from the making of such advance, and (iii) that the use of proceeds of such advance will comply with the provisions of this DIP Financing Term Sheet and the DIP Budget (subject to the Permitted Variance).

Advances under Facility B shall be in a minimum aggregate amount that is no less than \$500,000.

15. DIP FACILITY SECURITY:

All DIP Financing Obligations shall be secured by the DIP Lender Charge and, upon request of the DIP Lender, the Borrower shall enter into such additional security documentation as the DIP Lender shall request (initially consisting of a debenture made by the Borrower in favour of the DIP Lender granting a fixed charge on all real estate assets of the Borrower, a security interest in all present and after acquired personal property of the Borrower and a floating charge over any other property and assets of the Borrower). The DIP Lender may require or proceed with the execution, filing or recording of registrations or financing statements in respect of any such security.

In addition, all DIP Financing Obligations will be guaranteed by an unlimited guarantee granted by the Guarantor in favour of the DIP Lender in form and substance satisfactory to the DIP Lender.

16. EVIDENCE OF INDEBTEDNESS:

The DIP Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the obligations of the Borrower to the DIP Lender hereunder with respect to all advances made by the DIP Lender hereunder and all other amounts owing by the Borrower to the DIP Lender hereunder (including, without limitation, all interest payable

under this DIP Financing Term Sheet.

17. MANDATORY REPAYMENT:

The DIP Facility shall be repayable in full as follows:

- (a) at any time prior to the Final Closing on the earlier of:
 - (i) the occurrence of any Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower with a copy to the Trustee (and each of their respective counsel);
 - (ii) the implementation of a proposal within the BIA Proceedings (a "**Proposal**") or a plan of compromise or arrangement under the CCAA which has been approved by the requisite majorities of the Borrower's creditors (other than any Proposal, plan of compromise or arrangement which involves the completion of the sale pursuant to the APA);
 - (iii) the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order (other than the sale pursuant to the APA); or
 - (iv) the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA (the earliest of such dates being the "**Pre Final Closing Maturity Date**"); or

- (b) provided that no Pre Final Closing Maturity Date has then occurred, at any time following the Final Closing on the earlier of: (i) the occurrence of any Post Final Closing Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower (and its counsel); and (ii) the date which is six (6) months following the Final Closing (the earliest of such dates being the "**Post Final Closing Maturity Date**").

The Pre Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower, the DIP Lender and, in the case of any material amendments to the terms hereof, the Trustee, may agree. The Post Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower and the DIP Lender may agree.

In addition to, and without limiting the generality of, the foregoing, the Borrower shall within ten (10) Business Days of the end of each calendar month prior to the Maturity Date, pay to the DIP Lender all of the net income of the Borrower (as such net income is identified in the applicable Cash Flow Forecast) for such calendar month, determined on a consolidated basis in accordance with generally accepted accounting principles. All amounts paid by the Borrower pursuant to this paragraph shall be applied by the DIP Lender to amounts outstanding under Facility B as set forth in Section 18.

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

18. VOLUNTARY PREPAYMENTS:

The Borrower may, without notice, bonus, premium or penalty, prepay any amounts outstanding under the DIP Facility at any time prior to the Maturity Date upon one (1) Business Days' prior written notice to the DIP Lender.

Any amount repaid or prepaid under the DIP Facility shall be applied first towards accrued and unpaid interest, and second towards the principal of amounts outstanding.

19. DIP BUDGET AND CASH FLOW FORECAST:

Attached as Schedule B hereto is a copy of the agreed initial DIP Budget as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial DIP Budget**"). The DIP Budget shall contain a weekly line item budget covering the period of at least thirteen (13) calendar weeks following the date of the DIP Order. The DIP Budget shall set forth expected receipts and all of the operating and capital expenditures to be made during each calendar week and in the aggregate for the period of time covered by the DIP Budget. Such DIP Budget shall be the DIP Budget referenced in this DIP Financing Term Sheet until such time as a revised DIP Budget has been delivered to the DIP Lender in accordance with Section 19(b).

Attached as Schedule C hereto is a copy of the agreed initial Cash Flow Forecast as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial Cash Flow Forecast**"). The Cash Flow Forecast shall contain a projected statement of sources and uses of cash for the Borrower on a weekly basis for the thirteen (13) calendar weeks following the date of the DIP Order. Such Cash Flow Forecast shall be the Cash Flow Forecast referenced in this DIP Financing Term Sheet until such time as a Revised Cash Flow Forecast has been delivered to the DIP Lender in accordance with this Section 19(c).

On Thursday of each week by 5:00 p.m. (Calgary time), commencing on the Thursday of the calendar week following the date of this DIP Financing Term Sheet, the Borrower shall

deliver to the DIP Lender:

- (a) a report showing actual cash receipts and actual expenditures for each line item in the DIP Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the DIP Budget for such line item during such one week period;
- (b) an update and extension to the DIP Budget for the period commencing from the end of the previous week through and including thirteen calendar weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial DIP Budget and subject to the approval of the DIP Lender and the Trustee; and
- (c) an update and extension to the Cash Flow Forecast for the period commencing from the end of the previous week through and including thirteen weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial Cash Flow Forecast and subject to the approval of the DIP Lender and the Trustee.

If the DIP Lender determines that the proposed revised DIP Budget or the proposed revised Cash Flow Forecast is not acceptable, it shall, within three (3) Business Days of receipt thereof, provide written notice to the Borrower and the Trustee stating that the proposed revised DIP Budget and/or the proposed revised Cash Flow Forecast, as applicable, is not acceptable and setting out the reasons why such revised DIP Budget and/or revised Cash Flow Forecast, as applicable, is not acceptable, and until the Borrower has delivered a revised DIP Budget and/or Cash Flow Forecast, as applicable, acceptable to the DIP Lender, the prior DIP Budget and/or prior Cash Flow Forecast, as applicable, shall remain in effect. In the event that the DIP Lender (or its counsel) does not deliver to the Borrower written notice within three (3) Business Days after receipt by the DIP Lender's counsel of a proposed revised DIP Budget or a revised proposed Cash Flow Forecast that such proposed revised DIP Budget or proposed revised Cash Flow Forecast, as applicable, is not acceptable to the DIP Lender, such proposed revised DIP Budget or proposed Cash Flow Forecast, as applicable, shall automatically and without further action be deemed to have been accepted by the DIP Lender and become the DIP Budget or Cash Flow Forecast, as applicable, for the purposes hereof.

The Borrower shall, and shall use commercially reasonable efforts, if requested by the DIP Lender, to cause its advisors to, participate on weekly conference calls with the DIP Lender, and its advisors, to discuss the revised DIP Budget, the revised Cash Flow Forecast, the Borrower's current and projected

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operational performance, and any related financial matters.

The Borrower shall ensure that when measured as of each Variance Testing Date, the Borrower's cumulative expenditures (excluding the legal and professional fees incurred by the Trustee, the Trustee's counsel and counsel for the Borrower) shall not have exceeded one hundred and ten percent (110%) of the cumulative expenditures as set forth in the Initial DIP Budget or any revised DIP Budget, as applicable. Notwithstanding any other provision in this Section 19, the Borrower shall be permitted to incur extraordinary expenses not otherwise permitted under the cash flow test in this paragraph with the consent of the DIP Lender.

The Borrower shall provide detailed reconciliations (quantitative explanations of the budget-to-actual variances) for each variable line-item of the Initial DIP Budget (revenues, operating expenses and marketing costs) as well as for any other line item variances outside of the management's direct control (commodity prices, foreign exchange gains/losses) that impact the overall consolidated financial results (the "**Budget Variance Report**").

20. REPRESENTATIONS AND WARRANTIES:

Each Loan Party represents and warrants to the DIP Lender, upon which the DIP Lender is relying in entering into this DIP Financing Term Sheet, that:

- (a) Each Loan Party has been duly formed and is validly existing under the law of its jurisdiction of incorporation or amalgamation, as applicable.
- (b) Each Loan Party has all requisite corporate power and authority to own and operate its properties and assets and to develop, own and operate its business.
- (c) The execution, delivery by each Loan Party of, the performance by each Loan Party of its respective obligations under, and the transactions contemplated by, this DIP Financing Term Sheet and the other DIP Documents:
 - (i) are within the corporate power of each Loan Party;
 - (ii) have been duly executed and delivered by or on behalf of each Loan Party;
 - (iii) upon the granting of the DIP Order, shall constitute legal, valid and binding obligations of the Loan Parties party thereto, enforceable against them in accordance with their terms;
 - (iv) upon the granting of the DIP Order, do not require any material authorization from, the consent or approval of, registration or filing with, or any other

action by, any Governmental Authority or any third party; and

- (v) will not violate the articles or by-laws of either Loan Party, any material contracts to which it is a party or any Applicable Law.
- (d) The Collateral is free and clear of all Liens other than Permitted Liens and, upon the granting of the DIP Order, the DIP Lender Charge.
- (e) None of the reports, financial statements, certificates or other written information furnished by or on behalf of either Loan Party to the DIP Lender or its advisors in connection with the negotiation of this DIP Financing Term Sheet or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading at such time; provided that to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, each Loan Party represents only that it has acted in good faith and utilized assumptions believed by it to be reasonable at the time made (it being understood that any such forecasts or projections are subject to significant uncertainties and contingencies, many of which are beyond the its control, that no assurance can be given that any such forecasts or projections will be realized and that actual results may differ from any such forecasts or projections and such differences may be material).
- (f) The business operations of each Loan Party have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which the business has been or is carried out.
- (g) Each Loan Party has obtained and is in material compliance with all material licences and permits required for the operation of its business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary, which licences and permits remain in full force and effect and no proceedings have been commenced or threatened to revoke or amend any of such licences or permits.
- (h) Each Loan Party owns, leases or has the lawful right to use all of the assets and properties necessary for the proper conduct of its business and (i) none of such assets or property is owned by a Related Party except as disclosed to the DIP Lender in writing prior to the

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effective date of this DIP Financing Term Sheet, (ii) such assets or property are located at the locations disclosed in writing to the DIP Lender and (iii) none of such assets or property has been sold, leased or otherwise disposed of.

- (i) Each Loan Party has, in respect of all prior fiscal periods (i) filed all tax returns, except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred and (ii) paid all taxes owing for all prior fiscal periods except for any taxes that are not yet due and payable or that are being diligently contested in good faith by the applicable Loan Party and for which sufficient reserves have been set aside.
- (j) Each Loan Party maintains adequate insurance coverage, as is customary with companies in the same or similar business (except with respect to directors' and officers' insurance in respect of which no representation is made regarding adequacy of coverage) of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (k) Each Loan Party has maintained and paid current its obligations for Crown royalty, payroll, source deductions, harmonized, goods and services and retail sales tax, and all other applicable taxes, and is not in arrears of its statutory obligations to pay or remit any amount in respect of these obligations.
- (l) No Loan Party has entered into any material transaction or other written contractual relationship with any party not dealing at arms-length with such Loan Party, except as publicly-disclosed by such Loan Party or disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.
- (m) No Loan Party has entered into any agreement with any Related Party (including any agreement involving the transfer of any assets or property of the Borrower to a Related Party or an option in favour of a Related Party to acquire any such assets or property) except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet and currently existing employment arrangements.
- (n) The commencement of the BIA Proceedings will not trigger any contractual provision that would entitle any officer or director of either Loan Party to claim additional compensation, bonus or severance.
- (o) Since the Filing Date, (i) there have been no extensions, supplements or amendments to the

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employment agreements of any senior officers or senior managers of either Loan Party earning \$200,000 (or its equivalent in an alternative currency) or more per annum, including all bonuses and other cash compensation, and (ii) there are no written employment agreements for any such senior officers or senior managers except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.

- (p) All material payments to shareholders, directors and senior executives of either Loan Party or any Related Party, whether under contract or otherwise, including bonus payments, transaction payments, change of control payments, management fees, consulting or advisory fees or amounts payable in respect of reimbursement, to the extent known and contemplated for future payments, have been included in the DIP Budget.
- (q) Other than as stayed pursuant to the BIA Proceedings, or as otherwise disclosed to the DIP Lender in respect of the Warner Contract, there is not now pending or, to the knowledge of any of the senior officers or directors of either Loan Party, threatened against a Loan Party, nor has either Loan Party received notice in respect of, any material claim, potential claim, litigation, action, suit, arbitration or other proceeding by or before any court or Governmental Authority.
- (r) All material contracts to which either Loan Party is a party are in full force and effect and are valid, binding and enforceable in accordance with their terms and no Loan Party has knowledge of any material default that has occurred and is continuing thereunder (other than those defaults arising as a result of the commencement of the BIA Proceedings).
- (s) As of the Filing Date, there are no agreements between any Loan Party and any other third party or any holder of debt or equity securities of such Loan Party with respect to the BIA Proceedings except for this DIP Financing Term Sheet.
- (t) No Loan Party has any defined benefit pension plans or similar plans.
- (u) Each Loan Party is and remains in compliance with the Court Orders.
- (v) No Loan Party is liable for any indebtedness for borrowed money, except as disclosed in the BIA Proceedings.

- (w) Each Loan Party has disclosed to the DIP Lender all liabilities in respect of its Liability Management Rating and such information is up to date and no further security deposit is required in connection therewith.
- (x) No Default or Event of Default has occurred and is continuing.

21. AFFIRMATIVE COVENANTS:

Each Loan Party agrees to do, or cause to be done, the following, unless otherwise consented to or waived in writing by the DIP Lender:

- (a) Make due and punctual payment to the DIP Lender of all amounts payable under this DIP Financing Term Sheet and all other DIP Documents when due.
- (b) In connection with matters reasonably related to the DIP Facility or compliance of each Loan Party with its obligations pursuant to this DIP Financing Term Sheet and the other DIP Documents, (i) provide a representative of the DIP Lender with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Borrower, (ii) allow the DIP Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Loan Party's assets and properties, and (iii) cause management, the financial advisor and legal counsel of each Loan Party, to cooperate with reasonable requests for information by the DIP Lender and its advisors, in each case subject to solicitor-client privilege, all Court Orders and applicable privacy laws and each Loan Party's confidentiality obligations to third parties.
- (c) Keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of each Loan Party and the BIA Proceedings.
- (d) Deliver to the DIP Lender's advisors the reporting and other information reasonably requested by them from time to time as set out in this DIP Financing Term Sheet including, without limitation, the Budget Variance Reports and other reports required pursuant to Section 19 at the times set out in Section 19.
- (e) Use the proceeds of the DIP Facility only in accordance with the requirements set forth in Section 9 and Section 10 and in accordance with the restrictions set out herein and pursuant to the DIP Budget and the Cash Flow Forecast.
- (f) Comply with the DIP Order and all other orders of the Court entered in connection with the BIA Proceedings (collectively, the "**Court Orders**" and each a "**Court**

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Order") and take all actions necessary or available to defend such Court Orders from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in writing in advance by the DIP Lender.

- (g) Preserve, renew and keep in full force its corporate existence.
- (h) Conduct its business in accordance in all material respects with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).
- (i) Promptly notify the DIP Lender of the occurrence of any Material Adverse Change, Default, Event of Default and any other event or circumstance that may negatively impact the DIP Budget or the Cash Flow Forecast, including any material change in its contractual arrangements or with relationships with third parties.
- (j) Comply in all material respects with Applicable Law, including, without limitation, payment on a timely basis of all municipal Taxes, utility charges or other amounts in relation to the Collateral charged by the DIP Lender Charge where the non-payment of same could give rise to a Lien and immediately notify the DIP Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of either Loan Party, threatened, against either Loan Party, before any court or Governmental Authority, except to the extent not required to do so pursuant to the DIP Order or any other Court Order.
- (k) Except where a stay of proceedings applies and subject to the terms of the DIP Order, pay when due all statutory Liens, trust and other Crown claims including employee source deductions, GST and workplace safety and insurance premiums.
- (l) Provide the DIP Lender's counsel with draft copies of all material motions, applications or proposed orders that either Loan Party intends to file in the BIA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the BIA Proceedings; provided that all such filings by a Loan Party shall be in form and substance acceptable to the DIP Lender and its counsel, acting reasonably and in good faith, to the extent that any such filings affect the rights and interests of the DIP Lender.
- (m) Take all actions necessary or available to defend the Court Orders from any appeal, reversal, modifications, amendment, stay or vacating to the extent that it would materially affect the rights and interests of the

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DIP Lender.

- (n) Comply with the DIP Budget, subject to the Permitted Variance.
- (o) Promptly provide notice to the DIP Lender and its counsel, and keep them otherwise apprised, of any material developments in respect of any material contract and of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender. In addition, to promptly provide the DIP Lender with regular status updates in respect of any Proposal, the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order, the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA, the closing of the transaction under the APA and the termination of the BIA Proceedings.
- (p) Provide the DIP Lender with draft copies of all material letters, submissions, notices, or other materials or correspondence that either Loan Party intends to file with or submit to any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender, at least two (2) Business Days prior to such submission or filing or, where it is not practically possible to do so within such time as soon as possible.
- (q) Upon request of the DIP Lender, complete all necessary Lien and other customary searches against each Loan Party, together with all registrations, filings and recordings wherever the DIP Lender, acting reasonably, deems appropriate to satisfy the DIP Lender that there are no Liens affecting the Collateral except Permitted Liens.
- (r) At all times maintain adequate insurance coverage as is customary in the same or similar business of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (s) At all times preserve, maintain and keep in full force its material contracts, 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 to in writing by the DIP Lender.

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- (t) Pay all DIP Lender costs and expenses pursuant to Section 8 no less frequently than every two (2) weeks following the delivery of a redacted invoice to the Borrower, provided that the DIP Lender shall provide reasonable estimates of such expenses for purposes of the DIP Budget.
- (u) Promptly upon becoming aware thereof, provide details of the following to the DIP Lender: (i) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against either Loan Party, by or before any court, tribunal, Governmental Authority or regulatory body, which would be reasonably likely to result, individually or in the aggregate, in a judgment in excess of \$200,000 to the extent not stayed by the Court Orders, and (ii) any default or dispute with respect to any of its material contracts, to the extent enforcement thereof is not stayed by the Court Orders.

22. NEGATIVE COVENANTS:

Each Loan Party covenants and agrees not to do, or cause not to be done, the following, other than with the prior written consent of the DIP Lender:

- (a) Transfer, lease or dispose of all or any part of its property, assets or undertaking, except such asset sales or dispositions as are permitted pursuant to the DIP Order.
- (b) Make any payment, including, without limitation, any payment of principal, interest or fees, in respect of pre-filing indebtedness, or in respect of any other pre-filing liabilities, other than such amounts as are permitted to be paid pursuant to the DIP Order and provided that the aggregate amount of all such pre-filing amounts shall not exceed the amount set out in the DIP Budget (subject to the Permitted Variance) and, other than in accordance with the DIP Budget and Cash Flow Forecast (subject to the Permitted Variance), make, incur or establish any retainer in respect of, any other payments (including with respect to the fees, expenses or disbursements of legal, financial or other advisor of any party) or other expenditures (including capital expenditures).
- (c) Create or permit to exist any indebtedness other than (A) the indebtedness existing as of the date hereof, (B) the DIP Financing Obligations, (C) indebtedness contemplated by this DIP Facility, and (D) post-filing trade payables or other unsecured obligations incurred in the ordinary course of business in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

- (d) Make any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise), or any retirement, redemption, purchase, repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon).
- (e) Make any investments or acquisitions of any kind, direct or indirect.
- (f) Other than in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance), (i) enter into, renew, amend or modify any transaction or contractual relationship with any Related Party or (ii) make any payment with respect to, or perform any obligation under, an agreement with a Related Party.
- (g) Make any loans, advances, financial assistance (including provision of a guarantee), capital contribution, investments or acquisitions whether direct or indirect.
- (h) Make any payment in respect of post-employment benefit payments.
- (i) Make any payment not consistent with the DIP Budget and Cash Flow Forecast.
- (j) Grant any royalties or overriding interests upon any lands of the Borrower.
- (k) Create or permit to exist any Liens on any of its properties or assets other than the Permitted Liens.
- (l) Take any steps to convert the BIA Proceedings to proceedings under the CCAA.
- (m) Challenge or fail to support the Liens and claims of the DIP Lender.
- (n) Terminate any material contract or amend any material contract in any material manner.
- (o) Amalgamate, consolidate with or merge into or sell all or substantially all of its assets to another entity, or change its corporate or capital structure (including its organizational documents) or enter into any agreement committing to such actions.
- (p) Seek, obtain, support, make or permit to be made any Court Order or any material change, amendment or modification to any Court Order affecting the DIP Lender. Without limiting the generality of the

foregoing, no Loan Party shall take any steps to advance or implement any transaction whether by way of a Proposal, Plan, BIA Sale, arrangement, reorganization or otherwise that would impair the Collateral, the DIP Facility, the DIP Documents or the DIP Lender Charge, or impair any amounts owing to the DIP Lender, or otherwise be materially adverse to the DIP Lender.

- (q) Without the approval of the Court, cease to carry on its business or activities or any material component thereof as currently being conducted or modify or alter in any material manner the nature and type of its operations or business.
- (r) Seek, or consent to the appointment of, a receiver or trustee in bankruptcy or any similar official in any jurisdiction, other than the Trustee.
- (s) Change any of its organizational documents, its name, fiscal year end or accounting standards.
- (t) Other than as consented to by the Trustee and approved by the Court on prior notice to the DIP Lender, (i) enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of either Loan Party or any Related Party, or make any payment to any such Person in respect of any bonus, change of control payment or severance package of any kind whatsoever, or (ii) implement any key employee retention program in any other manner.
- (u) Enter into any new agreements, transactions or arrangements with other parties that may result in a Material Adverse Change.
- (v) Seek, obtain or support any other restructuring transaction.

23. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute an event of default (each an “**Event of Default**”) under this DIP Financing Term Sheet:

- (a) Failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor.
- (b) Failure by either Loan Party to (i) comply with the terms of any Court Order (including the DIP Order), (ii)

deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (iii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in items (i) and (ii) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender.

- (c) Any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made.
- (d) Issuance of a Court Order: (i) dismissing the BIA Proceedings or lifting the stay in the BIA Proceedings to permit the enforcement of any security against either Loan Party or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order against or in respect of either Loan Party, in each case which order is not stayed pending appeal thereof, and other than in respect of a non-material asset not required for the operations of either Loan Party's business; (ii) granting any other Lien in respect of the Collateral that is in priority to or pari passu with the DIP Lender Charge other than for any Permitted Priority Liens, (iii) staying, reversing, vacating or otherwise modifying this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge, (iv) adversely impacting the rights and interests of the DIP Lender, as determined by the DIP Lender, or (v) directing either Loan Party to pay any post-employment benefits, in each case unless otherwise consented to by the DIP Lender.
- (e) Unless the DIP Lender has consented thereto in writing, the filing by either Loan Party of any motion, pleading or proceeding which (i) is not consistent with any provision of any of the DIP Documents or any Court Order, as applicable, (ii) could otherwise reasonably be expected to materially adversely affect the interests of the DIP Lender, (iii) seeks an order which, if granted, could reasonably be expected to result in a Material Adverse Change, (iv) seeks to continue the BIA Proceedings under the jurisdiction of a court other than the Court, (v) seeks to initiate any restructuring proceedings other than the BIA Proceedings in any court or jurisdiction, or (vi) relates to any matter set forth in Section 23(d).
- (f) any Proposal or other arrangement, compromise or restructuring is sanctioned by either Loan Party which

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is not consistent with or contravenes any provision of this DIP Financing Term Sheet or other DIP Document.

- (g) Except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities.
- (h) Unless consented to in writing by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the DIP Order.
- (i) As at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "**Permitted Variance**") since the most recent DIP Budget.
- (j) The DIP Lender Charge shall cease to be a valid, perfected and enforceable superpriority Lien senior to all other Liens other than Permitted Priority Liens.
- (k) The denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge.
- (l) The aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount.
- (m) Either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course.
- (n) The making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget.
- (o) Except as stayed by order of the Court, a default under, revocation or cancellation of, any material contract, or other material licence or permit.
- (p) Either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the DIP Lender or any affiliate thereof to

either Loan Party or any affiliate thereof.

- (q) Except as stayed by order of the Court, the entry of one or more final judgments, writs of execution, garnishment or attachment representing a claim in excess of \$200,000 against either Loan Party or the Collateral that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy.
- (r) Any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender.
- (s) The occurrence of a Material Adverse Change.

24. REMEDIES:

Upon the occurrence of an Event of Default, the DIP Lender may (i) immediately terminate its commitments hereunder, and (ii) without any further notice or demand, and otherwise subject to the provisions of the Court Orders, declare the DIP Financing Obligations to be immediately due and payable and may thereafter, exercise any and all of its rights and remedies against any Loan Party or the Collateral under or pursuant to this DIP Financing Term Sheet, the other DIP Documents and the DIP Lender Charge, including, without limitation:

- (a) apply to a court for appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against either Loan Party or for the appointment of a trustee in bankruptcy of either Loan Party;
- (b) set-off or consolidate any amounts then owing by the DIP Lender to either Loan Party against the obligations of such Loan Party to the DIP Lender (in its capacity as such) hereunder;
- (c) subject to obtaining prior approval from the Court, exercise all powers and rights of a secured party under the *Personal Property Security Act* (Alberta), the *Law of Property Act* (Alberta), the *Mines and Minerals Act* (Alberta) or any legislation relating to creditors' rights; and
- (d) exercise all such other rights and remedies available under Applicable Law, by statute or in equity.

25. INDEMNITY AND RELEASE:

Each Loan Party jointly and severally agrees to indemnify and hold harmless the DIP Lender and its 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 DIP Facility, this DIP Financing Term Sheet or any other DIP Document (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, neither Loan Party shall be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (x) 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 (y) 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 either Loan Party. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 25 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor. All such indemnified amounts, if not immediately paid by the Loan Parties upon demand, will be secured by the DIP Lender Charge.

The indemnities granted under DIP Financing Term Sheet shall survive any termination of the DIP Facility.

26. CURRENCY:

If any payment is received by the DIP Lender hereunder in a currency other than Canadian dollars, or, if for the purposes of obtaining judgment in any court it is necessary to convert a sum due in Canadian dollars (the "**Original Currency**") into another currency (the "**Other Currency**"), the parties hereby agree, to the fullest extent permitted by Applicable Law, that the rate of exchange used shall be the rate at which the DIP Lender is able to purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which such payment is made or final judgment is given.

27. DIP LENDER'S APPROVALS:

Any consent, agreement, amendment, approval, waiver or instruction of the DIP Lender to be delivered hereunder, may be delivered by any written instrument, including by way of electronic mail, by counsel on behalf of the DIP Lender. Any approval, consent or other determination made by the DIP Lender hereunder may, unless the contrary is indicated, be provided or made in the sole and absolute discretion of the DIP Lender.

28. FURTHER ASSURANCES:

Each Loan Party shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as the DIP Lender may reasonably request for the purpose of giving effect to this DIP Financing Term Sheet, any other DIP Document and the DIP Lender Charge.

**29. ENTIRE AGREEMENT;
CONFLICT:**

This DIP Financing Term Sheet together with the other DIP Documents, including any schedules thereto, constitute the entire agreement between the parties relating to the subject matter hereof.

To the extent that there is any inconsistency between this DIP Financing Term Sheet and any of the other DIP Document, this DIP Financing Term Sheet shall govern.

30. AMENDMENTS, WAIVERS, ETC.:

No amendment of any provision of the DIP Documents shall be effective unless agreed to by the Borrower, the Guarantor and the DIP Lender and, in the case of any material amendment, the Trustee.

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Document will operate as a waiver hereof or thereof unless made in writing by the DIP Lender and delivered in accordance with the terms of this DIP Financing Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

31. ASSIGNMENT:

The DIP Lender may, without notice or consent of the Borrower, assign this DIP Financing Term Sheet, the other DIP Documents and its rights and obligations hereunder or thereunder, in whole or in part, to any Person. Neither this DIP Financing Term Sheet, any other DIP Document nor any right or obligation hereunder or thereunder may be assigned by the Borrower or the Guarantor without the prior written consent of the DIP Lender, except for an assignment by the Borrower to Greenfire Acquisition Corporation on the Final Closing as specifically contemplated by the Escrow Agreement and on the terms contemplated by the APA and the Escrow Agreement (which include, for certainty, that Greenfire Acquisition Corporation agrees to be responsible for all Repair Costs advanced by the DIP Lender to the Borrower (whether such amounts for Repair Costs were advanced by the DIP Lender under this DIP Financing Term Sheet or were otherwise provided to the Borrower), and all such amounts shall comprise amounts owing by Greenfire Acquisition Corporation, as borrower, to the DIP Lender under this DIP Financing Term Sheet).

32. TAXES:

All payments by each Loan Party under the DIP Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or

withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes (other than Excluded Taxes) are required by Applicable Law to be withheld ("**Withholding Taxes**") from any amount payable to the DIP Lender under the DIP Documents, the amount so payable to the DIP Lender shall be increased to the extent necessary so that after making all required deductions, including deductions applicable to amounts payable under this Section 32, the DIP Lender will receive an amount equal to the amount it would have received had no such deductions in respect of such Taxes been made, and the Loan Parties shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.

33. LIBOR REPLACEMENT:

If at any time the DIP Lender determines that the administrator of LIBOR or a governmental authority having jurisdiction over the DIP Lender has made a public statement identifying a specific date after which LIBOR will no longer be used for determining interest rates for loans, then the DIP Lender and the Borrower will promptly negotiate in good faith to establish an alternate rate of interest to LIBOR that is, at such time, broadly accepted as the prevailing recommended market practice for syndicated loans; provided that, if such alternate rate of interest will be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes hereof. Upon the Borrower and the DIP Lender agreeing on such a rate, the parties hereto shall enter into documentation to amend the provisions hereof to refer to such rate and make all other adjustments incidental thereto.

34. PRESS RELEASES:

No Loan Party shall issue any press releases naming the DIP Lender without the DIP Lender's prior approval.

35. SEVERABILITY:

Any provision in this DIP Financing Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

36. NO THIRD PARTY BENEFICIARY:

No person, other than the Borrower, the Guarantor, the DIP Lender and the Indemnified Persons, is entitled to rely upon this DIP Financing Term Sheet or the other DIP Document and the parties expressly agree that this DIP Financing Term Sheet and the other DIP Document does not confer rights upon any other party.

37. TRUSTEE:

The Trustee shall be authorized to communicate with the DIP Lender, and shall be entitled to share information, including confidential information with the DIP Lender as may be requested by the DIP Lender from time to time.

38. COUNTERPARTS AND

This DIP Financing Term Sheet may be executed in any

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FACSIMILE SIGNATURES:

number of counterparts and by facsimile or other electronic transmission including "pdf email", each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

39. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the such Person at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Trustee and its counsel.

Any such notice shall be deemed to be given and received when received, unless received after 5:00 PM Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

40. GOVERNING LAW:

This DIP Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the ability of the DIP Lender to enforce this DIP Financing Term Sheet in any other proper jurisdiction, each Loan Party irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta, and further acknowledge and agree that any disputes arising in respect of the DIP Documents shall be heard by the Court.

[signature pages follow]

IN WITNESS HEREOF, the parties hereby execute this DIP Financing Term Sheet as at the date first above mentioned.

DIP LENDER:

TRAFIGURA CANADA GENERAL PARTNERSHIP

Per: _____
Name:
Title:

I have authority to bind the partnership.

Notice:

Trafigura Canada General Partnership

1200, 250 – 2nd Street SW
Calgary, Alberta, Canada
T2P 0C1

Attn:
Email:

BORROWER:

GREENFIRE HANGINGSTONE OPERATING CORPORATION

Per:



Name: Robert Logan

Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Hangingstone Operating Corporation

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attn: Robert Logan, Director

Email: rlogan@greenfireoilandgas.com

GUARANTOR:

GREENFIRE OIL & GAS LTD.

Per:



Name: Robert Logan
Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Oil & Gas Ltd.

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attn: Robert Logan, Director
Email: rlogan@greenfireoilandgas.com

SCHEDULE A

DEFINED TERMS

“Administration Charge” means an administration charge in an aggregate amount not to exceed \$500,000 or such other amounts as agreed to by the DIP Lender which shall rank in priority to the DIP Lender Charge.

“Affiliate” has the meaning ascribed thereto in the *Canada Business Corporations Act*.

“APA” means the asset purchase agreement dated on or about the date hereof between the Borrower, as vendor and Greenfire Acquisition Corporation, as purchaser.

“Applicable Law” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations and all applicable official directives, orders, judgments and decrees of any Governmental Authority having the force of law and binding on such Person.

“BIA” has the meaning given thereto in the Recitals.

“BIA Proceedings” has the meaning given thereto in the Recitals.

“BIA Sale” means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court, including the transaction contemplated by the APA.

“Budget Variance Report” has the meaning given thereto in Section 19.

“Borrower” has the meaning given thereto in the Recitals.

“Business Day” means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta or Toronto, Ontario are not open for business.

“Cash Flow Forecast” means a projected statement of sources and uses of cash for the Borrower and the Guarantor on a weekly basis for the thirteen (13) calendar weeks following the date of this DIP Financing Term Sheet.

“Cash Flow Test” has the meaning given thereto in Section 19.

“CCAA” means the *Companies' Creditors Arrangement Act* (Canada).

“Claims” has the meaning given thereto in Section 25.

“Collateral” means all of the Borrower's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof.

“Court” has the meaning given thereto in the Recitals.

“Court Approval” has the meaning given thereto in the APA; *provided that* such Court Approval must also be in form and content satisfactory to the DIP Lender, acting reasonably, and include the DIP Order.

“Court Order” and **“Court Orders”** have the meanings given thereto in Section 21(f).

“Default” means any event or condition which, with the giving of notice or lapse of time (or any combination thereof), would constitute an Event of Default

“Deposit” has the meaning given thereto in Section 10(d).

“DIP Budget” means the financial projections prepared by the Borrower, which shall be in form and substance reasonably acceptable to the DIP Lender, which financial projections may be amended from time to time in accordance with Section 19.

“DIP Documents” means, this DIP Financing Term Sheet, and all other instruments, agreements and documents from time to time executed and delivered to the DIP Lender in connection with the DIP Financing Agreement.

“DIP Facility” has the meaning given thereto in Section 5.

“DIP Financing Obligations” has the meaning given thereto in Section 12(d).

“DIP Lender” has the meaning given thereto in Section 3.

“DIP Lender Charge” has the meaning given thereto in Section 12(d).

“DIP Order” has the meaning given thereto in Section 12(d).

“Drawdown Request Certificate” means a drawdown request certificate in a form satisfactory to the DIP Lender, acting reasonably.

“Energy Regulator” means (a) with respect to Alberta, the Alberta Energy Regulator, and (b) with respect to any other jurisdiction, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor agency, department, ministry or commission thereto.

“Escrow Agreement” has the meaning given thereto in the APA.

“Escrow Closing” has the meaning given thereto in the APA.

“Escrow Closing Date” has the meaning given thereto in the APA.

“Escrowed Funds” has the meaning given thereto in Section 9.

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

“Excluded Taxes” means any of the following Taxes, (A) any Tax on the Overall Net Income of the DIP Lender; (B) any Withholding Tax imposed under FATCA or Taxes imposed pursuant to Part XVIII of the ITA; (C) any Tax under the ITA that would not have been imposed but for a DIP Lender (i) not dealing at arm’s length for purposes of the ITA with the Loan Parties (other than as a result of the DIP Lender being a lender to the Borrower or any of its affiliated entities under this DIP Facility or under any other lending arrangement), or (ii) being a “specified shareholder” (as defined in subsection 18(5) of the ITA) of the Loan Parties or not dealing at arm’s length for purposes of the ITA with any such specified shareholder; (D) Taxes that would not have been imposed but for the failure of a DIP Lender to timely satisfy any certification, identification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the relevant taxing jurisdiction or otherwise establishing the right to the benefit of an exemption from, or reduction in the rate of, withholding or deduction, if such compliance is required by statute, treaty, regulation or administrative practice of a relevant taxing jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes, imposed by the relevant taxing jurisdiction.

“Facilities” has the meaning given thereto in the APA.

“Facility A” has the meaning given thereto in Section 5.

“Facility Amount” has the meaning given thereto in Section 5.

“Facility B” has the meaning given thereto in Section 5.

“Filing Date” means the date of commencement of the BIA Proceedings.

“Final Closing” has the meaning given thereto in the APA.

“Governmental Authority” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantor” has the meaning given thereto in Section 2.

“Indemnified Persons” has the meaning given thereto in Section 25.

“Initial Cash Flow Forecast” has the meaning given thereto in Section 19.

“Initial DIP Budget” has the meaning given thereto in Section 19.

“Initial Funding Conditions” has the meaning given thereto in Section 12.

“ITA” means the *Income Tax Act* (Canada), as amended.

“Liability Management Rating” means the environmental liability management rating (or equivalent) governing conventional upstream oil and gas wells, facilities, and pipelines for such jurisdiction, as determined in accordance with the rules and regulations of each applicable jurisdiction and its Energy Regulator for the then relevant period.

“LIBOR” means, for any day, the rate of interest per annum (expressed on the basis of a year of 360 days) determined by the DIP Lender by reference to the rate set by ICE Benchmark Administration Limited (or any successor thereto) for an interest period of one (1) month shown on the “LIBOR01 Page” of Reuters Limited (or any replacement page which displays such rate); provided that: (a) to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, “LIBOR” shall be the interest rate per annum determined by the DIP Lender to be the average of the rates per annum at which deposits in U.S. Dollars are offered for a one (1) month period to major banks in the London interbank market in London, England by such lender as is determined by the DIP Lender, in its sole discretion; and (b) if the rate determined as aforesaid shall ever be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes of this DIP Financing Term Sheet.

“Liens” means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever.

“Marketing Agreement” has the meaning given thereto in Section 12(i).

“Material Adverse Change” means any change, condition, event or occurrence, which, when considered individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to have a material adverse effect on: (i) the financial condition, business, performance, operation, assets or property of either Loan Party as a whole including, without limitation, (a) a material adverse qualification (other than a ‘going concern’ qualification resulting from the BIA Proceedings) to any of the financial statements of the Borrower, (b) a material adverse misstatement of the financial statements of either Loan Party, (c) after the effective date of this DIP Financing Term Sheet, it is determined by the Borrower, its auditors or accountants that a restatement of the Borrower’s financial statements is or is likely to be necessary, or (d) there is a material adverse restatement of the Borrower’s financial statements; (ii) the ability of either Loan Party to timely and fully perform any of its material

obligations under any of the DIP Documents, or any Court Order; or (iii) the validity or enforceability of any of the DIP Documents or the Marketing Agreement, or the rights and remedies of the DIP Lender under any of the DIP Documents or the Marketing Agreement.

"Maturity Date" means the first to occur of either the Pre Final Closing Maturity Date or Post Final Closing Maturity Date occurs.

"Original Currency" has the meaning given thereto in Section 26.

"Other Currency" has the meaning given thereto in Section 26.

"Permitted Liens" means, prior to Final Closing (i) Permitted Priority Liens, (ii) the DIP Lender Charge, (iii) validly perfected Liens existing prior to the date hereof as in effect on the date hereof; and (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, subject to the obligation to pay all such amounts as and when due; provided, however, that at all times following Final Closing **"Permitted Liens"** shall only mean those Liens identified in paragraph (iv) in this definition.

"Permitted Priority Liens" means the (i) the Administration Charge, (ii) Liens in favour of secured parties that did not receive notice of the application for the DIP Order (to the extent the DIP Lender (or its counsel) agreed based on the service list that such secured parties would not be served), (iii) Liens in respect of claims that are individually and in the aggregate immaterial, solely to the extent such Liens are not registered under a personal property registry system, (iv) purchase money security interests, and (v) any amounts payable by the Borrower for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the Excise Tax Act (Canada) (net of input credits), income tax and workers compensation claims, in the case of this item (v) solely to the extent such amounts are given priority by Applicable Law and only to the extent that the priority of such amounts have not been subordinated to the DIP Lender Charge pursuant to the Court Orders.

"Permitted Variance" has the meaning given thereto in Section 23(i).

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, unlimited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Post Final Closing Event of Default" means the occurrence of any one or more of the following events:

- (a) failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor;
- (b) failure by either Loan Party to (i) deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (ii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in item (i) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender;
- (c) any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made;
- (d) any Loan Party:

- (i) admits in writing that it is insolvent or unable to pay its liabilities as they generally become due;
 - (ii) commits an act of bankruptcy under the BIA, files a voluntary assignment in bankruptcy under the BIA, makes a proposal (or files a notice of its intention to do so) under the BIA or seeks any other relieve in respect of itself under the BIA;
 - (iii) institutes any proceedings seeking relief in respect of itself under the CCAA;
 - (iv) institutes any proceeding seeking relief in respect of itself under the WURA;
 - (v) in addition to the forgoing, institutes any other proceeding seeking: (a) to adjudicate itself an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of itself under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides for plans or schemes of reorganization, plans or schemes of arrangement or plans or schemes of compromise, in respect of itself, to be submitted or presented to creditors (or any class of creditors);
 - (vi) applies for the appointment of, or has a receiver (either court or privately appointed), interim receiver, receiver/manager (either court or privately appointed), sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official appointed in respect of it, or any substantial part of its property; or
 - (vii) threatens to do any of the foregoing, or takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this paragraph (d);
- (e) any petition is filed, application made or other proceeding instituted against or in respect of any Loan Party:
- (i) seeking to adjudicate it an insolvent person;
 - (ii) seeking a bankruptcy order against it under the BIA;
 - (iii) seeking to institute proceedings against it under the CCAA;
 - (iv) seeking to institute proceedings against it under the WURA;
 - (v) seeking, in addition to the forgoing: (a) to adjudicate it an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of it under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt, or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides plans or schemes of reorganization, plans or schemes of arrangement or plans

or schemes of compromise in respect of it, to be submitted or presented to creditors (or any class of creditors); or

- (vi) seeking the issuance of an order for the appointment of a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official in respect of it or any substantial part of its property,

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that: (a) if the Loan Party fails to contest such petition, application or proceeding the 30 day grace period shall cease to apply; (b) if an order, decree or judgment is issued (whether or not entered or subject to appeal) against the Loan Party thereunder within the 30 day period, such grace period will cease to apply, and (c) if the Loan Party files an answer or other responding materials admitting the material allegations of a petition, application or other proceeding filed against it, such grace period will cease to apply;

- (f) any other event occurs which, under the Laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of paragraphs (d) and (e) of this definition;
- (g) except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities;
- (h) as at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the “**Permitted Variance**”) since the most recent DIP Budget;
- (i) the Liens granted by any Loan Party to the DIP Lender shall cease to be a valid, perfected and enforceable first priority Liens senior to all other Liens, or if at any time there shall be any Liens whatsoever ranking or purporting to rank in priority to the Liens granted to the DIP Lender over the property and assets of the Borrower,
- (j) the denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the Liens granted to the DIP Lender;
- (k) the aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount;
- (l) either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course;
- (m) the making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget;
- (n) a default under, revocation or cancellation of, any material contract, or other material licence or permit;
- (o) either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the DIP Lender or any affiliate thereof to either Loan Party or any affiliate thereof;
- (p) one or more final judgments, writs of execution, garnishment or attachment representing a claim or claims in excess of \$200,000 in the aggregate against either Loan Party or the Collateral that

are not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy;

- (q) any events or conditions occur that results in any indebtedness of a Loan Party in excess of \$200,000 in the aggregate becoming due prior to its scheduled maturity date or that enables or permits (with or without the giving of notice, lapse of time or both) the holder or holders of any such indebtedness or any trustee or agent on its or their behalf to cause any such indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;
- (r) any property of any Loan Party is seized (including by way of execution, attachment, garnishment, levy or distraint), or any Lien thereon is enforced, or such property has become subject to any charging order or equitable execution of a Governmental Authority, or any writ of execution or distress warrant exists in respect of any Loan Party or the property of any of them, or any sheriff or other person becomes lawfully entitled by operation of law or otherwise to seize or distraint upon such property;
- (s) this DIP Financing Term Sheet or any other DIP Document or any obligation or other provision hereof or thereof at any time for any reason terminates or ceases to be in full force and effect and a legally valid, binding and enforceable obligation of any Loan Party, is declared to be void or voidable or is repudiated, or at any time it is unlawful or impossible for any Loan Party to perform any of its material obligations hereunder or thereunder;
- (t) any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender; or
- (u) the occurrence of a Material Adverse Change.

“Post Final Closing Maturity Date” has the meaning given thereto in Section 17.

“Pre Final Closing Maturity Date” has the meaning given thereto in Section 17.

“Proposal” has the meaning given thereto in Section 17.

“Purchase Price” means \$5,000,000.

“Related Party” means, with respect to any Person, such Person’s Affiliates as well as the directors, officers and shareholders of such Person and of such Person’s Affiliates.

“Repair Costs” means costs related to the damages caused to the assets of the Borrower, directly or indirectly, by cold temperatures and plant shut-down, as duly certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

“Tax on the Overall Net Income” of the DIP Lender means any Tax imposed on or measured by net income (however denominated), franchise Taxes, Canadian federal or provincial capital Taxes and branch profits Taxes (i) that is imposed as a result of the DIP Lender being organized under the laws of, or having its principal office located in, the applicable jurisdiction imposing such Tax (or any political subdivision thereof), or (ii) that is imposed as a result of a present or former connection between the DIP Lender and the jurisdiction imposing such Tax (other than connections arising solely from the DIP Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any DIP Documents or sold or assigned an interest in the DIP Facility or the advance of the Facility Amount).

“Taxes” has the meaning given thereto in Section 32.

"Trustee" means Alvarez & Marsal Canada Inc., in its capacity as trustee to the notice of intention to make a proposal of the Borrower under the BIA.

"Variance Testing Date" means, collectively, the first Thursday after the date of this DIP Financing Term Sheet and each Thursday thereafter.

"Warner Contract" has the meaning given thereto in the APA.

"Withholding Taxes" has the meaning given thereto in Section 32.

"WURA" means *Winding Up and Restructuring Act (Canada)*.

SCHEDULE B
INITIAL DIP BUDGET

See attached.

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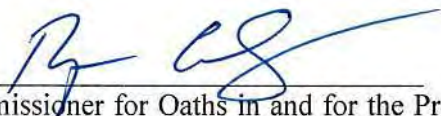
SCHEDULE C
INITIAL CASH FLOW FORECAST

See attached.

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THIS IS EXHIBIT "B" REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

ASSET SALE AGREEMENT

- between -

JAPAN CANADA OIL SANDS LIMITED

as Vendor

- and -

GREENFIRE HANGINGSTONE OPERATING CORPORATION

as Purchaser

DATE: APRIL 3, 2018

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ASSET SALE AGREEMENT

THIS AGREEMENT is made as of the 3rd day of April, 2018

AMONG:

JAPAN CANADA OIL SANDS LIMITED, a body corporate registered to carry on business in the Province of Alberta and having an office at 639 – 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 0M9 ("**Vendor**")

– and –

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 3607 – 7th Street SW, Calgary, in the Province of Alberta, Canada, T2T 2Y2 ("**Purchaser**")

WHEREAS:

- A. Vendor is the owner of the Assets;
- B. Purchaser desires to purchase and Vendor desires to sell the Assets pursuant to and in accordance with the terms and conditions of this Agreement;
- C. Purchaser has conducted an investigation of the nature and extent of the Assets and desires to purchase the Assets on the terms and conditions set out herein; and
- D. Vendor has retained the Excluded Assets including the Retained Royalty Interest and concurrent with Closing, Vendor and Purchaser will enter into the GORR Agreement.

NOW THEREFORE in consideration of the premises, the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 **INTERPRETATION**

1.01 Definitions

In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

"**Abandonment and Reclamation Obligations**" means all past, present and future obligations under contracts or Applicable Laws to abandon, restore and reclaim the Assets, including:

- (a) any closing, decommissioning, dismantling or removing of any Assets and all structures, foundations, buildings, pipelines, equipment and other facilities used in respect of the Assets; and

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- (b) reclaiming, remediating and restoring the surface and subsurface locations and lands pooled or unitized therewith, or comprising all or part of the Assets, or that were used or previously used in respect of that portion of the Leases pertaining to the Lands;

all in accordance with generally accepted oil and gas industry practice in the jurisdiction in which the Assets are located and in compliance with Applicable Laws.

"**Access Road**" means the roads related to the Facilities and located within the Project Area as set out in the diagram attached hereto as Schedule "F".

"**Accounting Firm**" means Deloitte LLP or, if such accounting firm is unwilling or unable to act, then a nationally recognized firm of Chartered Accountants that is not the principal accounting firm of either of the Parties and is mutually acceptable to the Parties.

"**Adjusted Purchase Price**" has the meaning set forth in Subsection 2.02(d).

"**Affiliate**" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person is under common control.

"**AFE**" means authorities for expenditure, operations notices, or amounts budgeted pursuant to mail ballots.

"**Agreement**" means and refers to this agreement entitled "Asset Sale Agreement", including the recitals hereto and all Schedules, all as amended, supplemented or modified from time to time in accordance with the provisions hereof.

"**Applicable Laws**" means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by any Governmental Authority by which such Person is bound or having application to the transaction or event in question.

"**Assets**" means, collectively, Vendor's undivided interest in the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests, excepting therefrom the Excluded Assets.

"**Assignable Agreements**" means each of the agreements described in Schedule "D".

"**Business Day**" means a calendar day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta.

"**Camp Term**" has the meaning set forth in Section 9.01(a).

"**Claim**" means, in relation to any Person, any and all claims, actions, causes of action, accounts, Liens, demands, lawsuits, suits, judgments, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, proceedings, arbitrations, mediations, hearings, investigations or actions by any Governmental Authority, of every kind, nature or description brought against or suffered, sustained or

incurred by such Person, in each case whether fixed or contingent or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery.

"**Closing**" means the completion of the Transaction contemplated to be completed on the Closing Date in accordance with the provisions hereof.

"**Closing Date**" means the date of Closing, as prescribed by Section 3.01.

"**Confidential Information**" has the meaning set forth in the Confidentiality Agreement.

"**Confidentiality Agreement**" means the non-disclosure agreement between Vendor and Parent dated August 28, 2017.

"**Consequential Damages**" means any Claims, Losses or Liabilities howsoever arising or occurring that are in the nature of consequential, special, indirect, punitive or exemplary damages, including compensation for business interruption, loss of profit, including business loss and economic loss, loss of revenue, loss of value, loss of opportunity, opportunity costs, and similar types of Losses and damages.

"**Data Room Materials**" means:

- (a) the documents, files, data and information which were reviewed by Purchaser, its Representatives or legal counsel, or were made available to be reviewed by Purchaser, its Representatives or legal counsel in any physical, electronic or virtual data room or other facilities or processes established to provide Purchaser with information in respect of the Transaction; and
- (b) the documents, files, data and information which were otherwise provided in writing (including electronically) to Purchaser by Vendor at any commercially reasonable amount of time prior to the execution of this Agreement.

"**Deposit**" means the sum of money set out in Section 2.05.

"**Dispute**" means any dispute or controversy arising out of this Agreement or the performance of any activities under this Agreement, and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability or breach of this Agreement.

"**Dispute Resolution Procedure**" means that dispute resolution procedure set forth in Schedule "I".

"**DOA**" means the Jacos Hangingstone SAGD Operating Agreement dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Vendor.

"**Effective Time**" means 8:00 a.m. (Calgary time) on the Closing Date.

"**Environment**" means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.

"**Environmental Liability**" means all present and future Losses and Liabilities pertaining to the Assets in respect of the Environment, whether or not caused by a breach of contract, the common law or the

Applicable Laws and whether or not resulting from operations conducted with respect to the Assets (if any), including Losses and Liabilities related to:

- (a) the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield substances or waste;
- (b) the release, spill, escape or emission of toxic or hazardous substances;
- (c) any other pollution or contamination of the Environment,
- (d) Losses and Liabilities suffered by Third Parties as a result of the occurrences in Subsections (a), (b), (c) and (d) of this definition;
- (e) any obligations imposed by the Applicable Laws or the common law to protect the Environment or to rectify Environmental problems; and
- (f) any operations carried out in respect of the Assets which operations have caused damage to the Environment.

"Excluded Assets" means, collectively:

- (a) the Retained Royalty Interest;
- (b) all leased equipment and structures;
- (c) the Workers' Camp;
- (d) any spare parts, fuel lines, water lines, water hub, roads, field offices, camps, wells and wellsite equipment, power lines, SCADA, IT & communication equipment, as more particularly set out in Schedule "A" under the heading "Excluded Assets";
- (e) any disposal wells located in or under the Lands;
- (f) the Excluded Water Well;
- (g) proprietary seismic data; and
- (h) any agreements with first nations.

"Excluded Water Well" means the water well and associated License No. 00290926-01-00, as more particularly set out in Schedule "A" under the heading "Excluded Assets".

"Facilities" means the plants, facilities and utilities within or proximate to the Project Area, as described in Schedule "A" under the heading "Facilities".

"Financing" means: (i) the financing contemplated in the engagement letter dated December 4, 2017 between Purchaser and West Harbour Capital; (ii) the financing contemplated in the term sheet dated January 24, 2018 between Purchaser and Durham Capital Canada Corporation; or (iii) such other financing as may be sought by Purchaser to finance the acquisition of the Assets as contemplated herein.

"**Final Statement of Adjustments**" has the meaning set forth in Subsection 12.02(b).

"**GAAP**" means accounting principles generally accepted in Canada and that are applicable on the relevant date.

"**General Conveyance**" means the agreement entitled "General Conveyance" to be entered into as of the Closing Date between Vendor and Purchaser providing for the conveyance of the Assets, which agreement shall be in the form set forth in Schedule "B", with only such changes thereto as are necessary to complete such agreement for execution.

"**GORR Agreement**" means the agreement entitled "GORR Agreement" to be entered into as of the Closing Date between Vendor and Purchaser providing for the gross overriding royalty reserved by Vendor, which agreement shall be in the form set forth in Schedule "C", with only such changes thereto as are necessary to complete such agreement for execution.

"**Governmental Authority**" means, in relation to any Person, transaction or event, any: (i) federal, provincial, state, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (ii) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event.

"**Gross Negligence or Wilful Misconduct**" by a Party means:

- (a) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct; or
- (b) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences;

of such Party, provided that a Party shall not be considered to have engaged in Gross Negligence or Wilful Misconduct if the actions or omissions of such Party (i) only constitute an act or omission of ordinary negligence, or (ii) were in accordance with the written instructions received from, or express concurrence of (to the extent evidenced in writing), the other Party or any of its Representatives.

"**GST**" means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada).

"**Interim Period**" means the period from the date hereof to the Closing Date.

"**Interim Statement of Adjustments**" has the meaning set forth in Subsection 12.02(a).

"**Lands**" means the lands, the legal descriptions of which are set forth in Schedule "A".

"**Leases**" means the leases, reservations, permits, licences or other documents of title, or the relevant portions of each, pertaining to the Lands in which Vendor holds any interest and any document of title issued in substitution for, amendment of or in addition to any of them.

"Liabilities" means any and all liabilities and obligations, whether under common law, in equity, under the Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise.

"Lien" means any lien, mortgage, Security Interest, pledge, hypothecation, garnishment, deposit, restriction, burden, encumbrance, right of conversion or reduction of interest, rights of a vendor under any title retention or conditional sale agreement, or lease or other arrangement substantially equivalent thereto.

"Lien Discharge" means, with respect to a Security Interest affecting all or a portion of the Assets, (a) one or more registrable discharges executed by the holder of such Security Interest which results in a discharge of such Security Interest, or (b) where such Security Interest is not specifically registered against or in respect of any such Assets, a letter of no interest executed by the holder of the Security Interest wherein the holder acknowledges it has no interest in such Assets.

"Losses" means, in respect of a Person, any and all losses, damages, costs, out-of-pocket expenses, charges, indebtedness, obligations, assessments, fines, penalties, fees and expenses of every kind, nature or description which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes (other than income taxes), as applicable, court costs and costs which such Person suffers, sustains, pays or incurs in connection with any Claims (including Professional Fees and reasonable costs of investigating and defending such Claims) arising from such Claims, regardless of whether such Claims are sustained, together with any interest which may be imposed in connection therewith.

"LTA" means the licence transfer application to be submitted to the AER in respect of the applicable Regulatory Licences to be transferred to Purchaser in connection with the Transaction pursuant to Directive 006, together with all other Regulatory Licences which are under the jurisdiction of the AER and which are to be transferred to Purchaser pursuant to their applicable processes under the same or related application, as contemplated by the AER's Bulletin 2017-13.

"Material Adverse Effect" means any change, circumstance, development, state of facts, condition or effect that has been, or would be reasonably likely to be, individually or in the aggregate with other changes, circumstances, developments, state of facts, conditions or effects, materially adverse to the value of the Assets taken as whole (excluding in each case effects reasonably attributable to the general oil and gas industry or general economic conditions in Canada or any change, circumstance or effect resulting from changes in Applicable Laws, natural disaster, act of war, armed hostilities or terrorism or actions in response thereto).

"Material Permits" means the material permits, licences or other authorizations in respect of the ownership or operation of the Facilities as set forth in Schedule "A".

"Miscellaneous Interests" means, subject to any and all limitations and exclusions provided for in this definition, the entire right, title, estate and interest of Vendor in all property, assets and rights (other than the Petroleum and Natural Gas Rights or Tangibles) to the extent they pertain directly to the Assets, the Petroleum and Natural Gas Rights or the Tangibles to which Vendor is entitled as at the date hereof, including the following:

- (a) the Title and Operating Documents and all other contracts and agreements and all rights in relation thereto and including the Assignable Agreements;
- (b) the Surface Rights;

- (c) the Regulatory Licences, together with all extensions, renewals, replacements, substitutions or amendments of or to any such Regulatory Licences;
- (d) the records, files, reports, data, correspondence, production and engineering information, or any of them;
- (e) all non-interpretive records, books, documents, licences, reports and data in respect of the Lands;
- (f) subject to and in accordance with Section 6.01(e) and 6.01(f), the seismic data in respect of the Lands;
- (g) the Wells, including the wellbores and casing;
- (h) all inventory and equipment located within, upon or under the Lands, or within or upon the Facilities as of January 16, 2018; and
- (i) to the extent existing, warranties and guarantees from Third Parties in favour of the Vendor regarding the Facilities and the Tangibles, including the construction and installation thereof, and any other goods, services, equipment or materials incorporated into or acquired for the purpose of incorporation into the Facilities and Tangibles,

however, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests shall not include the Excluded Assets and any of the foregoing to the extent that:

- (j) they pertain to Vendor's proprietary technology, interpretations or economic evaluations or to Vendor's tax and financial records;
- (k) they are owned or licenced by a Third Party with restrictions on their deliverability, assignability or disclosure by Vendor to any assignee which is not an Affiliate of Vendor or which require the payment of any fees to transfer or disclose same;
- (l) they are referred to specifically as exclusions in any Schedule;
- (m) they are legal opinions, or documents prepared by or on behalf of Vendor in contemplation of litigation; or
- (n) they are original records or documents that are required to be maintained by Vendor pursuant to the Applicable Laws, in which case copies thereof shall be delivered to Purchaser.

"Month" means a calendar month beginning at 08:00 a.m. (Calgary time) on the first day of such month and ending at 08:00 a.m. (Calgary time) on the first day of the following month.

"No Interest Letter" shall have the meaning set forth in the GORR Agreement.

"Non-Transferrable Assets" means those reclamation-certified and reclamation-exempt wells and other assets which are described in Schedule "K" and which form part of the Assets.

"Other Licences" has the meaning set forth in Subsection 6.08(a).

"Outside Date" means 4:00 p.m. (Calgary time) on May 31, 2018.

"Parent" means Greenfire Oil and Gas Ltd.

"Parent Guarantee" means the agreement entitled "Parent Guarantee" delivered by Parent concurrently with the execution of this Agreement and providing for the guarantee by the Parent of the obligations of Purchaser under the GORR Agreement and this Agreement.

"Parties" means Vendor and Purchaser and **"Party"** means either of them.

"Permitted Encumbrances" means:

- (a) Liens for Taxes, assessments and governmental charges which are not due or delinquent as at the date hereof, and which will be adjusted in accordance with Article 12;
- (b) the rights reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, permit or authorization or by any Applicable Law, to terminate any such lease, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;
- (c) the rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets or operations (if any) in respect thereof in any manner;
- (d) Liens (including processors', operators' and similar liens) incurred or created in the ordinary course of business as security in favour of the Person conducting the development or operation (if any) of the Assets for Vendor's proportionate share of the costs and expenses of such development or operation (if any) for which payment is not then due or delinquent, and will be adjusted in accordance with Article 12;
- (e) mechanics', builders', materialmen's or similar Liens for services rendered or goods supplied for which payment is not then due or delinquent, and which will be adjusted in accordance with Article 12;
- (f) easements, rights of way, servitudes and other similar rights in lands, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables; provided in each case to the extent that such rights do not materially impair the use of, access to, or operation (if any) of the Assets;
- (g) any Security Interests held by a Person encumbering Vendor's interest in the Assets or any part or portion thereof, in respect of which Vendor delivers a Lien Discharge to Purchaser at or prior to Closing;
- (h) the terms the GORR Agreement including the Lien granted therein; and
- (i) the terms and conditions of:
 - (i) the Title and Operating Documents; and

- (ii) the royalties, burdens, reduction or conversion or alteration of interests and adverse claims and other Liens set forth in Schedule "A".

"Person" means any natural person, corporation, company, partnership (general or limited), limited liability company, business trust, Governmental Authority, joint venture or other entity or association.

"Petroleum and Natural Gas Rights" means the entire working interests or any other interest of Vendor in the Lands and Leases, as more particularly set out in Schedule "A".

"Petroleum Substances" means petroleum, natural gas, natural gas liquids and related hydrocarbons and all other substances (whether hydrocarbon or not), including sulphur, capable of being produced in association with petroleum and natural gas and related hydrocarbons.

"Place of Closing" means the office of Vendor or such other place as Vendor and Purchaser may agree.

"Post-Closing Transfer Obligations" has the meaning set forth in Subsection 6.01(a).

"Preliminary Notice" has the meaning set forth in Subsection 7.06(b).

"Prime Rate" means the annual rate of interest quoted from time to time by the main branch of the Royal Bank of Canada in Calgary, Alberta as the reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada to customers of varying degrees of creditworthiness.

"Professional Fees" means reasonable (a) fees and disbursements of legal counsel on a solicitor and his own client basis, and (b) fees and disbursements of any other professional advisors and consultants, including expert witnesses, and such other reasonable out-of-pocket expenses as are incurred in connection with such professional advisors and consultants.

"Project Area" means the area set out in the diagram attached hereto as Schedule "E".

"Purchase Price" has the meaning set forth in Subsection 2.02(c).

"Purchaser Termination Notice" has the meaning set forth in Subsection 7.04(d).

"Purchaser's Losses" has the meaning set forth in Section 10.01.

"Regulatory Licences" means all notices, notifications, registrations, requirements, filings, submissions, permits (including the Material Permits), licences, approvals, exemptions, orders, rulings, consents or other authorizations required to be made to, with, or obtained from, any Governmental Authority under Applicable Laws to own or operate the Assets and which are held by Vendor.

"Representatives" means, in respect of a Party:

- (a) its Affiliates; and
- (b) the respective directors, officers, employees, agents and representatives of such Party and its Affiliates.

"Retained Royalty Interest" means the gross overriding royalty interest reserved and retained by Vendor pursuant to the GORR Agreement.

"Retention Period" shall have the meaning set forth in Section 13.02.

"Rights of First Refusal" means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase a portion of the Assets as a consequence of Vendor having agreed to sell the Assets to Purchaser in accordance with the terms of this Agreement.

"Road Use Agreement" means the agreement entitled "Road Use Agreement" to be entered into as of the Closing Date between Vendor and Purchaser providing for Vendor's use of the Access Road, which agreement shall be substantially in the form set forth in Schedule "G", with only such changes thereto as are necessary to complete such agreement for execution or as otherwise agreed between the Parties.

"Security Interests" means security interests in the Assets or any portion thereof granted by Vendor, its Affiliates or predecessors in title to any Third Party, whether by way of mortgage, deed of trust, assignment under the Bank Act (Canada), debenture, general security agreement or land charge under personal property security legislation or otherwise, including any amendments thereto.

"Senior Lender" shall have the meaning set forth in the GORR Agreement.

"Specific Conveyances" means all conveyances, assignments, transfers, novations, and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer Vendor's title to the Assets to Purchaser and to novate Purchaser into the Miscellaneous Interests that are contracts in the place and stead of Vendor to the extent they relate to the Assets.

"Subordination Agreement" shall have the meaning set forth in the GORR Agreement.

"Surface Rights" means all rights of Vendor to use the surface of land in connection with the Assets, including the right to enter upon and occupy the surface of land on which the Tangibles are located and rights to cross or otherwise use the surface of land for access to the Assets, including the Access Road, together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing.

"Survival Period" means in respect of the representations and warranties of a Party set forth in Article 4, a period of one (1) Year following the Closing Date.

"Tangibles" means the entire right, title, estate and interest of Vendor in and to any and all tangible depreciable property and depreciable assets comprising the Facilities, excluding the Excluded Assets; provided, for clarification, that the Tangibles do not include leased equipment and structures.

"Taxes" means any taxes, duties, fees, premiums assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Applicable Laws, all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, or including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, property, development, occupancy, all surtaxes, and all customs duties and import and export taxes.

"Third Party" means a Person other than: (a) Vendor or Purchaser, or (b) any of their respective Affiliates.

"Title and Operating Documents" means, to the extent directly related to the Petroleum and Natural Gas Rights or Tangibles, all agreements and documents that relate to the ownership, operation or exploitation of the Petroleum and Natural Gas Rights or Tangibles, including:

- (a) the DOA;
- (b) agreements whereby Vendor derives any interest in, or affecting Vendor's interests and obligations in, the Tangibles, including operating agreements, option agreements, participation agreements, sale and purchase agreements, trust agreements (whether Vendor is trustee or beneficiary), asset exchange agreements, agreements for the construction, ownership and/or operation of the Tangibles and agreements providing for the gathering, measuring, processing, compression or transportation of Petroleum Substances that are terminable on 31 days' notice or less without early termination penalty or other cost;
- (c) agreements pertaining to the Surface Rights;
- (d) service agreements for the operation of the Tangibles by a Third Party (if any); and
- (e) the Regulatory Licences,

together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing.

"Transaction" means the transactions contemplated by this Agreement.

"Transaction Agreements" means the General Conveyance, the GORR Agreement and the Road Use Agreement.

"Water Wells" means the water wells identified in Schedule "A" but for certainty does not include the Excluded Water Well.

"Wells" means: (i) the Water Wells and (ii) all wells located in or under the Lands, including: (A) producing, shut in, injection, delineation, abandoned, observation, reclaimed, reclamation-certified and reclamation-exempt wells, suspended, capped or other wells and (B) the wells identified in Schedule "A", but excluding in each case any disposal wells.

"Workers' Camp" means the temporary workers' camp located within the Project Area.

1.02 Schedules

The following are the Schedules attached to and forming part of this Agreement:

- (a) Schedule "A" – Petroleum and Natural Gas Rights, Lands, Leases, Project Area, Facilities, Wells, Water Wells, Material Permits and Excluded Assets
- (b) Schedule "B" – Form of General Conveyance Agreement
- (c) Schedule "C" – Form of GORR Agreement
- (d) Schedule "D" – Assignable Agreements

- (e) Schedule "E" – Project Area Diagram
- (f) Schedule "F" – Access Road Diagram
- (g) Schedule "G" – Form of Road Use Agreement
- (h) Schedule "H" – Forms of Officer's Certificates
- (i) Schedule "I" – Dispute Resolution Procedure
- (j) Schedule "J" – Non-Transferable Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.03 Extended Meanings

In this Agreement, unless the context requires otherwise:

- (a) words importing the singular number include the plural and vice versa;
- (b) words importing the masculine gender include the feminine and neuter genders;
- (c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning;
- (d) the terms "herein", "hereby", "hereof", "hereunder", "hereto" and similar expressions mean or refer to this Agreement and not to any particular provision of this Agreement;
- (e) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;
- (f) the use of the word "include" or "including" shall be deemed to mean "include, without limitation", or "including, without limitation", as applicable;
- (g) references to any Person (including any Governmental Authority) include such Person's permitted successors and assigns;
- (h) any reference to a Person in a particular capacity is and is deemed to be a reference to that Person in that capacity and not in any other capacity;
- (i) reference to any agreement, document or instrument means such agreement, document or instrument as amended, replaced, restated or modified and in effect from time to time in accordance with the terms thereof;
- (j) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable

Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;

- (k) references to Articles, Sections, Subsections or Schedules refer to articles, sections, subsections, or schedules of this Agreement;
- (l) headings and the table of contents are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents hereof;
- (m) the rule of contractual interpretation known as "contra proferentem" shall not apply to the interpretation or construction of this Agreement, such that in interpreting this Agreement, it shall be irrelevant which Party drafted any particular provision hereof;
- (n) all dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein;
- (o) unless otherwise indicated, payments are to be made in Canadian funds, in immediately available funds;
- (p) unless otherwise indicated, references to the time of day or date mean the local time or date in Calgary, Alberta;
- (q) unless otherwise specified herein, or as the context may require, computation of any period of time referred to in this Agreement shall exclude the first Day and include the last Day of such period; and
- (r) where any payment is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, then unless otherwise provided herein, such payment is to be made, or the other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next calendar Month, in which event the payment is to be made, or the other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

1.04 Interpretation If Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets shall be construed as having been contingent upon Closing having occurred.

1.05 Conflicts

If there is any conflict, whether express or implied, or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document (including any Specific Conveyance), the provision of the body of this Agreement shall prevail.

1.06 Vendor's Knowledge

The knowledge or awareness of Vendor herein consists of the actual knowledge or awareness of Satoshi Abe, Brian Harschnitz and John Charuk, without any obligation on such individuals to make any inquiry

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and without any personal responsibility whatsoever. For these purposes, knowledge and awareness does not include the knowledge of any other Person or constructive or imputed knowledge.

ARTICLE 2
SALE OF ASSETS AND RELATED MATTERS

2.01 Sale of Assets

Upon the terms and subject to the conditions of this Agreement at the Closing Date, Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all of the right, title and interest of Vendor in and to the Assets effective as of the Effective Time.

2.02 Purchase Price and Adjusted Purchase Price

The aggregate price to be paid by Purchaser to Vendor for the Assets shall be the following amount:

- (a) one dollar (\$1.00); plus
- (b) any applicable GST; plus
- (c) any applicable Taxes
(collectively, the "**Purchase Price**"); plus or minus
- (d) the adjustments determined in accordance with Article 12;
(collectively, the "**Adjusted Purchase Price**").

2.03 Payment of Adjusted Purchase Price

Provided that Closing occurs, the Adjusted Purchase Price shall be paid by Purchaser to Vendor as follows:

- (a) at Closing, Purchaser shall pay to Vendor, an amount equal to the Adjusted Purchase Price, as estimated in accordance with the Interim Statement of Adjustments; and
- (b) after Closing, adjustments to be made pursuant to the Final Statement of Adjustments shall be paid in accordance with the provisions of Article 12.

2.04 Taxes

Purchaser shall be solely liable for any and all sales and similar Taxes imposed by provincial or federal legislation in respect of the purchase of the Assets pursuant hereto (but excluding for greater certainty Vendor's federal and provincial income taxes). If Vendor, as agent for the Crown, is required to collect such Taxes, Purchaser shall pay the aggregate amount of such Taxes to Vendor at Closing. Vendor shall remit such amount to the appropriate authorities in accordance with applicable legislation.

2.05 Deposit

Upon execution and delivery of this Agreement, Purchaser shall pay an amount equal to fifty thousand dollars (\$50,000) (the "**Deposit**") by way of wire transfer in immediately available funds

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to the Vendor, as an earnest money deposit against the payment of the Adjusted Purchase Price and the completion of the Transaction. The Deposit is to be dealt with as follows:

- (a) if Closing occurs, then, following the successful completion of the LTA in accordance with Section 6.07, the Deposit shall be returned to Purchaser;
- (b) in the event Vendor is entitled to retain the Deposit pursuant to Subsection 7.05(b) or Subsection 6.07(f)(iii)(A), the Deposit shall be forfeited to and retained by Vendor for its own account absolutely as the genuine pre-estimate by Vendor and Purchaser of Vendor's liquidated damages in such circumstances. Forfeiture of the Deposit to Vendor shall be Vendor's sole and exclusive remedy at law or in equity in respect of Closing not occurring or, provided the Assets are reconveyed to Vendor in accordance with Subsection 6.07(f), the Transaction being unwound, as applicable; and
- (c) if Closing does not occur or if the Transaction is subsequently unwound pursuant to Subsection 6.07(f) under any circumstances other than as contemplated by Subsection 2.05(b), the Deposit shall be paid by Vendor to Purchaser. Purchaser's entitlement to the Deposit shall be its sole and exclusive remedy at law or in equity (including due to the default of Vendor) in respect of Closing not occurring or the Transaction being unwound, as applicable.

For the avoidance of doubt, in the event Closing does not occur or the Transaction is unwound in accordance with Subsection 6.07(f), provided that the Deposit shall have been returned to Purchaser, in no event shall Vendor or its Affiliates be subject to (nor shall Purchaser or any of its Affiliates seek to recover) monetary damages other than as contemplated by Subsection 7.05(e).

ARTICLE 3 **CLOSING**

3.01 Closing

- (a) Subject to and in accordance with the terms of this Agreement (including the satisfaction or waiver of all conditions of Closing contained in this Agreement), Closing will take place at the Place of Closing at 8:00 a.m. on the later of:
 - (i) three (3) Business Days following the satisfaction or waiver of all conditions to Closing contained in this Agreement; and
 - (ii) such other time and date as may be agreed upon in writing by Vendor and Purchaser (provided that such time and date shall not be extended beyond the Outside Date);

and such time and date determined in accordance with this Section 3.01 shall be the "**Effective Time**" and "**Closing Date**" respectively.

3.02 Transfer of Possession

Provided Closing occurs: (a) the transfer of the Assets from Vendor to Purchaser and the assumptions of the benefits, obligations and risks associated with the Assets by Purchaser will occur as at the Effective Time, and (b) as between the Parties, possession of the Assets will pass to Purchaser upon Closing.

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3.03 Deliveries at Closing

- (a) At Closing, Vendor shall deliver, or cause to be delivered, the following to Purchaser:
 - (i) each of the Transaction Agreements, duly executed by Vendor;
 - (ii) a Subordination Agreement in favor of each Senior Lender, duly executed by Vendor;
 - (iii) the certificate referred to in Subsections 7.02(a) and 7.02(b);
 - (iv) subject to Sections 3.04 and 6.01, those Specific Conveyances that are available to be delivered at Closing, duly executed by Vendor;
 - (v) subject to Sections 3.04 and 6.01, the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests;
 - (vi) a receipt for the amounts payable by Purchaser as such amounts are referenced in Subsection 3.03(b)(i), duly executed by Vendor; and
 - (vii) such other items as may be specifically required hereunder.

- (b) At Closing, Purchaser shall deliver, or cause to be delivered, the following to Vendor:
 - (i) the amounts payable at Closing on account of the Adjusted Purchase Price pursuant to Section 2.03, the GST, as applicable, and any other amounts payable in accordance with this Agreement;
 - (ii) the certificate referred to in Subsections 7.01(a) and 7.01(b);
 - (iii) any No Interest Letter required by Section 7.2 of the GORR Agreement;
 - (iv) a Subordination Agreement in favor of each Senior Lender, duly executed by such Senior Lender, as applicable and Purchaser and Parent; and
 - (v) such other items as may be specifically required hereunder

In addition, Purchaser and Parent, as applicable, will duly execute each of the Transaction Agreements tabled by Vendor.

- (c) All deliveries of Vendor and Purchaser pursuant to this Section 3.03 shall, except as otherwise stated, be in a form acceptable to each of Vendor and Purchaser and their respective solicitors, acting reasonably.

3.04 Delivery of Documents

To the extent that Vendor is not reasonably able to deliver the applicable Title and Operating Documents and other documents and information comprising the Miscellaneous Interests to Purchaser at Closing, due to the necessity for Vendor to have access to the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests for the purpose of complying with its obligation to

deliver and register Specific Conveyances on a post-Closing basis in accordance with the Post-Closing Transfer Obligations, Vendor shall, as soon as reasonably practicable after Closing (and in any event, subject to Section 6.01, within 20 Business Days of the registration of the LTA by the AER, (a) deliver all Specific Conveyances, and (b) deliver to Purchaser the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests which it has in its possession or control. As requested by Purchaser from time to time, Vendor shall deliver in a timely manner photocopies of all Title and Operating Documents and other documents and information comprising the Miscellaneous Interests, and if Vendor retains an interest in any property to which any of the Title and Operating Documents relate, Vendor may retain the original copy of such Title and Operating Document and provide a photocopy of it to Purchaser.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.01 Representations and Warranties of Vendor

Purchaser acknowledges that it is purchasing the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party, except that and subject in all instances to the Permitted Encumbrances, or any matter disclosed in any of the Schedules or made available to the Purchaser in the Data Room Materials, Vendor makes the following representations and warranties to Purchaser:

Regarding Vendor

- (a) **Standing.** Vendor is, and on the Closing Date, shall continue to be, duly organized, valid and subsisting, and registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) **Requisite Authority.** Vendor has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) **No Conflict.** The execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the articles, bylaws or other constating documents of Vendor,
 - (ii) any agreement, instrument, permit or other governmental authorization to which Vendor is a party or by which Vendor is bound, or
 - (iii) any Applicable Law applicable to Vendor or the Assets;
- (d) **Execution and Enforceability.** Vendor has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of the Closing Date, Vendor shall have taken all actions necessary to authorize and complete the sale of the Assets in accordance with the provisions of this Agreement. This Agreement and any other agreement or document delivered in connection herewith, has been validly executed and delivered by Vendor and this Agreement and all other documents executed and delivered on behalf of Vendor hereunder shall constitute valid and binding obligations of Vendor enforceable in

accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);

- (e) Residency. Vendor is a Canadian body corporate within the meaning of the Income Tax Act (Canada);
- (f) Finders' Fees. Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the sale of the Assets for which Purchaser will have any obligation or liability;

Regarding the Assets

- (g) Title to Assets. Except for the Permitted Encumbrances, Vendor does not warrant title to the Assets but does warrant that Vendor has not alienated or encumbered or permitted the alienation or encumbrance of the Assets or any portion thereof; and the Assets are now free and clear of all Liens, royalties, conversions, rights and other Claims of Third Parties created by through or under Vendor;
- (h) No Default Notices. Vendor has not received any notice of default under Applicable Laws or the Title and Operating Documents or any notice alleging its default thereunder, which default remains outstanding or unsatisfied at Closing;
- (i) Compliance with Agreements. Vendor has not received notice of any, and to Vendor's knowledge, there has been no act or omission whereby Vendor is, or would be, in default under the Applicable Laws or any of the Title and Operating Documents, which default would reasonably be expected to have a Material Adverse Effect;
- (j) Claims. No suit, action or other proceeding before any Governmental Authority has been commenced against Vendor, or to the knowledge of Vendor, has been threatened against Vendor, which could reasonably be expected to have a Material Adverse Effect;
- (k) Other Material Agreements. Except for the agreements described in Schedule "D", and agreements between Vendor (and/or any of its Affiliates), on the one hand, and Purchaser, on the other, the Miscellaneous Interests do not include any contracts, leases, rights or other agreements that:
 - (i) require the sale or transportation of Petroleum Substances produced from the Lands;
 - (ii) have a term which extends longer than one (1) year from the Closing Date and that would result in a net cost or net loss to Purchaser in excess of fifty thousand dollars (\$50,000.00);
 - (iii) provide an option or any right or privilege to purchase or acquire the Assets from Vendor;
 - (iv) provide for a guarantee of any obligation of any Person; or

- (v) confer a benefit on, or provide a right or entitlement to, Vendor or an Affiliate of Vendor;
- (l) Rights of First Refusal. None of the Assets are subject to any Rights of First Refusal;
- (m) Removal of Tangibles. Except for the Excluded Assets, no tangible depreciable property that would otherwise form part of the Tangibles has been removed from its location since January 16, 2018, nor has Vendor alienated or encumbered any such tangible property;
- (n) Payment of Taxes. All rentals and all Taxes and assessments based on or measured by Vendor's ownership interests in the Assets, or the receipt of proceeds therefrom, that are due and payable by Vendor have been properly paid and discharged or will be paid when due;
- (o) Environmental Matters. Vendor has not received:
 - (i) any order or directive under any Applicable Law which relates to Environmental Liabilities and which requires any work, repairs, construction or capital expenditures with respect to the Assets which remains outstanding, where such orders or directives have not been complied with in all material respects; or
 - (ii) any demand or notice issued by any Governmental Authority with respect to the breach of any Applicable Law relating to the Environment, health or safety applicable to the Assets, including any Applicable Law respecting the use, storage, treatment, transportation or disposition of Environmental contaminants, which demand or notice remains outstanding;
- (p) Fee Simple Interests. Vendor does not have any fee simple interests in and to any of the Lands;
- (q) Surface Rights.
 - (i) the Surface Rights constitute all of the rights that are necessary for the Facilities to be affixed to, installed and/or to occupy the Lands and for Vendor to occupy, gain access to, operate, maintain and use the Assets substantially as operated, maintained and used on the date hereof; and
 - (ii) there is no pending or, to the knowledge of Vendor threatened, condemnation of the Surface Rights by any Third Party that would materially interfere with the overall operation, maintenance or use of the Assets substantially as operated, maintained and used on the date hereof;
- (r) Operations. Any and all operations of Vendor, and to Vendor's knowledge, any and all operations by Third Parties, on or in respect of the Assets, have been conducted in all material respects in accordance with good oil and gas industry practices in effect as at the relevant time;
- (s) Permits.

- (i) the Regulatory Licences include all permits, licences or other authorizations in respect of the ownership or operation of the Facilities that are required and necessary under Applicable Law to operate the Assets as presently operated;
 - (ii) to Vendor's knowledge, the consummation of the Transaction will not result in the cancellation, suspension, termination or otherwise require modification of any Regulatory Licences, provided that certain of the Regulatory Licences may relate to both the Assets and other assets and the assignment to Purchaser may require the amendment, replacement or re-issuance of such Regulatory Licences as a result of the Transaction; and
 - (iii) Vendor has not received any written notice alleging any material violation of any Material Permit and there are no investigations or reviews pending (of which Vendor has received written notice or of which Vendor has knowledge) or, to the knowledge of Vendor, threatened by any Governmental Authority relating to any alleged violation of any terms of any Material Permit arising out of operations of the Assets other than, in each case, claims, investigations or allegations that have been resolved, withdrawn or abandoned;
- (t) Sales, Processing and Transportation Contracts. Vendor is not a party to and Vendor's interest in and to the Assets is not otherwise bound or affected by any: (i) production sales contracts pertaining to the Petroleum and Natural Gas Rights or any of them that cannot be terminated on notice of thirty-one (31) days or less (without an early termination penalty or other cost); (ii) agreements for the transportation, processing or disposal of the Petroleum and Natural Gas Rights or any of them or substances produced in connection with the Petroleum and Natural Gas Rights or any of them; (iii) agreements for the contract operation by a Third Party of the Assets or any of them; or (iv) agreements to provide transportation, processing or disposal capacity or service to any Third Party;
- (u) Offset Obligations. None of the Assets are subject to any offset obligations, including any unsatisfied obligations to drill a well, surrender rights or pay compensatory royalties;
- (v) AMI. There are no active area of mutual interest or area of exclusion provisions in any of the Title and Operating Documents or other agreements or documents to which the Assets are subject;
- (w) Regulatory Approvals. To Vendor's knowledge, other than as contemplated herein, there are no regulatory approvals or rulings required to be obtained by Vendor in respect of the Transaction;
- (x) Financial Commitments. There are no AFE's issued or approved by Vendor pertaining to the Assets under which amounts may become payable after the Effective Time under which Vendor's share is in excess of fifty thousand dollars (\$50,000.00);
- (y) Insurance. Vendor maintains policies of property and casualty insurance insuring the Assets with policy limits, coverage provisions, deductibles, waiting periods and other provisions that a reasonably prudent operator of similar assets would maintain and all such insurance policies are in full force and effect;

- (z) Information. To Vendor's knowledge, it has not withheld from Purchaser any document in its possession which it is permitted to disclose and which it knows to include information regarding the Assets that is material and adverse to the ownership, operation or maintenance of the Assets taken as a whole; provided however that in the event that Vendor has in its possession a document that it is not permitted to disclose and which it knows to include information regarding the Assets that is material and adverse to the ownership, operation or maintenance of the Assets taken as a whole, then:
 - (i) Vendor confirms that it has sought the consent of the relevant party for disclosure of the document to the Purchaser, and
 - (A) if consent to disclosure was given, disclosed the document to the Purchaser; or
 - (B) if consent was not given, any such document will not in any event be considered or deemed to be part of the Data Room Materials.

4.02 **Representations and Warranties of Purchaser**

Purchaser makes the following representations and warranties to Vendor:

- (a) Standing. Purchaser is, and at Closing shall continue to be, duly organized, valid and subsisting, registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) Requisite Authority. Purchaser has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) No Conflict. The execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the organizational documents of Purchaser,
 - (ii) any agreement, instrument, permit or authority to which Purchaser is a party or by which Purchaser is bound, or
 - (iii) any Applicable Law applicable to Purchaser or its assets;
- (d) Execution and Enforceability. Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of Closing, Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by Purchaser, and this Agreement and all other documents executed and delivered on behalf of Purchaser hereunder shall constitute valid and binding obligations of Purchaser enforceable in accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);

- (e) Finders' Fee. Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of its purchase hereunder for which Vendor will have any obligation or liability;
- (f) Availability of Funds: Purchaser has available to it sufficient cash, available lines of credit, or other sources of immediately available funds to enable Purchaser to make payment of the Purchase Price at Closing and all other amounts to be paid by Purchaser hereunder;
- (g) Investment Canada Act. Purchaser is a "WTO investor", within the meaning of the Investment Canada Act;
- (h) Qualification. To Purchaser's knowledge, Purchaser meets all qualification requirements of Third Parties to purchase and take a transfer of the Assets, including, if applicable, the transfer of the applicable licence or approval for any Tangibles for which it is intended to replace Vendor as operator or licensee following Closing;
- (i) No Lawsuits or Claims. There are no material unsatisfied Claims in existence or threatened in writing by, on behalf of, or against Purchaser, or imposed by any Governmental Authority, whether or not insured and which may adversely affect Purchaser or the condition (financial or otherwise) of Purchaser to complete the Transaction;
- (j) Regulatory Approvals. To Purchaser's knowledge, there are no regulatory approvals or rulings required to be obtained by Purchaser in respect of the Transaction;
- (k) Residency. Purchaser is not a "non-resident" of Canada within the meaning of the Income Tax Act (Canada); and
- (l) Acquiring as Principal. Purchaser is acquiring the Assets as principal and not on behalf of any Third Party.

ARTICLE 5

SURVIVAL AND LIMITATIONS OF REPRESENTATIONS AND WARRANTIES

5.01 Survival of Representations and Warranties

- (a) Except where a time is specified therein, the representations and warranties in Article 4 shall be true at the date hereof and at Closing and such representations and warranties shall continue in full force and effect and shall survive Closing for the Survival Period for the benefit of the Party for which such representations and warranties were made; provided that no Claim shall be commenced or enforceable by either Party with respect to a breach of any such representation or warranty except as expressly permitted in and in accordance with Article 10.
- (b) The Parties acknowledge and agree that an obligation under this Agreement to provide written notice of a Claim within the Survival Period and in a manner specified in this Agreement is intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and Liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provisions of subsection 7(2) of the Limitations Act (Alberta).

5.02 No Merger

The representations and warranties in Article 4 shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Assets from Vendor to Purchaser. There shall not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

5.03 Limitation of Representations or Warranties by Vendor

- (a) Purchaser acknowledges to and agrees with Vendor that each of the representations and warranties of Vendor in this Agreement shall be qualified by, and Vendor will not be liable for, and Purchaser will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 4.01;
 - (ii) adequate provision (including full financial recovery of any applicable Losses incurred by Purchaser in respect of same) has been made in the Final Statement of Adjustments for any fact, matter, event or circumstance on which the Claim is based; or
 - (iii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Vendor representations and warranties set out in Section 4.01, Vendor makes no representations or warranties to Purchaser in addition to those expressly enumerated in Section 4.01 and, in particular and without limiting the generality of the foregoing, Vendor hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Purchaser or its Representatives in any manner, except for those expressly set forth in Section 4.01, including with respect to:
 - (i) any data or information provided or made available to Purchaser by Vendor or its Representatives in the Data Room Materials, on plant or site visits, in management presentations, in meetings with Vendor's management or employees or otherwise;
 - (ii) any estimates of the value of the Assets or the revenues applicable to future production therefrom;
 - (iii) any engineering or other interpretations or economic evaluations respecting the Assets;

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- (iv) the Environmental condition of any asset or any Environmental Liability or Abandonment and Reclamation Obligations;
- (v) title to the Assets;
- (vi) any Liabilities or Claims related to the Assets;
- (vii) any Losses related to or associated with the Assets; or
- (viii) the quality, condition or serviceability of the Assets or the suitability of their use for any purpose.

5.04 Limitation of Representations or Warranties by Purchaser

- (a) Vendor acknowledges to and agrees with Purchaser that each of the representations and warranties of Purchaser in this Agreement shall be qualified by, and Purchaser will not be liable for, and Vendor will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 4.02; or
 - (ii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Purchaser representations and warranties set out in Section 4.02, Purchaser makes no representations or warranties to Vendor in addition to those expressly enumerated in Section 4.02 and, in particular and without limiting the generality of the foregoing, Purchaser hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Vendor or its Representatives in any manner, except for those expressly set forth in Section 4.02

ARTICLE 6
COVENANTS

6.01 Post-Closing Conveyancing

- (a) It is acknowledged that, subject to Sections 6.06 and 6.07, it may not be practicable to deliver all Specific Conveyances at Closing, and that it shall not be necessary for assignment and novation agreements to have been executed prior to or at Closing by Third Parties. After Closing, Vendor shall use diligent efforts to, as soon as is practicable, prepare and execute the Specific Conveyances and Vendor shall co-operate with Purchaser in its procurement of the execution of such documents and any substitutions, amendments

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or replacements thereof by Third Parties. Purchaser shall use all commercially reasonable efforts to become, as soon as reasonably practicable, the recognized and beneficial holder of the Assets in the place and stead of Vendor and shall promptly register all such Specific Conveyances; provided however, in furtherance thereof, Vendor may elect to register on behalf of Purchaser all transfers of permits and similar documents. Vendor, where Purchaser is the registering Party, and Purchaser, where Vendor is the registering Party, shall promptly take whatever steps are reasonably necessary to verify such registrations. The obligations of the Parties pursuant to this Subsection 6.01(a) are called the "**Post-Closing Transfer Obligations**". The Parties shall continue to use commercially reasonable efforts following Closing to complete the Post-Closing Transfer Obligations in an effort to have the same completed by no later than twenty (20) Business Days after the registration of the LTA by the AER, provided that so long as a Party has used such commercially reasonable efforts and continues to use such commercially reasonable efforts, such Party shall not be in breach of this Subsection 6.01(a).

- (b) Subject to Section 2.05, Purchaser shall bear all out of pocket costs, fees and deposits of every nature and kind incurred (whether by Vendor or Purchaser) in registering any Specific Conveyances and registering any further assurances required to convey the Assets to Purchaser.
- (c) Until the Specific Conveyances have been delivered and/or registered, and until Purchaser is novated into the place and stead of Vendor in and to the Title and Operating Documents and any other documents comprising the Miscellaneous Interests, Vendor shall hold the benefit of Purchaser's interest in same in trust as bare trustee.
- (d) Having regard to the Post-Closing Transfer Obligations, Vendor shall, as soon as is reasonably practicable following Closing, deliver to Purchaser the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests which it has in its possession or control; provided that if Vendor retains any interest in any property to which any of the Title and Operating Documents relate, Vendor may retain the original copy of such Title and Operating Document and provide a photocopy of it to Purchaser in every case. At any time while Vendor remains in possession of such Title and Operating Documents and related information, it shall provide access thereto to Purchaser as reasonably requested from time to time.
- (e) Following Closing, Vendor shall provide to Purchaser a license in and to Vendor's proprietary seismic data (referred to as the 2006 Infill 3D data), to the extent related to the Lands:
 - (i) without further consideration payable by Purchaser;
 - (ii) such license to be non-transferable, except to Purchaser's successors in interest to the Lands; and
 - (iii) Purchaser shall be responsible for the costs associated with any copying or additional processing of such seismic data,

and which license shall otherwise be on customary terms and conditions for licenses granted by a vendor in connection with the purchase and sale of petroleum and natural gas rights in Alberta.

- (f) With respect to any proprietary seismic data (referred to as the 2002 3D over north and west portion of the Lands and 2006 4D over north portion of Lands) that is related to the Lands and which is owned or jointly owned with the Vendor by Japan Oil, Gas, and Metals National Corporation and its predecessor in interest Japan National Oil Corporation, (collectively, "JOGMEC"), following Closing, the Parties (through Japan Petroleum Exploration Co., Ltd. who will act as an intermediary for the Parties), will negotiate the terms of a license agreement with JOGMEC, such agreement to provide for the license by JOGMEC and Vendor of such seismic data to Purchaser on customary terms and conditions for licenses of this nature, provided that Purchaser acknowledges that JOGMEC may require a license fee equal to fair market value as a condition to granting such license. Purchaser shall be responsible for the costs associated with any copying or additional processing of such seismic data.

6.02 Interim Operations

During the Interim Period, Vendor will maintain the Assets in a prudent manner in accordance with Applicable Laws, its past practices, as undertaken following the cessation of production from the Assets, and good oil and gas industry practices.

6.03 Operation, Maintenance and Administration of Assets

Subject to Section 6.10, Vendor shall retain responsibility for the operation, maintenance and administration of the Assets for all periods of time prior to the date that the LTA transfer is registered.

6.04 Material Commitments

During the Interim Period Vendor will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except in case of an emergency, or in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent;
- (b) sell, transfer or otherwise dispose of any Assets; or
- (c) surrender or abandon any Assets.

6.05 Post-Closing Maintenance of Assets

Until such time as Purchaser is recognized by Third Parties under the applicable Title and Operating Documents or otherwise recognized as the owner of the applicable Assets, Vendor shall forward to Purchaser all notices, specific information and other documents Vendor receives respecting such Assets.

6.06 Non-Transferrable Assets

- (a) The Parties agree that the Assets include the Non-Transferrable Assets, legal title to which, as of the date of this Agreement, is not capable of being transferred at Closing. In the event that Closing occurs, the Parties agree that beneficial title to and responsibility for such Non-Transferrable Assets shall nevertheless pass to Purchaser pursuant to Section 3.02 but that

Vendor shall continue to hold legal title to the Non-Transferrable Assets for the benefit of Purchaser's interest in same in trust as bare trustee, subject to the provisions of this Section 6.06.

- (b) Provided Closing occurs, until such time as such Non-Transferrable Assets are transferred to Purchaser, Vendor shall:
 - (i) hold in trust for Purchaser, the Non-Transferrable Assets, subject always to the terms and conditions of the Title and Operating Documents applicable to the Non-Transferrable Assets (if any);
 - (ii) not assign, transfer, encumber, alienate, or in any way dispose of the Non-Transferrable Assets or any portion thereof or interest therein without the prior written consent of Purchaser; and
 - (iii) promptly provide Purchaser with copies of all notices, orders, directives, documents and other correspondence related to the Non-Transferrable Assets and respond promptly to such notices, orders, directives, documents and other correspondence pursuant to written instructions from Purchaser, provided that Purchaser shall respond in relation thereto on a timely basis.

- (c) Provided Closing occurs, until such time as such Non-Transferrable Assets are transferred to Purchaser, Purchaser shall:
 - (i) pay any and all costs that are required by Applicable Law related to the Non-Transferrable Assets, including any security deposits for so long as the Non-Transferrable Assets are held in trust by the Vendor for the Purchaser; and
 - (ii) commence or take over and complete any and all work required by law or applicable regulations to be conducted on the Non-Transferrable Assets in place of Vendor and, to the extent that it holds and is permitted to do so pursuant to any applicable surface disposition, Vendor will provide Purchaser all necessary access rights which it may hold to effect such activities. All operations and activities to be conducted on the Non-Transferrable Assets pursuant hereto shall be performed by Purchaser in accordance in all material respects with generally accepted industry practices in the jurisdiction within which the Non-Transferrable Assets are located and following in all material respects the standard of care which would be followed by a reasonably prudent operator and Purchaser shall be fully responsible for such operations and shall indemnify and save harmless Vendor with respect to any Claims, Losses and Liabilities of every nature whatsoever relating to such operations.

- (d) The Parties agree that, in the event that, as a result of a change in Applicable Laws or otherwise, it is possible to transfer legal title to the Non-Transferrable Assets (or any of them) to Purchaser, the Parties shall promptly deliver and register all such specific conveyances as may be necessary to transfer title to such Non-Transferrable Assets in accordance with Section 6.01, *mutadis muntandis*.

- (e) Provided Closing occurs, Purchaser shall:

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- (i) be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Claims, Losses and Liabilities suffered, sustained, paid or incurred by Vendor which arise out of any matter or thing occurring or arising which relates to the operation, abandonment or reclamation of the Non-Transferrable Assets after the Effective Time; and
- (ii) indemnify and save harmless Vendor from all Claims, Losses and Liabilities of every nature whatsoever arising as a direct result of Vendor holding the Non-Transferrable Assets in trust for Vendor, unless caused by the Gross Negligence or Wilful Misconduct of Vendor or pertaining to the Excluded Assets.

6.07 License Transfer Application

- (a) Vendor shall promptly (and in any event, no later than 10 Business Days following the execution of this Agreement), submit the LTA to the AER and Purchaser where applicable, electronically ratify and sign such application if the information in such application is accurate.
- (b) Each of Purchaser and Vendor will cooperate with each other, including by way of furnishing such information as may be reasonably requested by a Party, in connection with any correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or in connection with any response or submissions to any statement of concern received by the AER) as may be or become necessary or desirable in connection with the application and approval of the LTA.
- (c) Each Party will:
 - (i) promptly inform the other Party of any material communication received by that Party from the AER in respect of obtaining or concluding LTA;
 - (ii) use commercially reasonable efforts to respond promptly to any request or notice from the AER, or any one of them, to supply additional information that is relevant in respect of obtaining or concluding the LTA;
 - (iii) permit the other Party to review in advance any proposed filings, submissions, correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or any Third Party in respect of any statement of concern received by the AER) in respect of obtaining or concluding the LTA, and will provide the other Party a reasonable opportunity to comment thereon where timing permits and agree to consider those comments in good faith;
 - (iv) promptly provide the other Party with any filings, submissions, correspondence and communications of any material nature that were submitted to the AER or any Third Party in respect of obtaining or concluding the LTA or addressing any statement of concern;
 - (v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the AER in respect of obtaining or concluding the LTA unless it consults with the other Party in advance when possible; and

- (vi) keep the other Party promptly informed of the status of discussions relating to obtaining or concluding the LTA.
- (d) If the AER requires as a pre-requisite to or a condition of the LTA, a security deposit or any kind of monetary payment, Purchaser shall be obligated to pay such amount as and when due in order to allow for such transfer.
- (e) During the period following Closing to the date the LTA is registered by the AER:
 - (i) Purchaser shall provide notice to Vendor prior to accessing the Lands and agrees to comply with any reasonable operating policies and conditions of Vendor in connection with such access, including in relation health, safety and the environment; and
 - (ii) Purchaser shall not start up, energize or pressurize any of the Facilities or Wells or otherwise introduce any liquids into the Facilities or Wells without the prior written consent of Vendor.
- (f) If AER closes the LTA (for non payment of the security deposit or other monetary payment by Purchaser) or if AER does not register the LTA by the Outside Date for any reason (including non payment of the security deposit or other monetary payment by Purchaser), this Transaction shall thereupon be unwound at the election of either Party. Upon such election, Purchaser shall immediately reconvey the Assets to Vendor free and clear of all Liens, royalties, conversions, rights and other Claims created by through or under Purchaser, excluding the Permitted Encumbrances, and in connection with such conveyance:
 - (i) the provisions of this Agreement shall apply, *mutatis mutandis*, to such reconveyance, provided however that adjustments will be made between the Parties per Article 12 for the period commencing on the Closing Date and ending on the effective date of the reconveyance;
 - (ii) Vendor shall return the Adjusted Purchase Price to Purchaser;
 - (iii) if the closure of the LTA by AER and subsequent unwinding of the Transaction by Vendor:
 - (A) is as a result of the failure by Purchaser to meet or satisfy AER requirements in any regard (including as a result of a failure to post a deposit), the Deposit shall be forfeited to and retained by Vendor, which forfeiture shall, subject to the Assets being reconveyed to Vendor in accordance with this Section 6.07, be the sole and exclusive remedy available to Vendor for the Transaction being unwound, notwithstanding Section 10.02; or
 - (B) is for any other reason other than as set out in Subsection 6.07(f)(iii)(A), the Deposit shall be returned by Vendor to Purchaser, which entitlement shall be the sole and exclusive remedy available to Purchaser for the Transaction being unwound, notwithstanding Section 10.02; and

- (iv) this Agreement shall thereafter automatically be terminated.

6.08 Other Regulatory Licences

- (a) In respect of any Regulatory Licences that are not transferred as part of the LTA (the "**Other Licences**"), no later than 15 Business Days after registration of the LTA, the Parties shall:
 - (i) commence to use all commercially reasonable efforts and cooperate with each other to make all required filings and satisfy all requirements of an applicable Governmental Authority, to transfer the Other Licences from Vendor to Purchaser;
 - (ii) keep each other informed of the status of any process applicable pursuant to, or other communications with Governmental Authorities in connection with, this Section 6.08; and
 - (iii) each Party shall bear its own costs and expenses required to be incurred to satisfy its obligations under this Section 6.08.
- (b) Unless otherwise agreed to by Vendor in writing, Purchaser and/or Vendor shall make all filings, and seek the transfer or issuance, as applicable, of any and all Other Licences to be transferred or obtained pursuant to this Section 6.08 on the same terms and conditions as apply to (i) the Other Licence prior to its transfer, or (ii) the existing Other Licence a new Other Licence replaces, as the case may be.

6.09 Governmental Security Deposits

If, after Closing, a Governmental Authority requires as a pre-requisite to or a condition of the transfer of any Regulatory Licence, a security deposit or any kind of monetary payment from Purchaser, such amount shall be paid by Purchaser.

6.10 Vendor Deemed Agent

Insofar as Vendor operates, maintains and administers the Assets and takes actions on behalf of Purchaser prior to the date the LTA transfer is effected:

- (a) Vendor shall be deemed to be an agent of Purchaser hereunder and Purchaser ratifies and confirms all actions taken, or refrained from being taken, by such Vendor under this Article 6 with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that such Vendor's actions constitute Gross Negligence or Wilful Misconduct of Vendor; and
- (b) Purchaser shall be liable for and shall, in addition, as a separate and independent covenant indemnify Vendor and its Representatives from and against all Losses, Liabilities and Claims suffered, sustained, paid or incurred by such Vendor or its Representatives or made against them as a result of maintaining the Assets or exercising any other rights as Purchaser's agent hereunder, insofar as those Losses, Liabilities and Claims are not a direct result of the Gross Negligence or Wilful Misconduct of Vendor or its Representatives. An act or omission will not be regarded as Gross Negligence or Wilful Misconduct under this

Article to the extent that it was done or omitted to be done in accordance with Purchaser's written instructions or written concurrence.

6.11 Costs

Vendor may require that Purchaser advance or otherwise secure any costs to be incurred by Vendor on behalf of Purchaser under Section 6.04 in such manner as may be reasonably appropriate in the circumstances.

6.12 Employee Matters

Purchaser agrees that, for a period of eighteen (18) months from the date of this Agreement, unless otherwise agreed to by Vendor, Purchaser shall not, and shall cause each of its Affiliates not to, directly or indirectly in any capacity or manner whatsoever:

- (a) induce or encourage any employee to leave the employment of Vendor;
- (b) authorize, assist, approve, or encourage any such action by any other party; or
- (c) hire, attempt to hire, or otherwise solicit any employee of Vendor, or authorize, assist, approve, or encourage any such action by any other party.

Notwithstanding the foregoing sentence, there will be no default under this Section 6.12 by virtue of Purchaser making general solicitations of employment in the ordinary course of its business (such as general newspaper advertisements for available positions) and hiring any such employee of Vendor as a result of any such general solicitations.

6.13 Use of Proceeds and Development of Assets

Purchaser shall use the proceeds attributable to the Financing only for the purposes of developing the Assets, and in any event in accordance with the Financing and in doing so Purchaser shall carry out all operations related to the Assets in accordance with good industry standards, Applicable Laws and the requirements of the Regulatory Licenses.

6.14 Financing Matters

In connection with Closing and the registration of the LTA by the AER, Purchaser covenants and agrees that:

- (a) until the LTA is registered by the AER, Purchaser shall not draw down or otherwise borrow from any Senior Lender holding a Security Interest encumbering the Assets any amounts in excess of the amount of the security deposit required by the AER as a condition to registering the LTA;
- (b) Purchaser shall use commercially reasonable efforts to obtain, prior to Closing, a covenant from any such Senior Lender(s) in favour of Vendor that it shall not lend any amounts to Purchaser secured by a Security Interest encumbering the Assets in excess of the amount of any security deposit required by the AER as a condition to registering the LTA; and

- (c) in the event the LTA is not registered by the LTA and either Party elects to unwind the Transaction pursuant to Section 6.07(f), Purchaser shall immediately:
 - (i) repay any and all amounts owing to such Senior Lender(s);
 - (ii) terminate any credit facility with such Senior Lender(s); and
 - (iii) cause such Senior Lender(s) to immediately release and discharge any Security Interest encumbering the Assets.

ARTICLE 7
CONDITIONS OF CLOSING

7.01 Vendor's Conditions

The obligation of Vendor under this Agreement to consummate the Closing is subject to the following conditions, which are for the exclusive benefit of Vendor and may be waived in whole or in part by Vendor by written notice to Purchaser at or before Closing:

- (a) Accuracy of Representations and Warranties. Purchaser's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Closing Date and are true in all material respects as of the Closing Date and Purchaser has delivered to Vendor an officer's certificate in the form of Schedule "H" dated as of the Closing Date and signed by Purchaser to that effect;
- (b) Performance of Agreements. Purchaser has performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to Closing and Purchaser has delivered to Vendor an officer's certificate in the form of Schedule "H" dated as of the Closing Date and signed by Purchaser to that effect;
- (c) Consents. All consents required to be obtained in order to carry out the transactions contemplated hereby in compliance with all Applicable Laws and agreements binding upon the Parties or its Affiliates shall have been obtained, including:
 - (i) agreements with Ministry of Economy, Trade and Industry (METI) of Japan, Japan Petroleum Exploration Co., Ltd. and Canada Oil Sands Co., Ltd.;
 - (ii) agreements with Japan Bank for International Cooperation (JBIC);
 - (iii) agreements with Japan Oil, Gas and Metals National Corporation (JOGMEC); and
 - (iv) all of the consents referred to in Schedule "D";

- (d) Payment. Purchaser shall have tendered payment of the Adjusted Purchase Price, the GST, as applicable, and any other amounts as contemplated herein in the form stipulated in this Agreement;
- (e) No Action or Proceeding. At Closing, no Claim shall be pending before any Governmental Authority seeking to restrain or prohibit the Transaction or to obtain material damages or other relief from Vendor in connection with the consummation of the Transaction excluding Claims in respect of a Right of First Refusal;
- (f) Purchaser Financing. Purchaser shall have completed some or all of the Financing in an amount of not less than twenty million US dollars (USD \$20,000,000.00);
- (g) License Transfer Application. Vendor has received indications or information from the AER to satisfy Vendor, acting reasonably, that the AER will approve the LTA without any conditions applicable to Vendor other than that Closing has occurred; and
- (h) Closing Deliveries. Purchaser shall have complied with Subsection 3.03(b).

7.02 Purchaser's Conditions

The obligation of Purchaser under this Agreement to consummate the Closing is subject to the following conditions, which are for the exclusive benefit of Purchaser and may be waived in whole or in part by Purchaser by written notice to Vendor at or before Closing:

- (a) Accuracy of Representations and Warranties. Vendor's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Closing Date and are true in all material respects as of the Closing Date and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "H" dated as of the Closing Date and signed by Purchaser to that effect;
- (b) Performance of Agreements. Vendor has performed all obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to Closing and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "H" dated as of Closing signed by Vendor to that effect;
- (c) Consents. All consents required to be obtained in order to carry out the transactions contemplated hereby in compliance with all Applicable Laws and agreements binding upon the Parties including all of the consents referred to in Schedule "D", shall have been obtained.
- (d) Material Adverse Effect. Except as consented to in writing by Purchaser, no damage or physical alteration of the Tangibles or other change or circumstance affecting the Assets will have occurred during the Interim Period which could reasonably be expected to have a Material Adverse Effect;
- (e) No Action or Proceedings. At Closing, no Claim shall be pending before any Governmental Authority which seeks to (i) refrain or prohibit the Transaction, or (ii) obtain

material damages or other relief from Purchaser in connection with the consummation of the Transaction; and

- (f) Closing Deliveries. Vendor shall have complied with Subsection 3.03(a).

7.03 Efforts to Fulfill Conditions

Purchaser and Vendor shall proceed diligently, honestly and in good faith and use all commercially reasonable efforts to satisfy and comply with and assist in the satisfaction of the compliance with the conditions set forth in Sections 7.01 and 7.02 provided that the Parties acknowledge and agree that the consents referred to in Section 7.01(c) and 7.02(c) are beyond the control of Vendor and Vendor shall have no liability in respect of a failure to obtain any such consent as long as it has used commercially reasonable efforts to obtain same.

7.04 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written consent of both Parties;
- (b) by either Party on notice to the other Party if any Governmental Authority shall have issued an order or decision or taken any other action permanently restraining, enjoining or otherwise prohibiting the Transaction and such order, decision or other action shall have become final and nonappealable;
- (c) by Vendor upon written notice to Purchaser prior to the Closing Date if a condition in Section 7.01 has not been satisfied on or before the Closing Date and such condition has not been waived in writing by Vendor; or
- (d) subject to Subsection 7.06(b), by Purchaser upon written notice (a "**Purchaser Termination Notice**") to Vendor prior to the Closing Date if a condition in Section 7.02 has not been satisfied on or before the Closing Date and such condition has not been waived in writing by Purchaser.

This Agreement shall be automatically terminated if Closing has not occurred by the Outside Date.

7.05 Effect of Termination

If this Agreement is terminated pursuant to Section 6.07(f) or 7.04:

- (a) except as contemplated by Section 6.07(f)(iii) and this Section 7.05, such termination shall be without liability of a Party to the other Party, or to any of their Representatives and the Parties shall be released from all of their obligations under this Agreement;
- (b) in the event of a termination pursuant to Subsection 7.04(c), if Purchaser did not have the right to terminate pursuant to Subsection 7.04(d) prior to the Closing Date, and such termination pursuant to Subsection 7.04(c) shall result from a failure of Purchaser to perform or observe in any material respect any of the covenants or agreements to be performed by it hereunder (including failure to pay the Adjusted Purchase Price when due in accordance with the terms hereof or thereof), Vendor shall be entitled to retain the

Deposit, each of which shall be forfeited to and retained by Vendor for its own account absolutely as the genuine pre-estimate by Vendor and Purchaser of Vendor's liquidated damages in such circumstances. Forfeiture of the Deposit to Vendor shall be Vendor's sole and exclusive remedy at law or in equity in respect of Closing not occurring;

- (c) in the event of a termination pursuant to Subsection 7.04(d), if Vendor did not have the right to terminate pursuant to Subsection 7.04(c) prior to the Closing Date, and such termination pursuant to Subsection 7.04(d) shall result from a failure of Vendor to perform or observe in any material respect any of the covenants or agreements to be performed by it hereunder, Vendor shall return the Deposit as the genuine pre-estimate by Vendor and Purchaser of Purchaser's liquidated damages in such circumstances. Return of the Deposit to Purchaser shall be Purchaser's sole and exclusive remedy at law or in equity in respect of Closing not occurring;
- (d) Sections 11.01, 16.01 and 16.02 shall survive such termination and remain in effect and be binding and enforceable in accordance with their terms; and
- (e) the Confidentiality Agreement shall remain in full force and effect in accordance with its terms as if this Agreement had not been entered into by the Parties.

Following such termination, each Party shall be responsible for the costs and expenses incurred by it in connection with this Agreement and the Transaction.

7.06 Undertaking to Cure

- (a) With respect to Subsections 7.02(a) and 7.02(d), in determining materiality or the presence or absence of a Material Adverse Effect, regard shall be made to any undertakings made pursuant to Subsection 7.06(b).
- (b) Purchaser shall not provide a Purchaser Termination Notice to Vendor pursuant to a breach (or nonfulfillment) of one or more conditions set out in Subsection 7.02(a) and 7.02(d) unless, at least two (2) Business Days prior thereto, Purchaser has provided a written notice (in this Section 7.06, a "**Preliminary Notice**") setting out, in reasonable detail, all occurrences, acts, omissions, or facts which Purchaser believes constitute such breach (or nonfulfillment). Vendor may, at any time prior to receipt of a Purchaser Termination Notice, provide to Purchaser a written undertaking to remedy, at its own cost, such occurrences, acts, omissions, or facts to the extent reasonably required to remedy or eliminate such breach (or nonfulfillment). Such undertaking shall be legally binding on Vendor and Vendor shall, provided that Closing has occurred, proceed diligently to carry out such undertaking.
- (c) In the event that a Preliminary Notice has been provided less than two (2) Business Days prior to the Outside Date, the Outside Date shall be deemed to be extended to the earliest date on which Purchaser would be eligible to provide a Purchaser Termination Notice pursuant to Subsection 7.06(b).

ARTICLE 8
LOSS

8.01 Loss

If, during the Interim Period, part of the Assets are destroyed by fire or other casualty, Vendor will promptly give Purchaser notice thereof. If the resulting loss is reimbursable to Vendor under its insurance policies or by a Third Party (including such Third Party's insurance policies), then, without limiting Purchaser's rights pursuant to Section 7.02(d) to the extent such event constitutes a Material Adverse Effect, and provided Closing occurs, Vendor will, at Closing or upon receipt whichever is later, pay to Purchaser all insurance proceeds arising from the destruction pertaining to the Assets. In addition, Vendor at the Closing will assign, transfer and set over to Purchaser all of the right, title and interest of Vendor to any unpaid insurance proceeds arising out of the destruction pertaining to the Assets. Vendor will not voluntarily compromise, settle or adjust any insurance Claim resulting from the destruction without first obtaining Purchaser's consent. If Closing does not occur for any reason whatsoever Purchaser shall have no right to such insurance proceeds.

ARTICLE 9
WORKERS' CAMP, WATER WELLS AND DISPOSAL WELLS

9.01 Workers' Camp

- (a) Subject to the terms and conditions of this Article 9, the Parties agree that, for a period commencing on the Closing Date and ending one (1) year after the Closing Date (the "**Camp Term**"), Vendor shall be permitted to enter upon the Project Lands for the purposes of maintaining and using the Workers' Camp in the manner in which such camp is currently utilized.
- (b) The Parties agree that the Workers' Camp may remain on that portion of the Project Lands on which it is currently located (the "**Site**"). Notwithstanding the foregoing, the Parties further agree that in the event Purchaser determines, acting reasonably, that the Site must be relocated in order to facilitate the operation of the Assets, the Parties agree that Purchaser, acting reasonably, shall be permitted to direct Vendor, by delivery of written notice in respect of same, to relocate any portion of the Workers' Camp not set on piles, to a location on the Project Lands selected by Purchaser, all at Purchaser's sole cost, risk and expense.
- (c) During the Camp Term, Vendor shall be required to secure the Site in order to properly separate and delineate same from the Assets, and any costs associated with such security shall be for the account of Vendor. Under no circumstance shall Purchaser be responsible for securing or providing any security services in respect of the Workers' Camp or the Site. Vendor acknowledges and agrees that Purchaser shall not provide any security for the Workers' Camp or hold any insurance that would cover or pertain to the Worker's Camp in any way.
- (d) During the Camp Term, Vendor, and its personnel and invitees, shall be given full access to that portion of the Project Lands forming the Site, provided however that neither Vendor nor any of its representatives shall carry out any material actions, maintenance or construction on the Project Lands in connection with the Workers' Camp which may

impede or interfere with Purchaser's use and enjoyment of the Project Lands or the Assets, without obtaining the prior written consent of Purchaser.

- (e) Vendor shall be solely responsible for the payment of any fees, costs or expenses applicable to the Workers' Camp, including any maintenance, demobilization, transportation or abandonment and reclamation costs in respect of same.
- (f) Within 10 Business Days of the end of the Camp Term, Vendor shall cause all modules and related equipment pertaining to the Workers' Camp to be removed from the Project Lands, and shall return the Site to a state and condition as reasonably determined by Purchaser. The Parties agree that the costs of all such removal and demobilization activities shall be for the account of Vendor.

9.02 Excluded Water Well

The Parties agree that, if at any time following Closing, Vendor requires access to the Excluded Water Well, Purchaser shall provide such access at no cost to Vendor. The Parties shall endeavour to agree upon, and reflect in a formal agreement, the matters as set forth in this Section, with a view to executing and delivering such agreement on or before the Closing Date, provided that, if such agreement is not executed and delivered by such date, the terms and conditions set forth in this Section, together with such additional terms and conditions as are customary in the oil and gas industry in Alberta to the extent necessary to give effect to such terms and conditions, shall nevertheless be binding on the Parties until such time as such terms and conditions are superseded by a formal agreement executed and delivered by the Parties.

9.03 Water Wells

The Parties agree that, if at any time following Closing, Vendor requires water for its operations as a result of a failure or other outage of Vendor's water source wells, Purchaser shall provide water to Vendor from the Water Wells at a cost of \$0.10 per m3 of water delivered to Vendor. The water shall be delivered at the wellhead of the Water Wells or such other location on the Lands as the Parties may agree. Vendor shall be responsible for any trucking or other transportation costs. The Parties shall endeavour to agree upon, and reflect in a formal agreement, the matters as set forth in this Section, with a view to executing and delivering such agreement on or before the Closing Date, provided that, if such agreement is not executed and delivered by such date, the terms and conditions set forth in this Section, together with such additional terms and conditions as are customary in the oil and gas industry in Alberta to the extent necessary to give effect to such terms and conditions, shall nevertheless be binding on the Parties until such time as such terms and conditions are superseded by a formal agreement executed and delivered by the Parties.

9.04 Disposal Wells

- (a) In the event that, following Closing, Purchaser obtains approval under the Applicable Laws to use any current or future well on the Lands as a disposal well (each, a "**New Disposal Well**"), Purchaser shall promptly provide notice of such approval to Vendor. Vendor shall thereafter, at its option and on notice to Purchaser, be entitled to use each such New Disposal Well on the following terms:
 - (i) Vendor shall be entitled to elect to use up to 25% of the available capacity of the New Disposal Well on a first priority basis (the "**Elected Capacity**");

- (ii) Vendor shall pay Purchaser Vendor's pro rata share (based on its Elected Capacity) of capital costs incurred by Purchaser in respect of such New Disposal Well, determined in accordance with the 2011 PASC Accounting Procedure; and
 - (iii) Vendor shall pay Purchaser Vendor's pro rata share (based on monthly throughput) of the operating costs incurred by Purchaser in respect of such New Disposal Well, determined in accordance with the 2011 PASC Accounting Procedure, provided that, for certainty, each Party shall be responsible for its own costs associated with trucking or otherwise delivering any brine to the New Disposal Well.
- (b) In respect of any New Disposal Well that Vendor has provided notice to Purchaser that it has elected to participate in such New Disposal Well pursuant to Section 9.04(a), the Parties shall endeavour to agree upon, and reflect in a formal agreement, the matters as set forth in Section 9.04(a)(i) through (iii), with a view to executing and delivering such agreement on or before the date that is thirty (30) days from the date of such notice, provided that, if such agreement is not executed and delivered by such date, the terms and conditions set forth in Section 9.04(a)(i) through (iii), together with such additional terms and conditions as are customary in the oil and gas industry in Alberta to the extent necessary to give effect to such terms and conditions, shall nevertheless be binding on the Parties until such time as such terms and conditions are superseded by a formal agreement executed and delivered by the Parties.

ARTICLE 10

LIABILITIES AND INDEMNITIES

10.01 Indemnity by Vendor

Subject to Sections 5.01, and provided that Closing has occurred, Vendor shall:

- (a) be liable to Purchaser and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Purchaser and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or connected with:

- (c) a breach of the representations and warranties of Vendor in Article 4, including in the certificate delivered pursuant to Subsection 7.02(a);
- (d) a breach of any covenant of Vendor herein made in respect of or applicable to the Transaction, including in the certificate delivered pursuant to Subsection 7.02(b); or
- (e) the Excluded Assets (other than the Retained Royalty Interest which shall be governed pursuant to the GORR Agreement).

provided always that Vendor shall not be liable to or be required to indemnify and save harmless Purchaser nor its Representatives pursuant to this Section 10.01 in respect of any Losses, Liabilities and Claims: (i)

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that consist of Consequential Damages (provided, for greater certainty, that Purchaser and its Representatives shall not be precluded from entitlement to indemnification under this Section 10.01 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); (ii) to the extent that the same are reimbursed by insurance maintained by Purchaser; (iii) that are caused by the Gross Negligence or Wilful Misconduct of Purchaser or its Representatives; or (iv) that are otherwise apportioned pursuant to Article 12 (collectively, "**Purchaser's Losses**").

10.02 Indemnity by Purchaser

Subject to Section 5.01, and provided that Closing has occurred, Purchaser shall:

- (a) be liable to Vendor and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Vendor and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or in any way connected with:

- (c) a breach of the representations and warranties of Purchaser in Article 4 made in respect of or applicable to the Transaction;
- (d) a breach of any covenant of Purchaser herein made in respect of or applicable to the Transaction; or
- (e) the Assets, to the extent such Losses, Liabilities and Claims occur or arise on or after the Effective Time;

provided always that Purchaser shall not be liable to or be required to indemnify and save harmless Vendor nor its Representatives pursuant to this Section 10.02 in respect of any Losses, Liabilities and Claims: (i) to the extent that the same are reimbursed by insurance maintained by Vendor; (ii) that are caused by the Gross Negligence or Wilful Misconduct of Vendor or its Representatives; (iii) that are otherwise apportioned pursuant to Article 12; (iv) that consist of Consequential Damages (provided, for greater certainty, that Vendor and its Representatives shall not be precluded from entitlement to indemnification under this Section 10.02 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); or (v) that are matters or things for which Purchaser is entitled to indemnification under Section 10.01;

10.03 Assets Acquired On "As Is" Basis

- (a) In the determination of the Purchase Price, the Parties confirm and agree that past, present and future Environmental Liabilities, including Abandonment and Reclamation Obligations, are a future cost embedded in the Assets that is so associated or physically connected with the Assets that, while having been taken into account in establishing the value of the Assets, cannot be separated from the ownership rights in the Assets and moreover, that such obligations are not capable of quantification as of the Effective Time. Accordingly, the Parties have not attributed a specific or agreed to value with regard to either: (i) such Environmental Liabilities or Abandonment and Reclamation Obligations; or (ii) any indemnities provided in respect thereof, nor shall there be any adjustments made

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to the Purchase Price in relation thereto. For greater certainty, neither the existence nor the amount of any accounting reserve for asset reclamation obligations or similar matters in the financial statements or accounting records the Parties has been of any relevance to either Party in determining the value of the Assets.

- (b) Purchaser acknowledges that it is acquiring the Assets on an "as is" basis and that Purchaser is not entitled to rely upon any representation or warranty of Vendor as to the condition, Environmental or otherwise, of the Assets, except as is specifically made pursuant to Section 4.01. Subject to the foregoing, and provided that Closing has occurred, Purchaser further agrees that it shall:
- (i) be solely liable to Vendor and its Representatives for any and all Losses and Liabilities they suffer, sustain, pay or incur; and
 - (ii) as a separate and independent covenant, indemnify and save Vendor and their Representatives harmless from any and all Claims made against them,

insofar as such Losses, Liabilities and Claims are a direct result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or Abandonment and Reclamation Obligations, whether occurring or accruing before, on or after the Effective Time, except to the extent that any such Losses, Liabilities and Claims are matters or things for which Purchaser is entitled to indemnification under Section 10.01 by virtue of any breach by Vendor of Subsection 4.01(o). Subject to the foregoing, once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations as between Vendor and Purchaser in respect of the Assets. In addition, Purchaser hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all Environmental Liabilities and Abandonment and Reclamation Obligations in respect of Assets under the Applicable Laws, at common law or otherwise, including the right to name Vendor as a third party under any action commenced or enforcement proceeding against Purchaser. In addition, Vendor will also retain those other rights and remedies available to it under the Applicable Laws, under the common law or otherwise with respect to any Claim it may have against Purchaser under this Article 10.

10.04 No Merger

The indemnities set forth in Sections 10.01, 10.02 and 10.03 will be deemed to apply to, and will not merge in, any assignment, transfer, conveyance, novation or other document conveying the Assets to Purchaser.

10.05 Carriage of Litigation

If a Claim is made under this Article 10 involving a Claim by a Third Party, the Party with greater exposure under this Agreement in respect of the Claim will have carriage of the Third Party litigation. It will consult with the other Party, which will be entitled to retain its own counsel and participate in the litigation at its own expense.

10.06 Limitations on Liability

- (a) Subject to the remainder of this Subsection 10.06, Vendor shall have no liability in connection with any Purchaser's Losses or Claims pursuant to Subsection 10.01 until the aggregate of such Purchaser's Losses (including in connection with indemnified Claims) exceeds two hundred and fifty thousand dollars (\$250,000); provided that this Subsection shall not apply to the extent that any matter or thing is the proper subject of an operating adjustment under Article 12.
- (b) Notwithstanding any other provision contained herein:
 - (i) except in the event of intentional misrepresentation or fraud by Vendor, the sole and only recourse and remedy of Purchaser in respect of a breach of the representations and warranties set forth in Section 4.01 shall be to deduct from payments to be made by Purchaser to Vendor pursuant to the GORR Agreement, as and when due and payable by Purchaser, until such time as Purchaser has recovered the amounts for which Vendor is liable to Purchaser hereunder and Vendor shall have no other liability to Purchaser, for such amounts and Purchaser hereby releases Vendor from any other right, remedy or recourse in respect of the amounts for which Vendor is liable to Purchaser in respect of a breach of the representations and warranties set forth in Section 4.01; and
 - (ii) the total amount of the Liabilities and indemnities of Vendor to Purchaser under this Agreement shall not exceed two million dollars \$2,000,000; provided that this Subsection shall not apply to the extent that any matter or thing is the proper subject of an operating adjustment under Article 12.
- (c) No Claim may be commenced by a Party in respect of a breach of a representation or warranty given by any other Party in Article 4 unless, within the Survival Period, written notice of a Claim specifying the breach in reasonable detail, the amount of the Claim and the provisions of the Agreement applicable to such Claim has been provided to the Party which made such representation and warranty, and each Party hereby waives any rights it may have at law or otherwise to commence a Claim or action for breach of representation or warranty or indemnification under this Article 10 in respect thereof after such Survival Period.
- (d) Notwithstanding anything to the contrary herein, in no event shall any Party be liable to the other for any Consequential Damages in connection with this Agreement. This limitation of liability shall apply regardless of whether the liability claim is based on a breach of contract, breach of representation or warranty, negligence, strict liability, tort or other legal or equitable theory or cause of action.

10.07 Assumption

At Closing, subject to the terms and conditions herein, Purchaser will assume all obligations and Liabilities of Vendor in respect of the Assets, including Vendor's obligations under the Title and Operating Documents.

10.08 Sole Remedy

Provided that Closing has occurred, the sole and exclusive remedy of a Party in respect of all pre-Closing matters (including in respect of representations, warranties and covenants) of this Agreement shall be for indemnification pursuant to Section 10.01 or Section 10.02, as the case may be, and in connection therewith, Vendor and Purchaser each hereby waive all other rights and remedies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) that it may have against the other Party and the other Party's Representatives in connection with such pre-Closing matters.

ARTICLE 11 **CONFIDENTIALITY**

11.01 Confidentiality

Notwithstanding Subsection 7.05(e) and any termination of this Agreement prior to Closing, the Parties agree to comply with the terms of the Confidentiality Agreement, with the amendment that each Party may disclose the Confidential Information received under the Confidentiality Agreement to its Affiliates in a form or condition that it ensures that such Affiliates will comply with the confidentiality obligations thereof, including in respect of all information which Purchaser receives from Vendor or its Affiliate pursuant to this Agreement, as if the Parties had entered into the Confidentiality Agreement directly. The Parties acknowledge that the Confidentiality Agreement shall remain in full force and effect in accordance with its terms until and shall terminate upon Closing.

11.02 Public Announcements

The Parties shall consult with and obtain the consent (not to be unreasonably withheld) of each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transaction.

ARTICLE 12 **ADJUSTMENTS**

12.01 Adjustments

- (a) Except as otherwise provided in this Article 12, the Parties will, without duplication, adjust and apportion expenditures and revenues of every kind and nature accruing, payable or paid, receivable or received, including, but not limited to operating (if any), maintenance, development and capital costs, government incentives and administration fees rental and lease payments, Third Party transportation and processing revenues, prepayments and deposits, duties, Taxes (other than income taxes) and assessments, in respect of the operation of the Assets, at the Effective Time.
- (b) Vendor is entitled to the revenues and benefits from the ownership the Assets incurred and/or accrued prior to the Effective Time including the benefit of audit queries for such time when resolved, and is responsible for and will pay for the expenditures pertaining to the ownership and development of the Assets incurred and/or accrued prior to the Effective Time.

- (c) Purchaser is entitled to the revenues and benefits from the ownership of the Assets incurred and/or accrued from and after the Effective Time and is responsible for and will pay for the expenditures pertaining to the ownership and development of the Assets incurred and/or accrued from and after the Effective Time.
- (d) All statements prepared under this Article 12 will be prepared as contemplated herein and in accordance with GAAP (using the accrual method) and Vendor shall in all cases provide all information to Purchaser that is reasonably necessary to verify the amounts and adjustments included in all statements.

12.02 Interim and Final Accounting

- (a) Vendor shall in good faith provide to Purchaser no later than five (5) Business Days prior to the Closing Date a written statement setting forth its reasonable estimate of all such adjustments to be made at Closing ("**Interim Statement of Adjustments**"). Vendor shall assist Purchaser in verifying the amounts set forth in the Closing Statements.
- (b) A final accounting of all adjustments pursuant to this Article shall be undertaken by Vendor, in consultation with Purchaser, and delivered to Purchaser within one hundred eighty (180) days following the Closing Date (the "**Final Statement of Adjustments**"). It is recognized that adjustments may be made after that time, provided that no adjustments shall be made after one (1) year from Closing unless written notice of the requested adjustment, with reasonable particulars, is given within one (1) year from Closing, provided however that adjustments arising as a consequence of Crown royalty audits, joint venture audits or thirteenth month adjustments for gas plant throughput and gas cost allowance for the Assets are not subject to the one (1) year limit. The Parties shall cooperate, acting reasonably, in verifying the amounts set forth in the Final Statement of Adjustments. Any payment made pursuant to the Final Statement of Adjustments shall be without prejudice to the audit rights set forth in Section 12.03.

12.03 Audit Rights for Adjustments

- (a) Purchaser may, for a period of ninety (90) days following delivery of the Final Statement of Adjustments, at its own cost, audit the books, records and accounts of Vendor respecting the Assets for the purpose of ascertaining, verifying or effecting adjustments pursuant to this Article 12. Such audit shall be conducted upon reasonable notice to Vendor at its offices during normal business hours, and shall be conducted at the sole expense of Purchaser. Vendor shall provide such reasonable access to Purchaser of the books, records and accounts respecting the Assets as Purchaser may require to complete its audit within such ninety (90) day period.
- (b) Any discrepancies disclosed by such audit shall be identified in writing to Vendor within sixty (60) days following the completion of such audit and Vendor shall respond in writing to any claims or discrepancies within sixty (60) days of the receipt of such notice of claim or discrepancies.
- (c) To the extent that Vendor and Purchaser are unable to resolve any outstanding claims or discrepancies disclosed by such audit within thirty (30) days of the response of Vendor, such audit exceptions shall be resolved by the Accounting Firm, which shall be requested

to render its decision without qualifications, other than the usual qualifications relating to engagements of this nature, within fourteen (14) days after the dispute is referred to it.

- (d) The decision of the Accounting Firm shall be final and binding upon the Parties and shall not be subject to appeal by any Party. The costs and expenses of the Accounting Firm shall be borne by the unsuccessful party to any dispute referred to dispute resolution pursuant to this Section 12.03.

12.04 Payment of Adjustments

Following the Closing Date, all adjustments shall be settled by payment by the Party required to make payment hereunder within thirty (30) days of such adjustments being agreed upon or resolved pursuant to Section 12.03(d). All overdue payments hereunder shall be payable with interest at the Prime Rate calculated daily and not compounded from but excluding the date such payment is due to and including the day such payment is made.

ARTICLE 13 **ACCESS TO BOOKS AND RECORDS**

13.01 Access to Information

- (a) After Closing, Purchaser shall, upon request from Vendor, provide reasonable access at Purchaser's offices during its normal business hours to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences and data included in the Miscellaneous Interests (including Title and Operating Documents) which are then in the possession of Purchaser and to make copies thereof, as Vendor may require for purposes relating to its ownership of the Assets prior to Closing (including taxation matters and Liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations (if any) prior to the Closing Date), including for purposes of:
 - (i) audits relating to periods prior to Closing;
 - (ii) Taxes relating to periods prior to Closing;
 - (iii) compliance with the Applicable Laws in respect of a period prior to Closing; or
 - (iv) any Claim commenced or threatened against Vendor or its Representatives in respect to periods prior to Closing;

provided that, Vendor may use and copy such documents and materials for such purposes after Closing and prior to delivery of same to Purchaser.

- (b) If Purchaser disposes of any of the Assets to a Third Party, Purchaser will take reasonable steps to enable Vendor to have continued reasonable access to those materials; provided that Purchaser will not be required to retain copies of those materials following any such disposition.

13.02 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be retained and kept in a reasonably accessible location by or on behalf of Purchaser for a period of two (2) years from the Closing Date or for any longer period as may be required under the Applicable Laws (the "**Retention Period**"). Vendor may, during the Retention Period, at its expense, make such copies of the information and materials described above as it may reasonably request.

ARTICLE 14
DISPUTES

14.01 Dispute Resolution Procedure

All Disputes between the Parties shall be resolved pursuant to the provisions of the Dispute Resolution Procedure.

ARTICLE 15
NOTICES

15.01 Notice

Any notice, Claim or other communication provided for in this Agreement or any notice that either Party may desire to give to the other shall be in writing and shall be: (i) sent by email transmission; (ii) delivered by hand; (iii) sent by Canada Post mail with all postage fully prepaid; or (iv) sent by courier with charges paid in accordance with the customary arrangements established by such courier, in each of the foregoing cases addressed to the Party at the following addresses:

To Vendor: **JAPAN CANADA OIL SANDS LIMITED**

Suite 2300, 639-5th Avenue SW
Calgary, AB T2P 0M9

Attention: Satoshi Abe
Email: satoshi.abe@jacos.com

To Purchaser: **GREENFIRE HANGINGSTONE OPERATING CORPORATION**

Attention: Al Stark
Email: astark@greenfireoilandgas.com

or at such other address as either Party may at any time designate by giving written notice to the other Party. Notices, invoices, allocation statements, Claims or other communications shall be deemed received as follows: (i) if delivered personally, upon delivery; (ii) if sent by Canada Post, whether by express mail, registered mail, certified mail or regular mail, the notice shall be deemed to have been received by the close of the third (3rd) Business Day after the day upon which it was postmarked and sent, or such earlier time as is confirmed orally or in writing by the receiving Party; (iii) if sent by a courier service, upon delivery; or (iv) if sent by email, the Business Day following the day on which it was transmitted.

ARTICLE 16
MISCELLANEOUS

16.01 Laws and Regulations

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

16.02 Jurisdiction and Venue

Subject to the Dispute Resolution Procedure and in the case of Subsections 15.02(a) and 15.02(b), Subsection 15.02(c):

- (a) the Parties hereby irrevocably consent to the exclusive jurisdiction of the courts of the Province of Alberta and any appeal courts;
- (b) the Parties hereby irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Transaction in the courts of the Province of Alberta;
- (c) in respect of any action, cause of action, Claim, cross-claim or third-party Claim, each Party hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any such Claim or cause of action.

16.03 Costs and Expenses

The prevailing Party in any litigation or arbitration pertaining to any Dispute hereunder shall be entitled to recover its reasonable legal fees on a (solicitor and his own client basis) in connection with such litigation.

16.04 Entire Agreement, Amendments and Waiver

This Agreement, including all Schedules hereto, integrates the entire understanding between the Parties with respect to the subject matter covered and supersedes all prior understandings, drafts, discussions, or statements, whether oral or in writing, expressed or implied, dealing with the same subject matter. This Agreement may not be amended or modified in any manner except by a written document signed by the Parties that expressly amends this Agreement. No waiver by either Party of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless expressly provided. No waiver shall be effective unless made in writing and signed by the Party to be charged with such waiver.

16.05 Headings

The headings and captions in this Agreement have been inserted for convenience of reference only and shall not define or limit any of the terms and provisions hereof.

16.06 No Partnership

Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust, fiduciary or partnership duty, obligation or liability on or with regard to Vendor and Purchaser.

16.07 No Third Party Beneficiaries

This Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns, and shall not inure to the benefit of any other Person or entity whomsoever or whatsoever, it being the intention of the Parties that no third Person shall be deemed a third party beneficiary of this Agreement, except (i) for Persons expressly indemnified hereunder, and (ii) Section 16.16 shall be for the benefit of and enforceable by the Persons set forth therein.

16.08 Further Assurances

Each Party shall take such acts and execute and deliver such documents as may be reasonably required to effectuate the purposes of this Agreement.

16.09 No Inducements

No director, employee, or agent of any Party shall give to the other Party or its Representatives or receive from the other Party or its Representatives any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Agreement.

16.10 Severability

If any provision of this Agreement is determined by Applicable Law to be void or unenforceable, in whole or in part, then (a) such provision shall be deemed inoperative to the extent it is deemed void or unenforceable, (b) the Parties agree to enter into such amendments to this Agreement in order to give effect to the greatest extent legally possible to the provision that is determined to be void or unenforceable, and (c) the other provisions of this Agreement in all other respects shall remain in full force and effect and binding and enforceable to the maximum extent permitted by law.

16.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall be deemed one and the same Agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

16.12 Survival

The obligations and Liabilities of the Parties accruing prior to termination of this Agreement shall survive such termination.

16.13 Expenses

All expenses incurred by Vendor in connection with or related to the authorization, preparation and execution of this Agreement, including all fees and expenses of counsel, accountants and financial advisors

employed by Vendor, will be borne solely and entirely by Vendor, and all such expenses incurred by Purchaser will be borne solely and entirely by Purchaser.

16.14 Assignment; Enurement

Neither Party shall assign this Agreement or any of its rights or obligations hereunder, in whole or in part to any Person without the advance written consent of the other Party, such consent not to be unreasonably withheld.

16.15 Remedies Cumulative

Unless otherwise specified herein:

- (a) no reference to or exercise of any specific right or remedy by a Party hereunder shall prejudice or preclude such Party from exercising or invoking any other remedy in respect thereof, whether allowed under Applicable Law or expressly provided for herein; and
- (b) no such remedy shall be exclusive or dependent upon any other such remedy but either Party may exercise any one or more of such remedies independently or in combination.

16.16 Nonrecourse

This Agreement may only be enforced against, and any Claims or causes of action that arise out of this Agreement, or the negotiation, execution or performance of this Agreement, may only be made against the entities that are expressly identified as parties hereto. Except to the extent a named party to this Agreement, no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any party hereto shall have any liability for any obligations or Liabilities of any party hereto under this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first above written.

JAPAN CANADA OIL SANDS LIMITED

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per: Satoshi ABE
Name: SATOSHI ABE
Title: President

Per: Robert Logan
Name: Robert Logan
Title: President & CEO

Per: _____
Name:
Title:

Per: Albert Stark
Name: Albert Stark
Title: CFO

SCHEDULE "C"
FORM OF GORR AGREEMENT

See attached.

NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT

BETWEEN

**GREENFIRE HANGINGSTONE OPERATING CORPORATION
AS ROYALTY PAYOR**

-and-

**JAPAN CANADA OIL SANDS LIMITED
AS ROYALTY OWNER**

DATED [•], 2018

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NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT

THIS AGREEMENT is dated the [●] day of [●], 2018,

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 3607 – 7th Street SW, Calgary, in the Province of Alberta, Canada, T2T 2Y2 (hereinafter referred to as "**Royalty Payor**")

- and -

JAPAN CANADA OIL SANDS LIMITED, a body corporate registered to carry on business in the Province of Alberta and having an office at 639 – 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 0M9 (hereinafter referred to as "**Royalty Owner**")

RECITALS:

- A. By virtue of an asset sale agreement dated April 3, 2018 between the parties hereto (the "**Sale Agreement**"), Royalty Payor has acquired from Royalty Owner the Royalty Lands.
- B. The Parties have agreed that Royalty Owner has reserved the Overriding Royalty from the Royalty Lands, payable out of the production of Bitumen contained therein, on the terms and provisions contained in this Agreement.

NOW THEREFORE in consideration of the mutual covenants and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties covenant and agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) "**Affiliate**" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person is under common control;

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- (b) "**Agreement**" means this Non-Convertible Gross Overriding Royalty Agreement and the Schedules attached hereto, all as amended, supplemented or modified from time to time in accordance with the provisions hereof;
- (c) "**Applicable Laws**" means, in relation to the Royalty Lands or any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by any Governmental Authority by which such Person is bound or having application to the Royalty Lands, the transaction or event in question;
- (d) "**Bitumen**" means:
- (i) sands and other rock materials containing Crude Bitumen;
 - (ii) the Crude Bitumen contained in those sands and other rock materials; and
 - (iii) any other mineral substances in association with that Crude Bitumen or the sands and other rock materials referred to in paragraphs (i) and (ii),
- and includes any hydrocarbon substance declared to be oil sands under section 7(2) of the *Oil Sands Conservation Act* (Alberta);
- (e) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta;
- (f) "**Collateral**" means all of Royalty Payor's present and after-acquired personal property and real property and, without limiting the generality of the foregoing, Collateral shall include the Royalty Lands, the Bitumen within, upon or under the Royalty Lands and all right, title and interest that Royalty Payor now has or may hereafter have or acquire, by way of amalgamation or otherwise, in any and all personal property and real property;
- (g) "**Claim**" means, in relation to any Person, any and all claims, actions, causes of action, accounts, Liens, demands, lawsuits, suits, judgments, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, proceedings, arbitrations, mediations, hearings, investigations or actions by any Governmental Authority, of every kind, nature or description brought against or suffered, sustained or incurred by such Person, in each case whether fixed or contingent or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery;
- (h) "**CPF**" means the central processing facility for the treatment, processing and storage of Bitumen recovered from the Royalty Lands, which as of the date of this Agreement, is located at LSD 13, Section 26, Township 84, Range 11 W4M;
- (i) "**Crude Bitumen**" means a naturally occurring viscous mixture, mainly of hydrocarbons heavier than pentane, that may contain sulphur compounds and that, in its naturally occurring viscous state, will not flow to a well;
- (j) "**Dilbit**" means Bitumen that has been diluted with Diluent to meet transportation specifications or to meet refinery desired heavy crude yields or qualities;

- (k) **"Diluent"** means any hydrocarbon or other substance (including condensate, synthetic crude oil, butane and other hydrocarbons or substances or any combination or mixture thereof) that, when blended with Bitumen, will result in a reduction in density and viscosity of the resulting blend;
- (l) **"Dispute"** means any dispute or controversy arising out of this Agreement or the performance of any activities under this Agreement, and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability or breach of this Agreement including, the Dispute Resolution Procedure, or any matter referred to for resolution pursuant to this Dispute Resolution Procedure;
- (m) **"Dispute Resolution Procedure"** means the dispute resolution procedure set forth in Schedule "B";
- (n) **"DOA"** means the Jacos Hangingstone SAGD Operating Agreement dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Japan Oil Sands Limited;
- (o) **"Environment"** means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.
- (p) **"Event of Default"** has the meaning ascribed to it in Section 6.2(b) hereof;
- (q) **"Fiscal Quarter"** means each continuous three (3) Month period during a Year, ending nine (9) Months, six (6) Months and three (3) Months prior to, and on the final day of, a Year;
- (r) **"Government Authority"** means, in relation to the Royalty Lands or any Person, transaction or event, any: (i) federal, provincial, state, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (ii) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over the Royalty Lands, such Person, transaction or event;
- (s) **"Hangingstone Bitumen Volumes"** means, for the relevant period, the total volume of Bitumen produced by Royalty Payor from the Royalty Lands during such period as measured at the Royalty Determination Point;
- (t) **"Liabilities"** means any and all liabilities and obligations, whether under common law, in equity, under the Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise;
- (u) **"Lien"** means any mortgage, charge, pledge, lien, hypothec, assignment by way of security, lease, conditional sale or title retention agreement, security created under the *Bank Act* (Canada) or any other encumbrance or security interest, howsoever created or arising, whether fixed or floating,

legal or equitable, perfected or otherwise, and any other interest in property or assets that secures payment or performance of an obligation;

- (v) **"Losses"** means, in respect of a Person, any and all losses, damages, costs, out-of-pocket expenses, charges, indebtedness, obligations, assessments, fines, penalties, fees and expenses of every kind, nature or description which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes (other than income taxes), as applicable, court costs and costs which such Person suffers, sustains, pays or incurs in connection with any Claims (including Professional Fees and reasonable costs of investigating and defending such Claims) arising from such Claims, regardless of whether such Claims are sustained, together with any interest which may be imposed in connection therewith;
- (w) **"LPA"** means the *Law of Property Act* (Alberta), RSA 2000, c L-7;
- (x) **"Month"** means a calendar month;
- (y) **"No Interest Letter"** means a no interest letter in substantially the same form as that attached hereto as Schedule "C", or such other form as may be reasonably requested by a Senior Lender and agreeable to Royalty Owner, acting reasonably, provided that such form provides for substantively similar rights and assurances as provided for in the form of that attached hereto as Schedule "C";
- (z) **"Overriding Royalty"** means a royalty interest in and to the Bitumen within, upon or under the Royalty Lands, payable out of the production of Bitumen contained therein and equal to the Royalty Share of Bitumen, being an interest retained and carved out of Payor's Working Interest, that is retained by the Royalty Owner pursuant to Section 2.1 and is as described and calculated in this Agreement;
- (aa) **"Party"** means a Person who is bound by this Agreement;
- (bb) **"Payor's Working Interest"** means the right, title and interest of Royalty Payor to explore for, drill for, extract, win, produce, take, save and market Bitumen from the Royalty Lands, as set out in Schedule "A" hereto;
- (cc) **"Permitted Encumbrances"** means any of the following:
 - (i) liens for Taxes, assessments and governmental charges on Bitumen or the income and revenue attributable thereto which are not due or delinquent;
 - (ii) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, roads, railways, sewers, drains, gas or oil pipelines or gas or water mains or for electric light, power, telephone, telegraph or cable television conduits, poles, wires or cables; which, in each case, do not materially impair the use of the Royalty Lands affected thereby;
 - (iii) the right reserved to or vested in any Government Authority by the terms of any of the Title and Operating Documents, or any other licence, franchise, grant or permit or by any Applicable Laws, to terminate such Title Document, licence, franchise, grant or permit or to require annual or other periodic payments or the posting of deposits as a condition of the granting or continuance thereof;

- (iv) the right reserved to or vested in any Government Authority to levy Taxes on Bitumen produced from the Royalty Lands or lands pooled or unitized therewith or the income or revenue attributable thereto or in respect of operations;
 - (v) rights reserved to or vested in any Government Authority to control or regulate operations, including limitations or restrictions on production rates;
 - (vi) rights reserved to or vested in any Government Authority to control or regulate any of the Payor's Working Interests in any manner;
 - (vii) the terms and conditions of the Title and Operating Documents;
 - (viii) undetermined or inchoate liens incurred or created in the ordinary course of business or a lien created as security in favour of the Person conducting operations related to the Payor's Working Interests to which such liens relate for Royalty Payor's proportionate share of the costs and expenses of such operations which are not due or delinquent;
 - (ix) the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Royalty Lands or interest therein and statutory exceptions to title;
 - (x) liens granted in the ordinary course of business to a public utility or Government Authority in connection with operations pertaining to the Royalty Lands;
 - (xi) the burdens, encumbrances, royalties, adverse Claims (including reductions and conversions) and penalties identified in Schedule "A";
 - (xii) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied in the course of operations, but only insofar as such liens relate to goods or services for which payment is not due;
 - (xiii) rights of set-off or netting arrangements granted pursuant to marketing arrangements made in the ordinary course;
 - (xiv) Liens securing purchase money obligations, sale and lease-back transactions and finance lease obligations;
 - (xv) any Senior Lender Security purporting to encumber the Overriding Royalty, the Royalty Share of Bitumen or the Royalty Share of Bitumen Equivalent or any part or portion thereof in respect of which Royalty Payor delivers a No Interest Letter to Royalty Owner;
 - (xvi) any other Senior Lender Security providing it does not purport to encumber the Overriding Royalty, the Royalty Share of Bitumen or the Royalty Share of Bitumen Equivalent or any part or portion thereof; and
 - (xvii) the Royalty Owner Lien;
- (dd) "**Person**" means any individual, body corporate, partnership (limited or general), trust, trustee, executor or similar official, Government Authority or other entity;

- (ee) **"Point of Sale"** means the first point of sale that is downstream of the CPF at which Bitumen or Dilbit volume is measured and sold by Royalty Payor to a Third Party in a bona fide arm's-length transaction;
- (ff) **"PPSA"** means the Personal Property Security Act (Alberta), RSA 2000, c P-7;
- (gg) **"Prime Rate"** means the annual rate of interest quoted from time to time by the main branch of the Royal Bank of Canada in Calgary, Alberta as the reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada to customers of varying degrees of creditworthiness;
- (hh) **"Professional Fees"** means reasonable (i) fees and disbursements of legal counsel on a solicitor and his own client basis, and (ii) fees and disbursements of any other professional advisors and consultants, including expert witnesses, and such other reasonable out-of-pocket expenses as are incurred in connection with such professional advisors and consultants;
- (ii) **"Reacquisition"** has the meaning ascribed thereto in Subsection 2.2(d);
- (jj) **"Reference Price"** means, in a Fiscal Quarter, the average of the price per barrel of West Texas Intermediate light sweet crude oil on the NYMEX, for each trading day in such Fiscal Quarter, as made public by NYMEX;
- (kk) **"Representatives"** means, in respect of a Party:
 - (i) its Affiliates; and
 - (ii) the respective directors, officers, employees, agents and representatives of such Party and its Affiliates;
- (ll) **"Royalty Determination Point"** means, at the applicable time, the custody transfer point (including a pipeline interconnection or truck or rail loading facility) at or near the Point of Sale at which Bitumen is metered, measured or allocated, it being understood that the metering, measurement or allocation of Bitumen at such point may (as required) be accomplished directly by metering, measuring or allocating Bitumen at such point, or indirectly by metering, measuring or allocating Dilbit at such point and calculating the quantity of Bitumen within such Dilbit;
- (mm) **"Royalty Lands"** means the lands set forth and described in Schedule "A" hereto or so much thereof as from time to time remain subject to this Agreement and the Title and Operating Documents, but only insofar as rights to the same are granted by the Title and Operating Documents;
- (nn) **"Royalty Lands Environmental Liabilities"** means all present and future Losses and Liabilities pertaining to the Royalty Lands in respect of the Environment, whether or not caused by a breach of contract, the common law or the Applicable Laws and whether or not resulting from operations conducted with respect to the Royalty Lands (if any), including Losses and Liabilities related to:
 - (i) past, present and future obligations under contracts or Applicable Laws to abandon, restore and reclaim the Assets, including:

- (A) any closing, decommissioning, dismantling or removing of any Assets and all structures, foundations, buildings, pipelines, equipment and other facilities used in respect of the Assets; and
- (B) reclaiming, remediating and restoring the surface and subsurface locations and lands pooled or unitized therewith, or comprising all or part of the Assets, or that were used or previously used in respect of that portion of the Leases pertaining to the Lands;

all in accordance with generally accepted oil and gas industry practice in the jurisdiction in which the Assets are located and in compliance with Applicable Laws.

- (ii) the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield substances or waste;
 - (iii) the release, spill, escape or emission of toxic or hazardous substances;
 - (iv) any other pollution or contamination of the Environment,
 - (v) Losses and Liabilities suffered by Third Parties as a result of the occurrences in Subsections (ii), (iii), (iv) and (v) of this definition;
 - (vi) any obligations imposed by the Applicable Laws or the common law to protect the Environment or to rectify Environmental problems; and
 - (vii) any operations carried out in respect of the Royalty Lands which operations have caused damage to the Environment.
- (oo) **"Royalty Owner Lien"** has the meaning ascribed thereto in Section 6.1(a);
- (pp) **"Royalty Share"** means, for the relevant period, the product (expressed as a percentage) of the Royalty Share of Bitumen Equivalent divided by the Hangingstone Bitumen Volumes for such period;
- (qq) **"Royalty Share of Bitumen"** means, for the relevant period, that quantity of Bitumen produced from the Royalty Lands equal to the product of (i) the Hangingstone Bitumen Volumes for such period multiplied by (ii) the Royalty Share;
- (rr) **"Royalty Share of Bitumen Equivalent"** has the meaning ascribed thereto in Subsection 2.3(c);
- (ss) **"Sale Agreement"** has the meaning ascribed thereto in the recitals;
- (tt) **"Senior Debt"** means at any date of determination, all obligations, liabilities and indebtedness of the Royalty Payor, or any Affiliate or successor thereof, for borrowed money. Without limiting the generality of the foregoing, whether or not so classified, Senior Debt shall include (without duplication):
- (i) obligations arising pursuant to bankers' acceptances or letters of credit and letters of guarantee or indemnities issued in connection therewith;
 - (ii) obligations evidenced by a bond, note, convertible note, debenture or similar instrument;

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- (iii) obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness or other obligations of any other Person which would otherwise constitute Senior Debt within the meaning of this definition and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another Person in respect of such indebtedness;
- (iv) all indebtedness representing the deferred purchase price of any property;
- (v) all obligations created or arising under any conditional sales agreement or other title retention agreement;
- (vi) all finance lease obligations of the Loan Parties;
- (vii) obligations under hedges or other derivative transactions; and
- (viii) obligations under any cash management arrangements;
- (uu) **"Senior Lender"** means any present or future holder of Senior Debt;
- (vv) **"Senior Lender Security"** means any Lien against all or any part of the Collateral now or hereafter held by any Senior Lender securing Senior Debt;
- (ww) **"Subordination Agreement"** means a subordination agreement reasonably requested by a Senior Lender subordinating the Royalty Owner Lien to the Senior Lender Security held by such Senior Lender on substantially the terms and conditions set out in the attached Schedule "D";
- (xx) **"Surrender/Expiry Notice"** has the meaning ascribed thereto in Subsection 4.4(b);
- (yy) **"Taxes"** means any taxes, duties, fees, premiums assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Applicable Laws, all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, or including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, property, development, occupancy, all surtaxes, and all customs duties and import and export taxes;
- (zz) **"Third Party"** means any Person other than Royalty Payor and its Affiliates, or Royalty Owner and its Affiliates;
- (aaa) **"Title and Operating Documents"** means, collectively:
 - (i) the DOA together with the various leases, reservations, permits, licences and other documents of title relating to the ownership or right of Royalty Payor in the Bitumen in the Royalty Lands by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Bitumen from the Royalty Lands (including the leases identified in Schedule "A" hereto), and all renewals, extensions or continuations thereof or further documents of title issued pursuant thereto, in replacement thereof or substitution therefor;
 - (ii) contracts and agreements entered into in the normal course of the oil sands business in connection with the exploitation of the Royalty Lands or the conduct of operations

thereon, including joint operating agreements, processing agreements, gathering and transportation agreements, agreements for the sale of Bitumen or Dilbit, agreements relating to the construction, ownership and operation of equipment and facilities; and

(iii) all agreements relating surface rights used in connection with or required for the exploitation of the Royalty Lands or the conduct of operations; and

(bbb) "**Year**" means a calendar year.

1.2 Interpretation

Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

- (a) the expressions "Article", "Section", "Subsection", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, paragraph and schedule of or to this Agreement;
- (b) words importing the singular shall include the plural and vice versa, and words importing a particular gender shall include all genders;
- (c) all monetary amounts expressed herein or calculated or to be paid pursuant hereto shall be in Canadian dollars unless otherwise specified;
- (d) capitalized words and phrases used herein which are derivatives of words or phrases otherwise defined herein shall have a corresponding meaning;
- (e) any reference in this Agreement to Royalty Lands shall, where provided for in the applicable Title and Operating Documents, be construed to include lands pooled or unitized with the Royalty Lands;
- (f) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;
- (g) where any payment or calculation is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, that payment or calculation is to be made, or that other action is to be taken, as applicable, on or as of the next Business Day;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or any act is to be done under this Agreement shall be calculated by excluding the day on which the period commences and including the day on which such period ends;
- (i) the word "**including**" means including, without limitation and shall not be limited in scope by the items listed after such word;
- (j) words such as "**hereof**", "**herein**" or "**hereunder**" shall mean "**of**", "**in**" or "**under**" this Agreement and not the specific section in which the reference occurs unless expressly otherwise noted;

- (k) the headings contained in this Agreement are intended for convenience of reference only and shall form no part of this Agreement; and
- (l) the rule of "**contra proferentem**" shall not apply to this Agreement.

1.3 Schedules

The following schedules (the "**Schedules**") are attached to, form part of and are incorporated in this Agreement:

Schedule "A" – Royalty Lands and Title and Operating Documents

Schedule "B" – Dispute Resolution Procedure

Schedule "C" – Form of No Interest Letter

Schedule "D" – Form of Subordination Agreement

ARTICLE 2 OVERRIDING ROYALTY

2.1 Retention of Overriding Royalty

Subject to the term and conditions of this Agreement, and effective as of the date hereof, in connection with the conveyance by Royalty Owner to Royalty Payor of the Payor's Working Interest, the Royalty Owner hereby retains, and the Royalty Payor hereby acknowledges and agrees to be bound by, the retention by the Royalty Owner of the Overriding Royalty, free and clear of any and all encumbrances, other than the Permitted Encumbrances.

2.2 Interest in Land

- (a) It is acknowledged, intended, and agreed that:
 - (i) the Overriding Royalty constitutes, and is to be construed as, an interest in land in the Royalty Lands and the Bitumen contained therein;
 - (ii) all terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the Royalty Lands and the Title and Operating Documents, and the estates affected thereby for the duration of this Agreement;
 - (iii) Royalty Owner is entitled (to the extent permitted under the Applicable Laws) to register and maintain in respect of the Overriding Royalty, caveats or other applicable interests against Royalty Payor's interest in the Royalty Lands; and
 - (iv) Royalty Payor shall co-operate with Royalty Owner in taking any commercially reasonable actions that are necessary or appropriate to support and defend the Parties' intentions set out in Subsections 2.2(a)(i) and 2.2(a)(ii), and the registrations set out in 2.2(a)(iii); and
- (b) In furtherance of Subsection 2.2(a), Royalty Payor agrees that:
 - (i) it will not seek nor support any Person in seeking any conveyance of all or any portion of the Royalty Lands free and clear of the Overriding Royalty; and

- (ii) it will not seek or support any Person in seeking any restructuring plan or proposal, or otherwise make or support any Claim, that contests, challenges or brings into question the validity or enforceability of the Overriding Royalty as an interest in land, and specifically, in and to the Royalty Lands or contests, challenges or brings into question the validity or enforceability of any of the terms, covenants, and conditions in this Agreement including any of the terms, covenants, and conditions in this Agreement as running with and binding upon the Title and Operating Documents, the Royalty Lands and the estates affected thereby for the life of any of the Title and Operating Documents in accordance with the terms of this Agreement.
- (c) The Overriding Royalty shall apply to Royalty Payor's and each of its Affiliates' interests in:
 - (i) all renewals, extensions and other similar arrangements with respect to any Title Document (whether obtained before or after the date of this Agreement); and
 - (ii) any rights to explore for or produce Bitumen from the Royalty Lands described in the Title and Operating Documents.
- (d) For purposes of this Section 2.2, a new lease or other conveyance that covers the same tract or property (or any part thereof) covered by a prior lease or interest covered by this Agreement, and which is acquired by Royalty Payor or its Affiliates within one (1) year after the expiration, termination, surrender or release of such prior lease or interest (hereinafter referred to as a "**Reacquisition**"), shall be treated as a renewal or extension of such prior lease or interest (for certainty, to the extent, and only to the extent, of the applicable Royalty Lands included in the prior lease or interest that have been Reacquired); and, upon the occurrence of a Reacquisition, the Overriding Royalty shall continue, and Royalty Payor shall, grant, or shall cause its Affiliates to grant, as applicable, assign and transfer to Royalty Owner (for no additional consideration), effective as of the applicable date of Reacquisition, the Overriding Royalty on such Royalty Lands on substantially the same terms and conditions as those contained herein. For greater certainty, the Parties will, or in the case of Royalty Payor, will cause its Affiliate to, if applicable, execute a new agreement in substantially the same form as this Agreement granting the Overriding Royalty subsequent to the Reacquisition of such Royalty Lands and interests by Royalty Payor or its Affiliates.

2.3 Royalty Entitlement

- (a) *Royalty Entitlement:* On account of the Overriding Royalty, Royalty Payor is hereby entitled to the Royalty Share of Bitumen, calculated and payable as a Royalty Share of Bitumen Equivalent pursuant to Subsection 2.3(c).
- (b) *Appointment as Agent:* Royalty Payor is appointed as the agent of Royalty Owner for the treatment, processing, transportation, storage, handling and disposition of the Royalty Share of Bitumen. When in the possession of Royalty Payor, the Royalty Share of Bitumen and the proceeds of sale therefrom will be held by Royalty Payor in trust for Royalty Owner and subject to the terms of this Agreement.
- (c) *Quantification and Payment of Royalty Share of Bitumen Equivalent:* For each Month in which there is production of Bitumen from the Royalty Lands, Royalty Owner shall be entitled to, and Royalty Payor shall pay to Royalty Owner, in accordance with Section 3.1, on account of the Overriding Royalty, an amount equal to the following (the "**Royalty Share of Bitumen Equivalent**"):

- (i) where the Reference Price is less than US\$50.00 per bbl, CDN\$0 per bbl of Hangingstone Bitumen Volumes produced in such Month;
 - (ii) where the Reference Price is equal to or greater than US\$50.00 per bbl but less than US\$60.00 per bbl, CDN\$1.00 per bbl of Hangingstone Bitumen Volumes produced in such Month;
 - (iii) where the Reference Price is equal to or greater than US\$60.00 per bbl but less than US\$70.00 per bbl, CDN\$1.50 per bbl of Hangingstone Bitumen Volumes produced in such Month; and
 - (iv) where the Reference Price is equal to or greater than US\$70.00 per bbl, CDN\$2.00 per bbl of Hangingstone Bitumen Volumes produced in such Month.
- (d) *Deductions:* For greater certainty, the Overriding Royalty will be free and clear of any and all deductions whatsoever for costs and expenses incurred by Royalty Payor or otherwise, including:
- (i) any royalty (including the Crown lessor royalty), rental, burden or other encumbrances (including, for greater certainty, the Permitted Encumbrances) in respect of the Royalty Lands; which royalties, rentals, and other encumbrances shall be and remain the sole responsibility of Royalty Payor;
 - (ii) any costs, charges or assessments of any nature incurred with respect to the production of Bitumen, including any costs, charges or assessments in respect of exploration, drilling, or completion;
 - (iii) any treatment, processing, storage, transportation or sales costs; and
 - (iv) any *ad valorem*, carbon, production, severance, value-added and similar taxes and assessments applicable in respect of the production or sale of Bitumen or Dilbit.
- (e) *Production:* Notwithstanding anything to the contrary herein contained, the Parties agree that Royalty Payor shall have full discretion, acting reasonably, to determine whether or not production operations should be conducted on the Royalty Lands, and the Parties further agree that it shall be reasonable for Royalty Payor to cease production operations on the Royalty Lands due to considerations pertaining to production economics.

2.4 Equitable Treatment

Subject to Section 2.3(e), none of Royalty Payor nor any of its Affiliates will discriminate against the Bitumen produced or producible from the Royalty Lands in the production, treatment, storage, transportation, sales or marketing of such Bitumen solely because such Bitumen is subject to the Overriding Royalty.

ARTICLE 3 PAYMENT AND ACCOUNTING

3.1 Billing and Payment

- (a) On or before the last day of the Month immediately following a Month in respect of which Hangingstone Bitumen Volumes are produced, or any amounts are otherwise payable by Royalty

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Payor to Royalty Owner hereunder (the "**Production Month**"), Royalty Payor will provide Royalty Owner with a statement in written or electronic format, showing the manner in which Royalty Payor calculated the amounts payable for such Production Month, including the following, as applicable:

- (i) the Royalty Share of Bitumen Equivalent in such Production Month, together with the Hangingstone Bitumen Volumes for such Production Month;
 - (ii) any other amounts payable by Royalty Payor hereunder; and
 - (iii) the total amount payable by Royalty Payor.
- (b) The net amount payable by Royalty Payor to Royalty Owner pursuant to Subsection 3.1(a) shall be made within two (2) Business Days after delivery of the statement specified in Subsection 3.1(a). The payment of any amounts hereunder shall not impair or limit Royalty Owner's rights to dispute a statement or Royalty Owner's audit rights set forth in Section 3.3.

3.2 Late Payment

Payment shall be deemed made on the date funds are credited to the payee's account. If Royalty Payor fails to pay any amounts owing when due, Royalty Payor agrees to pay interest on the unpaid balance at the Prime Rate hereunder plus two percent (2%) calculated monthly from the day such payment is due until the day it is paid.

3.3 Books, Records and Audit Right

- (a) Royalty Payor shall keep and maintain true and correct books, records and accounts showing credits and charges hereunder, including the kind and quantity of Bitumen produced from and attributed to Payor's Working Interest in the Royalty Lands, the disposition thereof and the price obtained therefor.
- (b) Royalty Owner may, upon reasonable notice to Royalty Payor, during normal business hours and at Royalty Owner's own expense, audit the books, records and accounts of Royalty Payor, including production accounting and marketing records, with respect to the production, disposition or sale of the Hangingstone Bitumen Volumes within twenty four (24) Months following the end of the applicable Year. Royalty Owner will conduct any such audit in accordance with PASC Joint Venture Audit Protocol Bulletin No. 6 (or any replacement therefor).
- (c) Any statement issued by Royalty Payor to Royalty Owner respecting the calculation of the Overriding Royalty will be presumed to be true and correct, unless a Party takes written exception thereto and requests an adjustment pursuant to this Section 3.3 within twenty six (26) Months following the end of the Year in which that statement was issued.
- (d) Any discrepancies disclosed by such audit, whether positive or negative, shall be identified in writing to Royalty Payor within sixty (60) days following the completion of such audit, and Royalty Payor shall respond in writing to any claims or discrepancies within sixty (60) days of the receipt of such notice of claim or discrepancies. If Royalty Payor does not respond in such sixty (60) day period, a credit for the disputed amount shall be deemed to be made in favour of Royalty Owner.

- (e) To the extent that Royalty Payor and Royalty Owner are unable to resolve any outstanding claims or discrepancies disclosed by such audit within thirty (30) days of the response of Royalty Payor, such exceptions shall be resolved pursuant to the Dispute Resolution Procedure.

3.4 Adjustments

Subject to Subsection 3.3(c), if the payment made by Royalty Payor to Royalty Owner on account of the Overriding Royalty for a Month is greater or less than the actual amount thereof required to be paid, Royalty Payor shall deduct any such overpayment or add any such underpayment to the subsequent payment made by Royalty Payor to Royalty Owner on account of the Overriding Royalty for the next succeeding Month after the requirement for the adjustment was discovered; provided that, in respect of any such adjustment, the audit right limitations specified in Subsection 3.3(c) shall be extended to reflect the time period when such adjustment was actually made.

3.5 Form of Payments

All payments shall be made by wire transfer in immediately available funds to the bank and account of the payee specified in the statement. Payment shall be in Canadian Dollars. Wire transfer charges shall be for the account of the payor. If Royalty Owner elects to change the bank or account to which payments are to be made, it shall notify Royalty Payor at least thirty (30) days in advance of the effective date of such change.

ARTICLE 4 OPERATIONS

4.1 Maintenance of Royalty Lands and Title and Operating Documents

Royalty Payor shall, at its own cost, pay for all rentals, royalties, taxes, expenses and charges payable under the provisions of the Title and Operating Documents with respect to the Royalty Lands. Royalty Payor shall, at its own cost, keep the Royalty Lands and the Title and Operating Documents in good standing, provided that nothing shall require Royalty Payor to undertake any operation that would be required to extend, continue or renew a Title Document.

4.2 Exclusive Control over Development

As between Royalty Payor and Royalty Owner, Royalty Payor shall have exclusive control and authority over development of, and recovery of Bitumen from the Royalty Lands including making all decisions respecting whether, when and how to conduct all operations in relation to the Royalty Lands and nothing in this Agreement shall impose any obligation, express or implied, on Royalty Payor to explore or develop the Royalty Lands. In furtherance thereof, Royalty Payor shall have the right to enter into and amend the Title and Operating Documents from time to time on such terms and conditions as it considers appropriate, and the Parties agree that Royalty Owner will not be liable for any of the duties or obligations of Royalty Payor arising under the Title and Operating Documents, as amended or otherwise.

4.3 Protection From Encumbrances

- (a) Royalty Payor will pay (or cause to be paid) all costs for goods and services supplied with respect to the Royalty Lands and operations thereon as those costs become due and payable, subject to Royalty Payor's rights to contest any such costs.

- (b) Except for the Permitted Encumbrances, Royalty Payor will keep the Royalty Lands free from Liens and encumbrances, unless there is a *bona fide* dispute with respect thereto, in which case Royalty Payor shall promptly notify Royalty Owner in writing of any such dispute, setting forth a reasonably detailed description thereof, and providing reasonable information to Royalty Owner regarding the resolution of such dispute. Insofar as there is such a *bona fide* dispute, Royalty Payor will proceed in good faith and with reasonable diligence to resolve that dispute, and will take such other lawful and prudent steps as are reasonably appropriate to protect the Royalty Lands from seizure.
- (c) To the extent affecting the Royalty Lands, Royalty Payor will use reasonable efforts to not permit any dues or claims from any Workers' Compensation Board or similar authority established under the Applicable Laws to become in arrears.
- (d) If Payor's Working Interest is or becomes encumbered by any royalty, overriding royalty, production payment or other charge or encumbrance of any nature whatsoever, Royalty Payor shall be solely responsible for, and shall indemnify and hold harmless Royalty Owner against, any such additional encumbrance.

4.4 Surrender and Abandonment of Royalty Lands

- (a) Subject to the remainder of this Section, if Royalty Payor determines *bona fide* and in good faith that the Title and Operating Documents pertaining to any portion of the Royalty Lands should be surrendered to the issuer of the Title and Operating Documents, or that such Title and Operating Documents should be allowed to expire or otherwise surrendered, Royalty Payor shall be entitled to proceed with such surrender, or to allow such expiry to occur, and upon the surrender or expiry becoming effective the Overriding Royalty shall no longer be payable in respect of the applicable Royalty Lands.
- (b) If Royalty Payor intends to surrender to the issuer of the Title and Operating Documents or to allow to expire all or a portion of the Title and Operating Documents for Royalty Lands (including through the non-performance of any obligation), Royalty Payor shall give notice (hereinafter referred to as the "**Surrender/Expiry Notice**") to Royalty Owner specifying the lands or zones subject to surrender or expiry, which Surrender/Expiry Notice shall be given to Royalty Owner at least sixty (60) days in advance of the earlier of:
 - (i) the date of surrender or expiry, as the case may be; or
 - (ii) the date for the performance of any obligation, the non-performance of which would result in the lapse, termination, forfeiture or cancellation of all or a portion of the Title and Operating Documents.
- (c) Royalty Owner shall have the right to elect by notice to Royalty Payor, within thirty (30) days after receipt of Royalty Payor's Surrender/Expiry Notice, to acquire Payor's Working Interest in all or any portion of the lands or zones affected by the Surrender/Expiry Notice.
- (d) To the extent that Royalty Owner gives notice to Royalty Payor that it elects not to acquire all or any portion of the interests specified in the Surrender/Expiry Notice or if Royalty Owner fails to give notice pursuant to Subsection 4.4(c), Royalty Owner shall be deemed to have consented to the relevant surrender or expiry and Royalty Payor may surrender or allow to expire those interests specified in the Surrender/Expiry Notice that are not otherwise acquired (or intended to be acquired) by Royalty Owner pursuant to Subsection 4.4(c).

- (e) If Royalty Owner gives notice to Royalty Payor that it elects to acquire all or any portion of the interests specified in the Surrender/Expiry Notice, Royalty Payor shall assign such interests (or portion thereof) to Royalty Owner, free and clear of all encumbrances created by, through or under Royalty Payor other than the Permitted Encumbrances set out in Subsections 1.1(cc)(i) through 1.1(cc)(xii), effective as of the date Royalty Owner elects to acquire such interest, and Royalty Owner shall as full consideration therefore pay to Royalty Payor the sum of one dollar (\$1.00), and assume all Royalty Lands Environmental Liabilities in respect of such interests. Such assignment, however, shall not release Royalty Payor from any obligation which should have been performed by it or any liability which may have accrued to it prior to that assignment under the terms and conditions of this Agreement.

ARTICLE 5
INDEMNITY

5.1 Acknowledgment

Royalty Payor acknowledges that Royalty Owner is not liable for any of the duties and obligations arising under the Title and Operating Documents except for Royalty Owner's rights and obligations arising under Section 4.4.

5.2 Royalty Payor Indemnity

Royalty Payor shall:

- (a) be liable to Royalty Owner and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Royalty Owner and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a direct result of any matter or thing arising out of, resulting from, attributable to or in any way connected with:

- (c) a breach of any covenant of Royalty Payor herein made;
- (d) any act, omission, circumstance or other matter (whether negligent or otherwise) arising out of, resulting from, attributable to, or connected with the operations or activities conducted by Royalty Payor or other Persons acting on behalf of Royalty Payor on the Royalty Lands on the Royalty Lands;
- (e) Payor's Working Interest in the Royalty Lands; or
- (f) the Royalty Lands Environmental Liabilities.

ARTICLE 6
LIEN & DEFAULT REMEDIES

6.1 Lien and Registration

- (a) In order to secure the rights of Royalty Owner under this Agreement and the corresponding obligations of Royalty Payor hereunder, including in respect of the Overriding Royalty and

pursuant to Article 5, Royalty Payor hereby grants to Royalty Owner a mortgage, charge, encumbrance and security interest in all of the Collateral (the "**Royalty Owner Lien**"). The Royalty Owner Lien is intended to operate as: (i) a security interest in all of the Collateral (other than real property) presently existing; (ii) a security interest in all future Collateral (other than real property); and; (iii) to the extent permitted by or provided for under Applicable Laws, a land charge or floating charge on all present and future real property included in the Collateral, in each case, subject to any Subordination Agreement.

- (b) Royalty Payor acknowledges that value has been given, that Royalty Owner has rights in the Collateral, and that Royalty Payor and Royalty Owner have not agreed to postpone the time for attachment of the Royalty Owner Lien to any of the Collateral. In respect of Collateral which is acquired after the date of execution hereof, the time for attachment will be the time Royalty Payor acquires or has rights in such Collateral.
- (c) Royalty Owner shall be entitled to, subject to the terms and conditions of any Subordination Agreement, (i) make and maintain all registrations and filings against Royalty Payor in personal property registries necessary or desirable to perfect the Royalty Owner Lien in the Collateral, and (ii) after the occurrence of an Event of Default which is continuing, register and maintain all applicable instruments securing the Royalty Owner Lien against the freehold, Crown or any other applicable titles in respect of the Collateral, in each case, without adverse claim ever being made by Royalty Payor or any Person claiming by, through or under Royalty Payor.
- (d) Royalty Payor shall co-operate with Royalty Owner in taking any reasonable actions that are necessary or appropriate to create and perfect the Royalty Owner Lien granted hereunder.

6.2 Royalty Owner's Default Remedies

Subject to the terms and conditions of any Subordination Agreement, if Royalty Payor fails to perform any of its obligations hereunder ("**Obligations**"), then, from and after the date that is ten (10) Business Days from the date Royalty Owner provides notice of such failure Royalty Payor shall be in default, and thereafter Royalty Owner shall have the right, to:

- (a) charge interest on any unpaid amounts in accordance with Subsection 3.1(b);
- (b) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid, as if the Obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort to set-off or counter-claim by Royalty Payor;
- (c) to review, during regular business hours and on reasonable prior written notice and without undue disruption to the business of the Royalty Payor, the records of Royalty Payor regarding production and sales of Bitumen or Dilbit produced from Payor's Working Interest in the Royalty Lands and Royalty Payor shall be required to provide access to Royalty Owner or its agent to such records; and
- (d) if such default continues for a further forty-five (45) days (each, an "**Event of Default**"), in each case subject to the terms and conditions of any Subordination Agreement:
 - (i) either appoint a new agent to act in the place and stead of Royalty Payor for the purposes of Section 2.3, or to appoint itself as agent;

- (ii) set-off against any amount unpaid by it under this Agreement or any other agreement between it and Royalty Payor or any Affiliate of Royalty Payor, whether entered into before or after the date hereof;
- (iii) treat the default as an immediate and automatic assignment to Royalty Owner of the proceeds of the sale of Royalty Payor's share of Bitumen or Dilbit produced from, deemed to be produced from or allocated to the Royalty Lands and require the purchaser of Royalty Payor's share of Bitumen or Dilbit to make payment therefor to Royalty Owner while the default continues; and
- (iv) enforce the Royalty Owner Lien and exercise all the rights it may have under the Applicable Law, in equity or otherwise. Royalty Owner shall have the right to enforce one or more rights and remedies successively or concurrently in accordance with Applicable Laws and Royalty Owner expressly retains all rights and remedies not inconsistent with the provisions of this Agreement including all the rights it may have under the PPSA and the LPA. Without limitation, Royalty Owner may, exercise any of the following rights:
 - (A) **Appointment of Receiver** – Appoint by instrument in writing a receiver (which term shall include a receiver and manager or agent) of Royalty Payor and of all or any part of the Collateral and remove or replace such receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a receiver. Any such receiver appointed by Royalty Owner, with respect to responsibility for its acts, shall, to the extent permitted by Applicable Law, be deemed the agent of Royalty Payor and not of Royalty Owner. Reference to the "**Royalty Owner**" in this Article includes, where the context permits, any receiver so appointed and the officers, employees or agents of such receiver;
 - (B) **Enter and Repossess** – Immediately and without notice enter Royalty Payor's premises and repossess, disable or remove the Collateral;
 - (C) **Retain the Collateral** – Retain and administer the Collateral in Royalty Owner sole and unfettered discretion;
 - (D) **Dispose of the Collateral** – Dispose of any Collateral by public auction, private tender or private contract, with or without notice, advertising or any other formality and on such terms and conditions as Royalty Owner may establish;
 - (E) **Foreclosure** – Foreclose upon the Collateral or take the Collateral in satisfaction of the Obligations secured and take all steps as may be required in connection therewith, including the crystallization of any floating charge on real property and completing any required registrations in all applicable land titles or registry offices;
 - (F) **Bankruptcy Claims** – File proofs of claims or other documents as may be necessary or desirable to have Royalty Owner claim lodged in any bankruptcy, winding-up, liquidation, arrangement, dissolution or other proceedings (voluntary or otherwise) relating to Royalty Payor;

- (G) **Enforcing Third Party Obligations** – In Royalty Payor's name and at Royalty Payor's expense, perform any and all of Royalty Payor's obligations or covenants relating to the Collateral, enforce performance by any other parties of their obligations in relation to the Collateral, and settle any disputes with other parties upon terms that Royalty Owner deems appropriate, in its discretion;
- (H) **Collection of Accounts and Proceeds** – On Royalty Owner's own account or through a receiver, receiver-manager or agent and whether alone or in conjunction with the exercise of all or any other remedies contemplated by this Agreement, notify and direct account debtors and any Person obligated to Royalty Payor under a promissory note or bill of exchange to make all payments whatsoever to Royalty Owner and Royalty Owner shall have the right, at any time, to hold all amounts received from any account debtors and any Person obligated to Royalty Payor under a promissory note or bill of exchange and any proceeds as part of the Collateral. Upon the occurrence, and during the continuance of, an Event of Default, any payments or proceeds received by Royalty Payor shall be held by Royalty Payor in trust for Royalty Owner in the same form in which received, shall not be commingled with any assets of Royalty Payor and shall, at the request of Royalty Owner be turned over to Royalty Owner not later than the next business day following the day of their receipt;
- (I) **Carry on Business** – Carry on or concur in the carrying on of all or any part of the business of Royalty Payor and may, in any event, to the exclusion of all others, including Royalty Payor, enter upon, occupy and use all premises of or occupied or used by Royalty Payor and use any of the personal property (which shall include fixtures) of Royalty Payor for such time and such purposes as Royalty Owner sees fit. Royalty Owner shall not be liable to Royalty Payor for any neglect in so doing or in respect of any related rent, costs, charges, depreciation or damages;
- (J) **Payment of Encumbrances** – Pay any Liens or other claims that may exist or be threatened against the Collateral, and any amount so paid, together with all costs, charges and expenses incurred, shall be added to the Obligations and shall bear interest at the Default Rate;
- (K) **Payment of Deficiency** – If the proceeds of realization are insufficient to pay all Obligations, Royalty Payor shall forthwith pay or cause to be paid to Royalty Owner any deficiency and Royalty Owner may sue Royalty Payor to collect the amount of such deficiency; and
- (L) **Dealing with Collateral** – Subject to Applicable Laws, seize, collect, realize, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Collateral in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to Royalty Owner advisable and without notice to Royalty Payor. The Royalty Owner may charge on its own behalf and pay to others sums for expenses incurred and for services rendered (expressly including legal, consulting, broker, management, receivership and accounting fees) in or in connection with seizing, collecting, realizing, borrowing on the security of, selling or obtaining payment of the Collateral and may add all such sums to the

Obligations and such sums shall bear interest in accordance with Subsection 3.1(b) any such seizing, collecting, realizing, borrowing on the security of, selling or releasing made as aforesaid shall be a perpetual bar both at law and in equity against Royalty Payor and its assigns and against all other Persons claiming the Royalty Lands or other lands forming part of the Collateral, the production of Bitumen or Dilbit produced from, deemed to be produced from or allocated to the Royalty Lands or the equipment thereon, or any part or parcel thereof sold as aforesaid by, from, through or under Royalty Payor or its assigns.

6.3 Royalty Owner Lien Subordination

Forthwith upon the request of Royalty Payor, Royalty Owner shall enter into a Subordination Agreement with any Senior Lender holding Senior Debt secured by Senior Lender Security subordinating the Royalty Owner Security to the aggregate Senior Lender Security, to a maximum of \$25,000,000 United States Dollars. Notwithstanding the forgoing, nothing in this Agreement shall be construed as to give any Senior Lender any interest in the Overriding Royalty, the Royalty Share of Bitumen and such Royalty Share of Bitumen Equivalent, and the proceeds thereof, and no subordination by Royalty Owner contemplated herein shall require the Royalty Owner to be subordinated with respect to the Overriding Royalty, the Royalty Share of Bitumen and such Royalty Share of Bitumen Equivalent, and the proceeds thereof, and the Royalty Owner's rights associated therewith shall not be subject to any postponement or subordination.

ARTICLE 7 ASSIGNMENT

7.1 Assignment by Royalty Owner

- (a) Royalty Owner may transfer or assign its Overriding Royalty in whole or part, on notice to Royalty Payor.
- (b) Royalty Payor may dispose of, transfer or assign all or any part of its interest in the Royalty Lands, whether by way of sale, farmout, participation, contribution or otherwise, upon prior written notice to Royalty Owner provided that no such disposition, transfer or assignment shall be binding or effective unless and until such time as Royalty Owner has received from the proposed transferee a written assumption agreement, on terms and conditions satisfactory to Royalty Owner, acting reasonably, whereby such proposed transferee agrees for the benefit of Royalty Owner to assume, be bound by, observe, and perform all of the covenants and terms of this Agreement then binding on Royalty Payor insofar as they relate to the interest transferred or assigned which arise or accrue on or after the effective date of the transfer. Upon completion and delivery to Royalty Owner of such executed assumption agreements, Royalty Payor shall be released and discharged from any and all liability and obligations thereafter accruing under this Agreement, or the Title and Operating Documents relating to the Royalty Lands, insofar as they relate to the interest so transferred or assigned. Any disposition, transfer or assignment by Royalty Payor that does not comply with the provisions of this this Section 7.1(b) shall be null and void.

7.2 Assignment by way of Security

For certainty, nothing in Section 7.1 shall restrict, limit or otherwise prevent or affect an assignment by Royalty Payor, or any Affiliate or successor, made by way of Senior Lender Security, provided that:

- (a) such assignment does not encumber or purport to encumber the Overriding Royalty, the Royalty Share of Bitumen or the Royalty Share of Bitumen Equivalent; or
- (b) a No Interest Letter has been signed by the Senior Lender holding such Senior Lender Security and delivered to Royalty Owner.

ARTICLE 8 TERM AND TERMINATION

8.1 Term and Termination

This Agreement shall terminate when all of the Title and Operating Documents have terminated, except:

- (a) to the extent contemplated by Subsection 2.2(d);
- (b) Article 3, to the extent relevant to the period prior to such termination;
- (c) Section 10.11, for a period of two (2) Years following such termination; and
- (d) Section 5.2 and Article 6, which shall survive indefinitely;

and such other provisions as are necessary for the interpretation and enforcement of the forgoing.

ARTICLE 9 DISPUTES

9.1 Dispute Resolution Procedure

All Disputes between the Parties shall be resolved pursuant to the provisions of the Dispute Resolution Procedure.

ARTICLE 10 GENERAL

10.1 Further Assurances

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

10.2 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

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this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement together with the Sale Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

10.3 Laws and Regulations

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

10.4 Jurisdiction and Venue

Subject to the Dispute Resolution Procedure and in the case of Subsections 10.4(a) and 10.4(b), Subsection 10.4(c):

- (a) the Parties hereby irrevocably consent to the exclusive jurisdiction of the courts of the Province of Alberta and any appeal courts;
- (b) the Parties hereby irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Transaction in the courts of the Province of Alberta; and
- (c) in respect of any action, cause of action, Claim, cross-claim or third-party Claim, each Party hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any such Claim or cause of action.

10.5 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

10.6 Time of Essence

Time shall be of the essence in this Agreement.

10.7 Notices

Any notice, Claim or other communication provided for in this Agreement or any notice that either Party may desire to give to the other shall be in writing and shall be: (i) sent by email transmission; (ii) delivered by hand; (iii) sent by Canada Post mail with all postage fully prepaid; or (iv) sent by courier with charges paid in accordance with the customary arrangements established by such courier, in each of the foregoing cases addressed to the Party at the following addresses:

To Royalty Owner: **JAPAN CANADA OIL SANDS LIMITED**

Suite 2300, 639-5th Avenue SW
Calgary, AB T2P 0M9

Attention: President
Email: satoshi.abe@jacos.com

To Royalty Payor: **GREENFIRE HANGINGSTONE OPERATING CORPORATION**

3607 – 7th Street SW
Calgary, AB T2T 2Y2

Attention: Al Stark
Email: astark@greenfireoilandgas.com

or at such other address as either Party may at any time designate by giving written notice to the other Party. Notices, invoices, allocation statements, Claims or other communications shall be deemed received as follows: (i) if delivered personally, upon delivery; (ii) if sent by Canada Post, whether by express mail, registered mail, certified mail or regular mail, the notice shall be deemed to have been received by the close of the third (3rd) Business Day after the day upon which it was postmarked and sent, or such earlier time as is confirmed orally or in writing by the receiving Party; (iii) if sent by a courier service, upon delivery; or (iv) if sent by email, the Business Day following the day on which it was transmitted.

10.8 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10.9 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provision of this Agreement, including without limitation, this section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

10.10 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

10.11 Further Disclosures

To satisfy any disclosure and other obligations or requirements of Royalty Owner relating to the Overriding Royalty and the Royalty Lands now or hereafter, arising under the Applicable Laws, including any national instrument or local securities commission rule to which Royalty Owner is subject, Royalty Payor agrees to provide Royalty Owner, its personnel and advisors and consultants (including, without limitation, any auditors, accountants, legal, engineering and other advisors and consultants engaged by Royalty Owner), at the sole risk, cost and expense of Royalty Owner, such additional information as Royalty Owner may hereafter require, and to make available such of Royalty Payor's personnel as may be reasonably required by Royalty Owner, to satisfy such requirements.

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10.12 Confidentiality

- (a) Each Party shall keep, and shall cause its Representatives to keep, confidential all confidential information obtained from the other Party and shall not, and shall cause its Representatives to not, release any information concerning this Agreement, the transaction contemplated herein or the identity of the Parties, or any of their Representatives, without the prior written consent of the other Party except:
- (i) when and to the extent required by the Applicable Laws and securities laws applicable to such Party, provided that such Party shall invoke any confidentiality protection permitted by such Applicable Laws and securities laws;
 - (ii) to a third Person to which such Party may be permitted to assign its interest, or portion of its interest hereunder, provided that a covenant is obtained from such third Person prior to disclosure which provides, *inter alia*, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than evaluating a transaction that would result in an assignment of a Party's interest hereunder; and
 - (iii) to the technical, financial or other professional advisors, auditors and consultants of such Party which require such information to provide their services to such Party or any lender or other funding provider, or equity underwriter from which such Party is attempting to obtain financing, provided that a covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, *inter alia*, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Party or providing financing to such Party, as applicable.

Notwithstanding the foregoing, the confidentiality obligation hereunder shall not extend to information to the extent that it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

- (b) The Parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from Third Parties all such confidential information concerning this Agreement, the transaction contemplated herein, or the identity of the Parties, or any of their Representatives.
- (c) Notwithstanding the foregoing, any Party that ceases to be bound by the provisions of this Agreement shall nevertheless remain bound by the provisions of this Section 10.12 with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

10.13 Limitations Act

The two-year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act (Alberta)* for any claim (as defined therein) arising in connection with this Agreement is extended to:

- (a) for claims disclosed by an audit, 2 years after the time this Agreement permitted that audit to be performed; or
- (b) for all other claims, 4 years.

10.14 Counterpart Execution

This Agreement may be executed by the Parties in counterparts and may be executed, scanned and delivered by e-mail and all the counterparts and scanned copies together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

JAPAN CANADA OIL SANDS LIMITED

Per:

Per:

Name:
Title:

Name:
Title:

THE FOLLOWING TWO (2) PAGES COMPRISE SCHEDULE "A" ATTACHED TO AND FORMING PART OF THE NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT DATED [•], 2018 BETWEEN GREENFIRE HANGINGSTONE OPERATING CORPORATION AND JAPAN CANADA OIL SANDS LIMITED

ROYALTY LANDS AND TITLE AND OPERATING DOCUMENTS

Crown Lease	Land Description, Rights, and Area	Working Interest	Encumbrances
Portion Alberta Crown Oilsands Lease No. 7282010T70 Expiry: Section 13 Continuation	Twp. 84, Rge. 11 W4M: NW26, N27, N28, 33, 34, W35 (Oil Sands in the Wabiskaw-McMurray) Area: 3.75 sections; 960 ha	75% Registered Interest subject to Note 1 below Note 1 - 100% Beneficial Interest pursuant to the DOA, as more specifically detailed in Schedule A thereunder.	Alberta Crown Sliding Scale Lessor Royalty

THE FOLLOWING THREE (3) PAGES COMPRISE SCHEDULE "B" ATTACHED TO AND FORMING PART OF THE NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT DATED [•], 2018 BETWEEN GREENFIRE HANGINGSTONE OPERATING CORPORATION AND JAPAN CANADA OIL SANDS LIMITED

DISPUTE RESOLUTION PROCEDURE

- (a) Application of Dispute Resolution Procedure: Except as otherwise provided for in the Agreement, if a Dispute of whatever nature arising out of or relating to the Agreement which has not been resolved in the normal course of business arises between the Parties, the Parties agree to use and follow this dispute resolution procedure.
- (b) Commencement of Dispute Resolution Procedure
- (i) A Party who desires to submit a Dispute for resolution shall commence the dispute resolution procedure by providing the other Party to the Dispute with a notice of the Dispute (the "**Notice of Dispute**"). The Notice of Dispute shall contain a brief statement of the nature of the Dispute and the relief requested.
- (ii) Following the submission of a Notice of Dispute, the Parties agree to use a two-step process to resolve any Dispute without resort to litigation, which process shall be taken in the following order:
- (A) first, by referring the Dispute to negotiations pursuant to the procedure set forth in paragraph (c); and
- (B) second, by arbitration pursuant to the procedure set forth in paragraph (d) in the event negotiations are unsuccessful under paragraph (d).
- (c) Negotiation
- (i) Upon the submission of a Notice of Dispute by either of the Parties, each Party shall refer the Dispute to a designated senior management representative who has the authority to negotiate a settlement of the Dispute for that Party ("**Senior Management Representative**").
- (ii) The Senior Management Representative of each Party shall discuss and attempt to resolve the Dispute within thirty (30) Days after the date on which the Notice of Dispute was provided by a Party to the other Party (or such longer period as the Senior Management Representatives may otherwise agree).
- (iii) If the Senior Management Representatives agree upon a resolution of the Dispute, such resolution shall be binding upon the Parties and will be memorialized in a written settlement agreement mutually acceptable to the Parties.
- (iv) For the avoidance of doubt, any verbal agreements made by the Senior Management Representatives shall not constitute a binding settlement of a Dispute, and the Parties agree that any discussions among the Senior Management Representatives in accordance

with this paragraph (c) are without prejudice and cannot be used as evidence in the prosecution of any Claim against a Party.

(d) Arbitration

Commencement of Arbitration

- (i) If the Senior Management Representatives have not resolved the Dispute to the satisfaction of both Parties within thirty (30) Days of the Notice of Dispute (or such longer period as the Senior Management Representatives may otherwise agree), either Party may refer the Dispute to be finally resolved through binding arbitration in accordance with the National Arbitration rules of the ADR Institute of Canada, Inc. (the "**ADRIC Rules**"), except as such rules are inconsistent with or in conflict with any terms herein or are otherwise modified or amended by a subsequent written agreement between the Parties.
- (ii) A Dispute that becomes subject to arbitration under this paragraph (d) shall be commenced by a Party (the "**Claimant**") with the delivery of a notice of request for arbitration (the "**Notice of Request to Arbitrate**") to the other Party (the "**Respondent**") in accordance with the ADRIC Rules.
- (iii) Within thirty (30) Days of receiving the Notice of Request to Arbitrate, the Respondent shall inform the Claimant of any counterclaims it wishes to advance against the Claimant in the arbitration.

Legal Seat and Language of Arbitration

- (iv) The place, or legal seat, of the arbitration shall be Calgary, Alberta. The place of all hearings shall be Calgary, Alberta, unless otherwise agreed by the Parties.
- (v) The language to be used in the arbitration proceedings shall be English.

Arbitration Panel

- (vi) The number of arbitrators in any arbitration under this paragraph (d) shall be three (the "**Arbitration Panel**"). The Claimant shall appoint one arbitrator, with its Notice of Request to Arbitrate. The Respondent shall appoint a second arbitrator within thirty (30) Days of the Notice of Request to Arbitrate. The two Party-appointed arbitrators shall together select the third arbitrator who shall act as chair of the Arbitration Panel ("**Arbitration Chair**"). If the two Party-appointed arbitrators cannot together agree on who shall act as Arbitration Chair within thirty (30) Days of their appointment, the Parties shall jointly request that the ADR Institute of Canada Inc. appoint an Arbitration Chair.

Interim and Conservatory Measures

- (vii) The Arbitration Panel shall be authorized to issue interim or conservatory measures as set forth in the ADRIC Rules. However, any Party to the Dispute may apply to a court of competent jurisdiction for interim or conservatory measures (A) prior to the constitution of the Arbitration Panel, or (B) in the absence of jurisdiction of the Arbitration Panel to rule on interim or conservatory measures. The Parties agree that seeking and obtaining interim or conservatory measures from a court of competent jurisdiction under either of these circumstances shall not waive the right to arbitration.

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Awards

- (viii) An arbitration under this paragraph (d) shall be resolved as quickly and efficiently as possible. The Parties shall request that the Arbitration Panel render its final award and provide reasons for that award within ninety (90) Days following the conclusion of the hearing, or as soon as possible thereafter, provided that no award shall be invalid if it is not rendered within the time period herein specified.
- (ix) Any award, including partial, interim, and final awards, of the Arbitration Panel shall be final, non-appealable and binding on the Parties. The Parties expressly waive, to the maximum extent permitted by law, any right of appeal of any arbitration award.
- (x) Awards shall be made and payable in Canadian dollars, unless a matter in dispute was originally denominated in U.S. dollars in which event the award shall be made and payable in U.S. dollars.

Rules of Evidence

- (xi) The Arbitration Panel shall be guided by the International Bar Association's Rules on the Taking of Evidence in International Commercial Arbitration (the "**IBA Rules**"). In the event of any inconsistencies or conflicts between the IBA Rules and ADRIIC Rules in matters relating to the taking of evidence, the IBA Rules should be preferred.

Continuing Performance

- (e) The Parties agree that performance under this Agreement shall continue during the resolution of a Dispute pursuant to this dispute resolution

Tolling of Limitation Periods

- (f) The Parties agree that any limitation period imposed by agreement or by law shall be tolled upon the issuance of a Notice of Dispute until the conclusion of the Dispute resolution procedure under this dispute resolution procedure.

THE FOLLOWING SIX (6) PAGES COMPRISE SCHEDULE "C" ATTACHED TO AND FORMING PART OF THE NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT DATED [•], 2018 BETWEEN GREENFIRE HANGINGSTONE OPERATING CORPORATION AND JAPAN CANADA OIL SANDS LIMITED

FORM OF NO INTEREST LETTER

See attached.

AGREEMENT RE: NO INTEREST

TO: JAPAN CANADA OIL SANDS LIMITED (the "**Royalty Owner**")

AND TO: GREENFIRE HANGINGSTONE OPERATING CORPORATION (the "**Royalty Payor**")

Reference is made to (i) [**CREDIT AGREEMENT**] dated •, 2018 (as may be amended, modified and amended and restated from time to time, the "**Credit Agreement**") among Royalty Payor, as borrower (the "**Borrower**"), [**LENDER**], as (the "**Lender**"), (ii) that certain [**DEBENTURE**] dated •, 2018 (as amended or otherwise modified to date, the "**Debenture**"), granted by the Borrower in favour of the Lender pursuant to which the registrations described in Schedule "A" hereto have been made in the Alberta Personal Property Registry (which, together with any and all other security held by the Lender against the Borrower pursuant to the Debenture is hereinafter referred to as the "**Security**"), and (iii) that certain Gross Overriding Royalty Agreement, dated •, 2018 (the "**Royalty Agreement**") between the Borrower, as Royalty Payor and the Royalty Owner, a copy of which is attached hereto as Schedule "B".

THE UNDERSIGNED hereby acknowledges, confirms and agrees with the Royalty Owner as follows, knowing that the Royalty Owner will be relying upon such acknowledgment, confirmation and agreement:

1. it has been notified that the Royalty Owner has retained a royalty interest in and to Royalty Lands as set forth in the Royalty Agreement (the "**Overriding Royalty**");
2. the Overriding Royalty, the Royalty Share of Bitumen (as defined in the Royalty Agreement), the proceeds of sale of the Royalty Share of Bitumen, and any property of the Royalty Owner that may, from time to time, be in the possession of the Royalty Payor or any of its Affiliates, as agent and trustee for, and on behalf of, the Royalty Owner, in accordance with the applicable provisions of the Royalty Agreement, (collectively, the "**GORR Interests**") are not subject to, and are hereby released and discharged from, the Security and, to the extent necessary, are hereby reconveyed to the Royalty Payor;
3. the Security has not been assigned and the Lender agrees that the Security will not be assigned unless the assignee has executed and delivered to the Royalty Owner a no interest letter in favour of the Royalty Owner substantially in the form hereof;
4. it acknowledges, agrees and affirms that, for so long as the Royalty Agreement is in effect:
 - (a) it will not seek nor support any Person in seeking (and will not seek or support the appointment of a receiver that seeks) any conveyance of all or any portion of the Royalty Lands free and clear of the Overriding Royalty or the Royalty Agreement;
 - (b) it will not seek or support any restructuring plan or proposal, or otherwise make or support any Claim, that:
 - (i) any Person has an interest in the GORR Interests other than the Royalty Owner;
 - (ii) purports to eliminate or modify the Overriding Royalty or the Royalty Agreement without the express written consent of the Royalty Owner;

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- (iii) contests, challenges or brings into question the validity or enforceability of the Overriding Royalty as an interest in land, and specifically, in and to the Royalty Lands; or
 - (iv) contests, challenges or brings into question the validity or enforceability of any or all of the terms, covenants, and conditions in the Royalty Agreement as running with and binding upon the Title and Operating Documents, the Royalty Lands and the estates affected thereby for the life of any of the Title and Operating Documents, subject to the terms and conditions of the Royalty Agreement; and
 - (c) should the Lender foreclose or otherwise acquire an interest in the property of the Royalty Payor which is subject to the Security, then such interest shall be subject to the terms and conditions hereof and the Royalty Agreement;
5. **[it shall not contest, challenge or bring into question the validity, enforceability or perfection of the Royalty Owner Lien nor cause, assist or support any other Person in taking such action;]**¹
 6. capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Royalty Agreement as in effect on the date hereof;
 7. this agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein; and
 8. this agreement enures to the benefit of any and all permitted successors and assigns of the Royalty Owner and the Royalty Payor.

[Remainder of Page Intentionally Left Blank]

¹ To be included unless the Lender has delivered a Subordination Agreement.

Executed as of the date first written above:

[LENDER]

Per: _____

Name: _____

Title: _____

Address for notices hereunder:

•

SCHEDULE "A"

Alberta Personal Property Registry Registrations

<u>Registration Number</u>	<u>Registration Type</u>
•	SECURITY AGREEMENT
•	LAND CHARGE

SCHEDULE "B"

Royalty Agreement

(See Attached)

THE FOLLOWING TWENTY ONE (21) PAGES COMPRISE SCHEDULE "D" ATTACHED TO AND FORMING PART OF THE NON CONVERTIBLE GROSS OVERRIDING ROYALTY AGREEMENT DATED [•], 2018 BETWEEN GREENFIRE HANGINGSTONE OPERATING CORPORATION AND JAPAN CANADA OIL SANDS LIMITED

FORM OF SUBORDINATION AGREEMENT

See attached.

Subordination Agreement

DATED as of _____, 2018

AMONG:

[•], as the Senior Creditor

- and -

JAPAN CANADA OIL SANDS LIMITED, as the Subordinated Party

- and -

GREENFIRE OIL AND GAS LTD., as the Parent

- and -

GREENFIRE HANGINGSTONE OPERATING CORPORATION, as the Opco

RECITALS:

- A. The Debtor is or may become indebted to the Senior Creditor from time to time pursuant to or in connection with the Senior Obligations.
- B. The Debtor is or may become indebted to the Subordinated Party from time to time pursuant to or in connection with the Subordinated Obligations.
- C. As a condition precedent to the Senior Creditor consenting to the Debtor entering into the Subordinated Documents, the Senior Creditor requires the Subordinated Party to expressly subordinate and postpone the Subordinated Obligations to the Senior Obligations, and the Subordinated Security to the Senior Security, on the terms set forth herein. **[NTD: Adjust to reflect specific circumstances]**
- D. The Senior Creditor, the Subordinated Party and the Debtor wish to set forth their agreements with respect to the subordination of the Subordinated Obligations to the Senior Obligations, the subordination of the Subordinated Security to the Senior Security, and certain other matters arising from the Senior Documents and the Subordinated Documents.

AGREEMENT:

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 Senior Creditor, the Subordinated Party and the Debtor hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions. Any defined terms used but not otherwise defined herein shall have the meanings assigned to such terms in the GORR Agreement. In addition, the following words and phrases will have the following meanings when used herein:

“Applicable Law” means, in relation to any Person, Assets, transaction or event, all applicable provisions of federal, provincial, state, municipal or local laws, statutes, rules, regulations, by-laws, official directives and orders of all governmental authorities and all governmental actions in which the Person in question is a party or by which it is bound or having application to the Person, Assets, transaction or event.

“Assets” means, with respect to any Person, all property, assets and undertaking of such Person of every kind and wheresoever situate, whether now owned or hereafter acquired, and both real and personal.

“Bankruptcy Laws” shall mean all applicable bankruptcy, insolvency, arrangement, reorganization and other similar laws, rules and regulations, as amended from time to time, including any successor laws, rules and regulations.

“Business Day” means any day other than a Saturday, Sunday or statutory holiday in the Province of Alberta.

“Creditor Proceedings” means any voluntary or involuntary winding-up, dissolution, insolvency, receivership, bankruptcy, liquidation, reorganization, arrangement, composition or any other process or proceeding having similar effect that is filed and outstanding and involves or affects the Debtor or any of its Assets.

“Debtor” means, collectively, the Parent, the Opco and each other Affiliate thereof that from time to time becomes a borrower or issuer under the Senior Credit Agreement or a guarantor of or a Security Interest provider in respect of any of the Senior Obligations or the Subordinated Obligations.

“Default” or **“Event of Default”** have the meanings given to them in the Senior Credit Agreement.

“Distribution” means, with respect to any indebtedness, liability or obligation, (a) any payment or distribution by any Person of cash, securities or other Assets, by set-off, recoupment or otherwise, on account of such indebtedness, liability or obligation (including any payment of principal, interest or fees), or (b) any redemption, purchase or other acquisition of such indebtedness, liability or obligation by any Person, provided that any payment by the Debtor to the Subordinated Party of the Royalty Share of Bitumen Equivalent pursuant to the GORR Agreement shall not be a Distribution for the purposes hereof.

“Full Payment” means the full and final indefeasible payment in cash of Senior Debt up to the Maximum Amount, and, if applicable, the termination of all commitments on the part of Senior Lenders to lend any moneys or extend any services under the applicable agreements.

“GORR Agreement” means the non-convertible gross overriding royalty agreement dated as of _____, 2018 among the Debtor, as royalty payor and the Subordinated Party, as

royalty owner, as amended, amended and restated, modified, replaced, restated or supplemented from time to time.

“including” means including, without limitation, and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it, and **“includes”** shall be construed in a like manner.

“Maximum Amount” means US\$25,000,000 or the equivalent amount in any other currency or currencies.

“Opco” means Greenfire Hangingstone Operating Corporation and its transferees, successors and assigns.

“Other Senior Creditors” means any person lending, advancing, providing or holding Senior Debt.

“Parent” means Greenfire Oil and Gas Ltd. and its transferees, successors and assigns.

“Person” means any individual, firm, partnership, corporation or other body corporate, governmental authority, trust, unincorporated body of Persons or association and the heirs, executors, administrators or other legal representatives of an individual.

“Security Interest” means any assignment, mortgage, charge, pledge, lien, security interest, hypothec, encumbrance securing or in effect securing an obligation or any indebtedness of any Person, conditional sale, title retention agreement or security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, legal or equitable, perfected or not.

“Senior Credit Agreement” means the [credit agreement/loan agreement/notes indenture/convertible note] dated _____, 2018 among the Debtor, as borrower and [●], as [lender/lenders/agent/payee], as amended, amended and restated, modified, replaced, restated or supplemented from time to time. **[NTD: Adjust to reflect specific circumstances]**

“Senior Creditor” means the [lender/lenders/agent/payee] under the Senior Credit Agreement. **[NTD: Adjust to reflect specific circumstances]**

“Senior Documents” means the Senior Credit Agreement, the Senior Guarantees, all documents evidencing the Senior Security and all other **[Loan Documents]** (as that term is defined in the Senior Credit Agreement).

“Senior Guarantees” means, collectively, each guarantee granted and which may be granted from time to time by the Debtor or any affiliate thereof to or for the benefit of the Senior Creditor in respect of the Senior Obligations.

“Senior Obligations” means all of the present and future indebtedness, liabilities and obligations of the Debtor to the Senior Creditor, direct or indirect, absolute or contingent, joint or several, matured or unmatured, which arise under the Senior Documents and includes, for certainty, all **[Loan Indebtedness]** (as that term is defined in the Senior Credit Agreement).

“Senior Security” means all present and future Security Interests granted by the Debtor to or for the benefit of the Senior Creditor from time to time as security for the repayment of all or any of the Senior Obligations.

“Subordinated Party” means Japan Canada Oil Sands Limited and its transferees, successors and assigns.

“Subordinated Documents” means the GORR Agreement, the Subordinated Guarantees, all documents evidencing the Subordinated Security and all other agreements, certificates, instruments and documents delivered or to be delivered from time to time to or for the benefit of the Subordinated Party pursuant thereto or in connection with the Subordinated Obligations.

“Subordinated Guarantees” means, collectively, each guarantee granted and which may be granted from time to time by the Debtor or any affiliate thereof to or for the benefit of the Subordinated Party, or any of them, in respect of the Subordinated Obligations.

“Subordinated Obligations” means the present and future indebtedness, liabilities and obligations of the Debtor to the Subordinated Party, direct or indirect, absolute or contingent, joint or several, matured or unmatured, which arise under or in connection with the GORR Agreement and any other documents required under or in connection therewith, excluding the obligation to pay the Royalty Share of Bitumen Equivalent and any rights and remedies of the Subordinated Party associated with the Royalty Share of Bitumen Equivalent.

“Subordinated Security” means all present and future Security Interests granted by the Debtor to or for the benefit of the Subordinated Party from time to time as security for the repayment of all or any of the Subordinated Obligations.

ARTICLE 2 SENIOR CREDITOR'S PRIORITY

2.1 Subordination and Payment Block.

- (a) Subject to Section 2.3 and Section 2.15, the Subordinated Party and the Debtor covenant and agree that, notwithstanding anything to the contrary contained in the Subordinated Documents, all of the Subordinated Obligations are and shall continue to be fully postponed and subordinate, to the extent and in the manner hereinafter set forth, to all of the Senior Obligations. Subject to Section 2.3 and Section 2.15, the payment of any and all of the Subordinated Obligations, and the Subordinated Party's right to receive and accept any Distribution with respect thereto, whether in or outside of a Creditor Proceeding, shall be fully postponed and subordinate and subject in right and time of payment, to the extent and in the manner hereinafter set forth, to Full Payment.
- (b) Except as permitted by Section 2.3, the Debtor shall not make, and the Subordinated Party shall not accept, any Distribution on account of any Subordinated Obligations until Full Payment.

2.2 Priority of Senior Security. Subject to Section 2.15, the Subordinated Party agrees that the Subordinated Security is and shall be fully postponed and subordinate to, and is junior to, the Senior Security, and the Senior Security shall be senior and first in priority and in all respects shall rank ahead of the Subordinated Security. The Subordinated Party agrees, upon

the request of the Senior Creditor to prepare and register, at the sole cost and expense of the Debtor, financing change statements in respect of any real or personal property registrations made by or on behalf of the Subordinated Party from time to time (including any existing registrations) to evidence the subordination provisions of this Agreement.

2.3 Payments that may be Retained by Subordinated Party; Obligations that may be Performed by Debtor. Unless any payment of the Subordinated Obligations is prohibited by Section 2.4 hereof, the Debtor may pay and perform, and the Subordinated Party may accept, payments in respect of and may enforce (on an unsecured basis) compliance with the Subordinated Obligations, if (i) the amount of such payment (or the aggregate amount of a series of related payments) does not exceed \$300,000, or (ii) the Subordinated Party provides written notice of the proposed payment to the Senior Creditor and the Senior Creditor does not notify the Subordinated Party within ten (10) Business Days of receiving the Subordinated Party's notice that in the opinion of the Senior Creditor such payment could result in a Default or Event of Default under the Senior Documents or that such payment could have a material adverse effect on the Debtor or on its ability to repay the Senior Obligations.

2.4 Payment Block. From and after:

- (a) the Subordinated Party being provided with written notice from the Senior Creditor of a Default or an Event of Default under any Senior Document, or that a Default or an Event of Default may result from a payment under Section 2.3, or that a payment under Section 2.3 may have a material adverse effect on the Debtor or on the Debtor's ability to repay any of the Senior Obligations; or
- (b) a demand by the Senior Creditor for the payment of all or any part of the Senior Obligations under any Senior Document, or
- (c) the commencement of any Creditor Proceeding;

(each, a "**Payment Block Event**"), the Debtor agrees that it will not make, and the Subordinated Party agrees that it will not accept, any further payments in respect of any of the Subordinated Obligations (other than payments that are consented to in writing by the Senior Creditor) until the earlier of:

- (i) 90 days after the occurrence of the Payment Block Event (a "**Payment Block Period**"); or
- (ii) such circumstance being fully remedied by the Debtor (or in the case of a demand, such demand being withdrawn by the Senior Creditor) and the Senior Creditor being satisfied with the Debtor's written certification thereof (as provided by an officer of the Debtor together with reasonable evidence thereof) (with a copy to the Subordinated Party) or waived in writing by the Senior Creditor; or
- (iii) Full Payment,

provided that, upon the occurrence of a Payment Block Event resulting in a default or event of default by the Debtor under the Subordinated Documents and written notice thereof from the Subordinated Party to the Senior Creditor, the Payment Block Period shall run concurrently with the enforcement standstill period provided for in Section 4.1.

2.5 Subordination Absolute. Subject to the provisions of this Agreement, the subordination and postponement of:

- (a) the Subordinated Obligations to the Senior Obligations; and
- (b) the Subordinated Security to the Senior Security,

as set out in this Agreement shall apply in all events and circumstances. Without limiting the generality of the foregoing, the rights and priorities of the Senior Creditor and the subordination of the Subordinated Obligations and the Subordinated Security shall not be affected by:

- (i) the time, sequence or order of creating, granting, executing, perfecting, delivering of, filing or registering or failing to file or register any notice or instrument in respect of the Senior Documents or the Subordinated Documents;
- (ii) the date or the order of the creation of the Senior Obligations or the Subordinated Obligations;
- (iii) the time or order of any advance, giving of notice or the making of any demand or the occurrence of any Default or Event of Default under the Senior Documents, or the making of any demand or the occurrence of any default or event of default under the Subordinated Documents or the Subordinated Obligations;
- (iv) the taking of any collection, enforcement or realization proceedings by the Senior Creditor or the Subordinated Party;
- (v) any voluntary or involuntary winding-up, dissolution, insolvency, receivership, bankruptcy, liquidation, reorganization, arrangement, composition or any other process or Creditor Proceeding having similar effect, involving or affecting the Debtor or any of its Assets, any judgment or order against the Debtor or the date of any of the foregoing;
- (vi) the giving or failure to give any notice, or the order of giving notice, to the Debtor or the failure of any party hereto to give, or delay by any such party in giving, any notice hereunder;
- (vii) the failure to exercise any power or remedy reserved to the Senior Creditor or the Subordinated Party under the Senior Documents or the Subordinated Documents, as applicable, or to insist upon strict compliance with any of the terms thereof;
- (viii) any lack of validity or enforceability of any Senior Document or Subordinated Document; or
- (ix) any other reason including any priority granted to or under the Senior Creditor, the Senior Documents, the Senior Obligations, the Subordinated Party, the Subordinated Documents or the Subordinated Obligations by any applicable principle of law or equity, including equitable subordination.

2.6 Turnover of Improper Payments. If any Distribution on account of the Subordinated Obligations is made by the Debtor or accepted by the Subordinated Party in contravention of this Agreement, then such Distribution shall be segregated from, and not commingled with, any of the Assets of the Subordinated Party, shall be held in trust by the Subordinated Party for the benefit of the Senior Creditor and shall immediately be paid over to the Senior Creditor in the form received, properly endorsed if necessary, for application in accordance with the Senior Documents to the payment of the Senior Obligations remaining unpaid until Full Payment.

2.7 Turnover of Distributions on Creditor Proceedings. In the event of, and during, any Creditor Proceeding involving the Debtor, any Distribution, whether in cash, securities or other Assets which would otherwise, but for the terms hereof, be payable or deliverable in respect of the Subordinated Obligations, shall be segregated and held in trust for the benefit of the Senior Creditor and immediately paid over, or delivered directly, by the Subordinated Party to the Senior Creditor, in the form received, properly endorsed if necessary, for application in accordance with the Senior Documents to the payment of the Senior Obligations then remaining unpaid, until Full Payment. The Subordinated Party irrevocably authorizes, empowers and directs any debtor, debtor in possession, receiver, trustee, liquidator, custodian, conservator or other Person having authority, to pay or otherwise deliver (or cause to do the same) all such Distributions to the Senior Creditor or the applicable Other Senior Creditor. The Subordinated Party also irrevocably authorizes and empowers the Senior Creditor, in the name of the Subordinated Party, to demand, sue for, collect and receive any and all such Distributions.

2.8 Exceptions to Subordination and Postponement of Subordinated Obligations. For greater certainty, notwithstanding any provision in this Agreement with respect to the Subordinated Party's applicable Royalty Share of Bitumen produced from and allocated to the Royalty Lands calculated payable as a Royalty Share of Bitumen Equivalent in which the Subordinated Party owns the Overriding Royalty as provided for in the GORR Agreement, such Royalty Share of Bitumen and such Royalty Share of Bitumen Equivalent, and the proceeds thereof, and the rights of the Subordinated Party associated therewith, shall not be subject to the postponement and subordination provisions in this Agreement respecting the Subordinated Obligations.

2.9 Benefit of Agreement. Other than the Senior Creditor and the Subordinated Party and their respective successors and permitted assigns, no creditor of the Debtor, no trustee in bankruptcy, receiver or receiver-manager of the Debtor and no other Person shall be entitled to any benefit under this Agreement so as to claim any priority over the Senior Creditor or the Subordinated Party, and this Agreement may not be relied upon by any other Person or referenced in any proceeding by any Person for any such purpose other than the Senior Creditor and the Subordinated Party.

2.10 Agreement Not to Affect Debtor's Obligations. Subject to the priorities created by and the subordinations contained in this Agreement, it is intended that the obligation of the Debtor to pay to the Senior Creditor and the Subordinated Party the debts and liabilities secured by the Senior Security and the Subordinated Security, respectively, as and when the same shall become due and payable in accordance with their respective terms, shall not be impaired.

2.11 Turnover Not to Reduce Subordinated Obligations. The Debtor acknowledges and agrees that Distributions received by the Subordinated Party that are paid over to the Senior Creditor, whether pursuant to or by virtue of this Agreement, Applicable Laws, or otherwise, shall not reduce any of the Subordinated Obligations.

2.12 Consent to Subordinated Obligations and Subordinated Security. The Senior Creditor hereby consents to the Subordinated Obligations, to the execution and delivery by the Debtor of the Subordinated Documents, and to the registration of all Security Interests as required or desirable to give effect to the Subordinated Security.

2.13 No New Obligors or Security. The Subordinated Party shall not take any guarantee or Security Interest in respect of the Subordinated Obligations from any Person who is not obligated as a borrower or guarantor in respect of the Senior Obligations and who has not provided a Security Interest on all of its Assets to or for the benefit of the Senior Creditor, it being the intent hereof that at no time shall the Senior Creditor be structurally subordinated to the Subordinated Party. Notwithstanding the foregoing, the Senior Creditor acknowledges that • has guaranteed the Subordinated Obligations. **[NTD: List guarantees of Subordinated Obligations existing at time of execution]**

2.14 Reliance. The Senior Creditor shall be deemed to have acquired its Senior Obligations in reliance upon the subordinations and postponements contained in this Agreement. The subordinations, postponements and other rights of the Senior Creditor in this Agreement shall be enforceable directly by the Senior Creditor.

2.15 Limited Priority. Notwithstanding any other provision of this Agreement, the Senior Documents, the Subordinated Documents or any other document or agreement with an Other Senior Creditor, the subordination and postponement contained herein to the Senior Creditor is limited to the Maximum Amount less any amounts due to the Other Senior Creditors. Once Full Payment has been made, the Senior Obligations, Senior Security, Subordinated Obligations and Subordinated Security shall rank pari passu.

ARTICLE 3 RIGHTS TO DEAL WITH DEBTOR

3.1 Dealings With Debtor. The Senior Creditor shall be entitled to deal with the Debtor, the Senior Documents and the Senior Obligations as the Senior Creditor may see fit, without in any manner affecting the subordination or postponement of the Subordinated Obligations and the Subordinated Security to the Senior Obligations and the Senior Security, and in particular, without limiting the generality of the foregoing, the Senior Creditor may from time to time, without notice to the Subordinated Party:

- (a) grant time, renewals, extensions, releases, discharges or other indulgences or forbearances to the Debtor;
- (b) waive timely and strict compliance with or refrain from exercising any rights under the Senior Documents or the Senior Obligations;
- (c) take additional guarantees and Security Interests;
- (d) make or accept compositions, arrangements or compromises with the Debtor; and
- (e) consent to the disposition of any of the Assets, effect fixed charge registrations in respect of the Senior Security, take and give up Security Interests in any of the Assets of the Debtor and release, amend, extend, supplement, restate, substitute

or replace any of the Senior Documents or the Senior Obligations in whole or in part.

3.2 Proceeds After Full Payment. The Debtor acknowledges and agrees with the Subordinated Party that any proceeds of realization on any of the Assets of the Debtor or other Distributions in excess of the amount paid to the Senior Creditor which is required for Full Payment will be paid first to the Subordinated Party to repay in full the Subordinated Obligations, if and to the extent such proceeds are subject to the Subordinated Security, prior to any such proceeds being paid to the Debtor.

3.3 Insurance and Like Proceeds. Any insurance proceeds or compensatory amounts to which the Debtor would otherwise be entitled in respect of expropriation, other forced disposition or sale to any expropriating authority under threat of expropriation shall be dealt with according to the provisions hereof as though such insurance proceeds or compensatory amounts were paid or payable as proceeds of disposition of any of the Assets for which they compensate.

3.4 No Marshalling. The Senior Creditor shall not be required to marshal any Senior Security or rights held by them in favour of the Subordinated Party.

3.5 No Subrogation Until Full Payment. The Subordinated Party shall not have or exercise any rights which it may acquire by way of subrogation or contribution under or in connection with this Agreement unless and until Full Payment. If any amount is paid to the Subordinated Party on account of such subrogation or contribution rights in contravention of this Agreement at any time prior to Full Payment, such amount shall be held in trust by the Subordinated Party for the benefit of the Senior Creditor and shall be forthwith paid to the Senior Creditor. In the event cash, securities or other Assets otherwise payable or distributable to the Subordinated Party shall have been applied pursuant hereto to the indefeasible payment and satisfaction in full and in cash of the Senior Obligations, then, and in such case, the Subordinated Party shall be subrogated to the rights of the Senior Creditor to receive payments and Distributions made on the Senior Obligations and to the rights of the Senior Creditor under the Senior Security, to the extent the Subordinated Party is entitled thereto under the Subordinated Security, until the Subordinated Obligations shall have been paid and satisfied in full and in cash.

ARTICLE 4 STANDSTILL PERIOD; NOTICE BY THE SUBORDINATED PARTY

4.1 Enforcement Standstill by Subordinated Party. Notwithstanding the terms of any Subordinated Document, the Subordinated Party shall not initiate or enforce any right or remedy, including the initiation of any Creditor Proceedings, against the Debtor or any of its Assets, by reason of a default or event of default by the Debtor under the applicable Subordinated Document or a demand being made by the Subordinated Party under any of the Subordinated Documents, until at least 90 days after the Subordinated Party has given written notice of a default, event of default or demand under the applicable Subordinated Document to the Senior Creditor unless prior to expiry of that time there has been Full Payment or a Creditor Proceeding has been initiated by the Senior Creditor or any other Person.

4.2 Court Appointed Receiver. The Senior Creditor agrees that, to the extent the Senior Creditor utilizes the services of a receiver or receiver and manager to enforce the rights and remedies of the Senior Creditor under the Senior Documents, it will apply to a court of competent jurisdiction for the appointment of any such receiver or receiver and manager and will not privately appoint a receiver or receiver and manager, provided that (i) the Subordinated

Party agrees to support such court appointment, and (ii) for so long as such court appointment is in effect, the Subordinated Party shall not initiate or enforce any right or remedy other than as expressly authorized by the court order.

4.3 Fixed Charge Registration. The Subordinated Party covenants in favour of the Senior Creditor that it will not register a fixed charge against any of the real property interests of the Debtor at any Land Titles office or any other office of a governmental authority in any jurisdiction, whether or not it is entitled to do the same under any Subordinated Document, without giving prior written notice to the Senior Creditor at least ten (10) Business Days prior to submitting to a Land Titles office or any other office of a governmental authority in any jurisdiction any Subordinated Document or other evidence of such fixed charge, or caveat or security notice (or equivalent) in respect thereof, for registration. Such registration and the priority thereof shall be subject to the terms of this Agreement. For greater certainty, nothing in this Section 4.3 shall limit or otherwise prohibit any registration of the Subordinated Security at the personal property registry, which registration and the priority thereof shall be subject to the terms of this Agreement.

4.4 Distributions on Creditor Proceedings. Upon any payment or Distribution of Assets of the Debtor (of any kind or character, whether in cash, property or securities) to its creditors upon any Creditor Proceedings, whether any of the foregoing is voluntary or involuntary, partial or complete:

- (a) Full Payment shall first occur before the Subordinated Party shall be entitled to receive or retain any payment or Distribution of or in respect of Subordinated Obligations from the Debtor or any receiver, receiver-manager, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or Distribution or in respect of such proceedings or under or in respect of any of the Subordinated Documents; and
- (b) any payment or Distribution of Assets of the Debtor of any kind or character, whether in cash, property or securities, to which the Subordinated Party would be entitled in respect of the Subordinated Obligations or the Subordinated Documents, shall be paid by the Debtor or by any receiver, receiver-manager, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or Distribution, directly to the Senior Creditor to the extent necessary to effect Full Payment before any payment or Distribution is made to the Subordinated Party or any representative thereof.

Without limiting the foregoing and in addition thereto, in connection with any Creditor Proceedings, the Subordinated Party irrevocably authorizes the Senior Creditor to do, make, execute, deliver and file on behalf of the Subordinated Party direction to pay in respect of such Creditor Proceedings and, in order to give effect to the foregoing, the Subordinated Party hereby irrevocably constitutes and appoints any officer for the time being of the Senior Creditor as the true and lawful attorney of the Subordinated Party, with full power of substitution, to do, make, execute, deliver and file any and all of the foregoing in connection with the Creditor Proceedings (such power of attorney is a power coupled with an interest and shall survive the legal incapacity of, and any bankruptcy, insolvency or other analogous proceeding in respect of, the Subordinated Party and extends to the successors and assigns of the Subordinated Party).

4.5 No Challenge; Waivers by Subordinated Party

- (a) Neither the Subordinated Party nor the Debtor shall at any time challenge, dispute or contest the validity or enforceability of the Senior Documents, the validity or perfection of the liens created by the Senior Security or the subordination and postponement provided for herein or take any action that could diminish, impair or prejudice the subordination and postponement contemplated hereby.
- (b) Subject to the subordination and postponement provided for herein, the Senior Creditor shall not at any time challenge, dispute or contest the validity or enforceability of the Subordinated Documents or the validity or perfection of the liens created by the Subordinated Security.
- (c) In addition to and without limiting Section 4.5(a), the Subordinated Party covenants that it shall act in a manner consistent with and so as to give effect to the terms and conditions of this Agreement, including with respect to the filing of any proof of claim in the bankruptcy, insolvency or liquidation of the Debtor and with respect to any proposal, arrangement, plan of arrangement or reorganization under or with respect to a Creditor Proceeding and, for certainty, the Subordinated Party shall not approve any proposal, arrangement, plan of arrangement or reorganization made by any Person who is not a Senior Creditor if the effect thereof would be to have any payments or Distributions be made to or be retained by the Subordinated Party prior to Full Payment, except as permitted under this Agreement.
- (d) The Subordinated Party agrees that the Senior Creditor may consent to the use of cash collateral or provide debtor-in-possession financing to the Debtor on such terms and conditions and in such amounts as the Senior Creditor, in their sole and absolute discretion, may decide and, in connection therewith, the Debtor may grant Security Interests to the Senior Creditor upon any and all of the Assets of the Debtor, which Security Interests (i) may secure payment of the Senior Obligations (whether such Senior Obligations arose prior to the commencement of any Creditor Proceeding or at any time thereafter) or any obligation of the Debtor in respect of all or any part of the Senior Obligations and any or all other financing provided by the Senior Creditor during the Creditor Proceeding, and (ii) shall be superior in priority to the Subordinated Security.
- (e) The Subordinated Party agrees that it will not:
 - (i) assert (or support any other Person in asserting) in any manner any right it may have, if any, to “**adequate protection**” of its interest under any Bankruptcy Laws (or its equivalent) to the extent such right would affect the priorities contemplated in this Agreement,
 - (ii) challenge, contest or otherwise object to (or support any other Person in challenging, contesting or otherwise objecting to), in any manner (A) any use of cash collateral or debtor-in-possession financing under any Bankruptcy Laws or otherwise that is provided by the Senior Creditor, (B) any request by the Senior Creditor for “**adequate protection**”, (C) any objection by the Senior Creditor to any motion, relief, action or proceeding

- based on a claim of lack of “**adequate protection**”, or (D) any relief from the automatic stay under any Bankruptcy Laws (or any similar stay under any other Applicable Laws) sought by the Senior Creditor,
- (iii) seek (or support any other Person in seeking) to have an automatic stay lifted, vacated or modified with respect to any interest of the Subordinated Party without the prior written consent of the Senior Creditor,
 - (iv) object to, contest or oppose (or support any other Person in objecting to, contesting or opposing) the exercise by the Senior Creditor of the right to “**credit bid**” the loans under the Senior Credit Agreement or any part thereof pursuant to any Bankruptcy Laws or other Applicable Laws,
 - (v) request (or support any other Person in requesting) judicial relief, in any Creditor Proceeding or in any other court, that would hinder, delay, limit or prohibit the lawful exercise or enforcement of any right or remedy otherwise available to the Senior Creditor,
 - (vi) provide any debtor-in-possession financing to the Debtor, other than debtor-in-possession financing secured by Security Interests that are fully subordinated to the Senior Security, or
 - (vii) take any Security Interest from the Debtor, other than the GORR Agreement and the Security Interest as provided for therein, unless the same Security Interest is granted to the Senior Creditor and such Security Interests are subject to the provisions hereof.
- (f) The Subordinated Party shall retain the right to “**credit bid**” the Subordinated Obligations or any part thereof pursuant to Bankruptcy Laws or other Applicable Laws so long as such “**credit bid**” provides for Full Payment.
- (g) The Senior Obligations shall continue to be treated as the Senior Obligations and the provisions of this Agreement shall continue to govern the relative rights and priorities of the Senior Creditor and the Subordinated Party even if all or any part of the Senior Obligations or any or all of the Senior Security are subordinated, set aside, avoided, invalidated or disallowed (including by settlement of any claim for such avoidance, disallowance, invalidation or similar recovery) in connection with any Creditor Proceeding. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment or performance of any Senior Obligation is rescinded, reversed, nullified, rendered void or voidable or must otherwise be restored, refunded, returned or unwound for any reason, all as though such payment had not been made or such performance had not occurred.
- (h) Notwithstanding anything in this Agreement, the Subordinated Party may:
- (i) make a demand on the Debtor for payment of the Subordinated Obligations;
 - (ii) file any claim (including proofs of claim) with respect to the Subordinated Obligations in a Creditor Proceeding commenced by or against the Debtor, so long as no terms of this Agreement are contravened hereby;

- (iii) take any action (not adverse to the Senior Security or the rights of the Senior Creditor to exercise remedies in respect thereof) in order to create, perfect, preserve or protect its Security Interest;
- (iv) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any Person objecting to or otherwise seeking the disallowance of the claims of the Subordinated Party, including any claims secured by any of the Assets, if any, in each case not in contravention of the terms of this Agreement;
- (v) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Debtor arising under any Bankruptcy Law or other Applicable Laws, so long as no terms of this Agreement are contravened thereby;
- (vi) enforce the terms of this Agreement; and
- (vii) after Full Payment, initiate or enforce any right or remedy (including any Creditor Proceedings) against the Debtor or any of its Assets.

4.6 No Prejudice by Debtor' Actions. Neither the Senior Creditor nor the Subordinated Party shall be prejudiced in their rights and remedies hereunder by any act or failure to act of the Debtor, or any failure by the Debtor to comply with any agreement or obligation, regardless of any knowledge thereof which the Senior Creditor or the Subordinated Party may have or be deemed to have or with which the Senior Creditor or the Subordinated Party may be charged.

4.7 Assignment Subject to Agreement. Neither the Senior Creditor nor the Subordinated Party will sell, transfer, assign, negotiate, mortgage, charge, grant Security Interests in or otherwise encumber or dispose of in any manner whatsoever their interest in the Senior Documents, the Senior Obligations, the Subordinated Documents or the Subordinated Obligations, or any part thereof, as applicable, to any Person unless such Person shall have first become bound (or shall already be bound) by the obligations of the Senior Creditor or the Subordinated Party, respectively, under this Agreement. For greater certainty, any Senior Creditor or the Subordinated Party shall be entitled to assign a portion of its interest in the Senior Documents and the Senior Obligations, or the Subordinated Documents and the Subordinated Obligations, as the case may be, to the extent permitted by the provisions of the Senior Documents or the Subordinated Documents, as the case may be, provided that:

- (a) it has the authority to act, and in fact is acting, as agent for such assignees hereunder; and
- (b) such assignees acknowledge and agree to be bound by the provisions of this Agreement.

The failure to comply with this provision shall not in any event affect the subordinations and postponements provided for in this Agreement.

4.8 Prohibited Amendment to Subordinated Documents. The Subordinated Party hereby covenants and agrees with the Senior Creditor that the Subordinated Party shall not amend, supplement or modify any of the terms or provisions of any of the Subordinated Documents

without the prior written consent of the Senior Creditor, other than amendments of a purely administrative nature. The Debtor shall deliver to the Senior Creditor a copy of any such amendment, modification or supplement forthwith upon it becoming effective.

4.9 Amendments to Senior Documents. The Debtor and the Senior Creditor shall be able to, without the consent of the Subordinated Party, amend, modify, alter, restate, supplement, replace or change the terms of the Senior Credit Agreement, the Senior Security or the other Senior Documents, including increasing the principal amount of credit facilities, increasing interest rates, changing maturity dates or changing covenants, provided that any increase to the principal amount shall not in any way affect the Maximum Amount or the provisions of Section 2.15. The Subordinated Party agrees that the Subordinated Documents will not restrict any amendments, modifications, alterations, restatements, supplements, replacements or changes to any of the Senior Documents.

4.10 Notice of Default and Material Events. The Debtor will forthwith notify the Senior Creditor of:

- (a) any default or event of default under any Subordinated Document or if a demand for payment is made thereunder or the commencement of any Creditor Proceedings; and
- (b) any material notice or election delivered or made by the Subordinated Party under any of the Subordinated Documents.

4.11 Notice of Default and Material Events. The Debtor will forthwith notify the Subordinated Party of any default or event of default under any Senior Document or if a demand for payment is made thereunder or the commencement of any Creditor Proceedings.

4.12 No Challenge to the Overriding Royalty as an Interest in Land. The Senior Creditor shall not challenge, dispute or contest the characterization of the Overriding Royalty (as defined and provided for in the GORR Agreement) as an interest in land.

ARTICLE 5 MISCELLANEOUS

5.1 Representations and Warranties

- (a) Each of the Subordinated Party and the Debtor hereby represents and warrants to the Senior Creditor that:
 - (i) to the extent it is a corporation it is validly subsisting under the laws of its jurisdiction of incorporation;
 - (ii) it has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder;
 - (iii) the execution, delivery, observance and performance on its part of this Agreement has been duly authorized by all necessary action;
 - (iv) it has duly executed and delivered this Agreement; and

- (v) this Agreement constitutes a valid and legally binding obligation of it, enforceable against it in accordance with its terms, subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and to the qualification that equitable remedies such as specific performance and injunction are only available in the discretion of the court from which they are sought and general equitable principles.
- (b) The Senior Creditor hereby represents and warrants to the Subordinated Creditor that it has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder.

5.2 Notices. Any notice required or permitted to be made under this Agreement shall be: (i) served personally; (ii) sent by email transmission with read receipt; or (iv) sent by courier with all charges paid in accordance with the customary arrangements established by such courier, in each of the foregoing cases, to the applicable addresses and facsimile numbers set out below. Any notice given shall be deemed to have been received on actual receipt.

- (a) If to the Senior Creditor:

- Attention: ●
Email: ●

- (b) If to the Subordinated Party:

Japan Canada Oil Sands Limited
Suite 2300, 639 – 5th Avenue SW
Calgary, Alberta T2P 0M9

Attention: ●
Email: ●

- (c) If to the Debtor:

Greenfire Oil and Gas Ltd.
3607 – 7th Street SW
Calgary, Alberta T2T 2Y2

Attention: Al Stark
Phone: (403) 681-7377
Email: astark@greenfireoilandgas.com

5.3 Further Assurances. The parties shall, at the request of the Senior Creditor and at the expense of the Debtor, execute such additional documents and instruments, and do such further acts or things as may be reasonably necessary to give full force and effect to the intent of this Agreement.

5.4 Release of Security on Realization. In the event of a disposition of any of the Assets by the Debtor to which the Senior Creditor has consented or which is permitted by the Senior

Documents or a realization by the Senior Creditor or any collateral agent appointed by it against any of the Assets which is the subject matter of the Senior Security, the Subordinated Party will forthwith do all things necessary to consent to the transfer or other disposition of any or all of such Assets to another Person, and the Debtor agrees that the provisions of Section 3.2 hereof will continue to apply to any such disposition or realization, and that the costs of effecting such discharge shall be for its account.

5.5 Enurement. This Agreement shall enure to the benefit of the Senior Creditor and the Subordinated Party and their respective successors and permitted assigns, and shall be binding on the Senior Creditor, the Subordinated Party and the Debtor and their respective successors and permitted assigns.

5.6 Entire Agreement. This Agreement constitutes the entire agreement of the Senior Creditor, the Subordinated Party and the Debtor as to the subject matter hereof and supersedes and replaces any prior agreement or understanding pertaining to the same between any one or more of them.

5.7 Amendment. No agreement purporting to amend or modify this Agreement will be binding unless in writing signed by all of the parties hereto except that no consent, agreement or signature of the Debtor shall be necessary to any amendment to the terms hereof by the Subordinated Party and the Senior Creditor to the extent that it does not impose any obligations on or remove any rights of the Debtor.

5.8 Benefit. The Debtor hereby acknowledges and agrees that this Agreement has been entered into for the sole benefit of the Senior Creditor and the Subordinated Party.

5.9 Additional Debtor. If any Person shall become a Debtor, Greenfire Oil and Gas Ltd. will cause such Person to become a party to and be bound by this Agreement.

5.10 Accounts. The accounts and records of the Senior Creditor and the Subordinated Party shall constitute, in the absence of manifest error, *prima facie* evidence of the Senior Obligations and the Subordinated Obligations, respectively.

5.11 Governing Law. The parties agree that this Agreement is conclusively deemed to be made under, and for all purposes to be governed by and construed in accordance with, the laws of the Province of Alberta and of Canada applicable therein. There shall be no application of any conflict of laws or rules which would result in any laws other than internal laws in force in the Province of Alberta applying to this Agreement. The parties hereto do hereby irrevocably submit and attorn to the exclusive jurisdiction of the courts of the Province of Alberta for all matters arising out of or relating to this Agreement or any of the transactions contemplated hereby or by any thereof, without prejudice to the rights of the Senior Creditor or the Subordinated Party to take proceedings in other jurisdictions in which any Assets secured by the Security may be situate.

5.12 Termination. This Agreement is a continuing agreement of subordination and shall remain in full force and effect until Full Payment, after which this Agreement shall terminate without further action on the part of the parties hereto.

5.13 Counterparts. This Agreement may be executed by facsimile or other electronic means in any number of counterparts and by different parties in separate counterparts each of which

when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

5.14 Headings. Headings are for convenience of reference only, and shall not be considered in the interpretation hereof.

5.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER DOCUMENT(S) REQUIRED UNDER OR CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

5.16 Debtor Acknowledgements. The Debtor acknowledges and agrees that it:

- (a) authorizes the Subordinated Party to share with the Senior Creditor any information possessed by it relating to the Subordinated Party or the Subordinated Documents;
- (b) authorizes the Senior Creditor to share with the Subordinated Party any information possessed by it relating to the Senior Creditor or the Senior Documents;
- (c) consents to the terms of this Agreement and agrees to comply with, and to not act contrary to, the terms of this Agreement;
- (d) shall ensure that each Subordinated Document contains a provision that indicates that such Subordinated Document is subject to this Agreement; and
- (e) is a party hereto solely for the purpose of providing the acknowledgements and agreements set forth herein and does not, and is not intended to, derive any benefits hereunder except in respect of the consents contained herein.

[Remainder of page intentionally blank.]

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

【●】, as
Senior Creditor

Per: _____
Name:
Title:

GREENFIRE OIL AND GAS LTD., as Parent

Per: _____
Name:
Title:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, as Opco

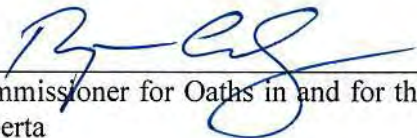
Per: _____
Name:
Title:

**JAPAN CANADA OIL SANDS LIMITED, as
Subordinated Party**

Per: _____
Name:
Title:

THIS IS **EXHIBIT "C"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

**Greenfire Hangingstone Operating Corporation - Purchaser
Japan Canada Oil Sands Limited - Vendor
Asset Sale Agreement
Final Statement of Adjustments
as at December 31, 2018
DRAFT**

Effective Date: December 31, 2018

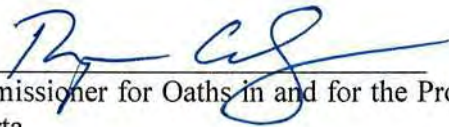
	Interim \$ Cdn	Final \$ Cdn	Adjustments \$ Cdn
Purchase Price:			
To Petroleum & Natural Gas Rights	\$ -	\$ -	\$ -
To Tangible Assets	-	-	-
To Miscellaneous Interest	1.00	1.00	-
Purchase Price	\$ 1.00	\$ 1.00	\$ -
GST on Tangible Assets at 5%	0.05	0.05	-
Total Purchase Price	\$ 1.05	\$ 1.05	\$ -
 Adjustments:			
Surface Lease Rental	1,563.05	34,341.73	32,778.68
Mineral Lease Rental	1,528.11	4,888.11	3,360.00
Property Tax		300,751.92	300,751.92
Other Invoices		446,168.87	446,168.87
Total Adjustments	\$ 3,091.16	\$ 786,150.63	\$ 783,059.47
GST on at 5%		\$ 22,051.63	22,051.63
Amount paid at Closing	\$ (3,092.21)		
Due to/ (from) Japan Canada Oil Sands Limited - Vendor on Final	\$ -	\$ 808,203.31	\$ 805,111.10

000388

11/30/2020

THIS IS **EXHIBIT "D"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

COURT FILE NUMBER
COURT
JUDICIAL CENTRE
PLAINTIFF

1801- 05914
COURT OF QUEEN'S BENCH OF ALBERTA
Calgary

PRICEWATERHOUSECOOPERS INC. in its capacity as receiver of SOUTHERN PACIFIC RESOURCE CORP., SOUTHERN PACIFIC ENERGY LTD., 1614789 ALBERTA LTD., 1717712 ALBERTA LTD. and SOUTHERN PACIFIC RESOURCE PARTNERSHIP, and not in its personal or corporate capacity

DEFENDANTS

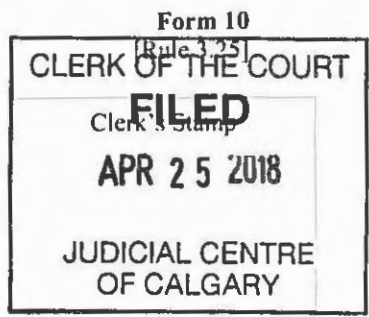
VICEROY CANADIAN RESOURCES CORP. and HUI GANG SUN also known as ANDREW SUN

DOCUMENT

STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Robyn Gurofsky
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9774
Facsimile: (403) 266-1395
Email: rgurofsky@blg.com
File No. 422442-00003 I



NOTICE TO DEFENDANTS

You are being sued. You are a defendant.

Go to the end of this document to see what you can do and when you must do it.

Statement of facts relied on:**Parties**

1. The Plaintiff, PricewaterhouseCoopers Inc. (“**PwC**”) is a body corporate duly incorporated pursuant to the laws of Canada and extra-provincially registered in the Province of Alberta with an office located in Calgary, Alberta. PwC was appointed by Court order dated June 1, 2015 as the receiver and manager (the “**Receiver**”) of Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 161789 Alberta Ltd., 1717712 Alberta Ltd. and Southern Pacific Resource Partnership (collectively “**Southern Pacific**”).
2. The Defendant, Viceroy Canadian Resources Corp. (“**Viceroy**”), is a body corporate duly incorporated pursuant to the laws of the Province of Alberta, with a registered office located in Calgary, Alberta.
3. The Defendant, Hui Gang Sun, also known as Andrew Sun (“**Sun**”) is an individual residing in Vancouver, British Columbia, and is listed on an Alberta Corporate Registry Search for Viceroy as the sole director and 100% shareholder of Viceroy.

Purchase and Sale Agreement

4. Viceroy and the Receiver entered into an Asset Purchase Agreement made as of the 11th day of December, 2017 (the “**APA**”) pursuant to which Viceroy agreed to purchase and the Receiver agreed to sell the interests of Southern Pacific in and to the Mackay Facility and related assets, a steam assisted gravity drainage facility located in Fort Mackay, Alberta. In particular, Viceroy agreed to purchase certain Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests as described in the APA (together, the “**Assets**”), located within the white map areas particularized in the APA.
5. Pursuant to Article 2.2 of the APA, Viceroy agreed to pay to the Receiver a total of \$2,000,000 (the “**Purchase Price**”) for the Assets, plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments to be made pursuant to Article 7 of the APA.
6. Pursuant to Article 2.5(a) of the APA, Viceroy was required to pay to the Receiver, on or before 5:00 p.m. on January 10, 2018, a non-refundable fee in the amount to be determined by the Receiver and communicated to Viceroy on or before January 5, 2018 (the “**First Exclusivity Payment**”),

representing a genuine pre-estimate of the carrying costs of the Assets for the period January 15 to February 15, 2018.

7. Pursuant to Article 2.5(b) of the APA, Viceroy was required to pay to the Receiver, on or before 5:00 p.m. on February 10, 2018, a non-refundable fee in the amount to be determined by the Receiver and communicated to Viceroy on or before February 5, 2018 (the “**Second Exclusivity Payment**” and together with the First Exclusivity Payment, the “**Exclusivity Payments**”), representing a genuine pre-estimate of the carrying costs of the Assets for the period February 15 to March 15, 2018.
8. Pursuant to Article 2.5(c) of the APA, Viceroy agreed that it would have no rights of return, adjustment, reimbursement and waived any right it had to claim that the Exclusivity Payments are excessive or punitive and further agreed that the Exclusivity Payments would not be applied against the Purchase Price.
9. Pursuant to Article 2.7 of the APA, upon closing of the purchase and sale, scheduled to take place on February 28, 2018 (“**Closing Date**”), Viceroy was required, among other things, to deliver to the Receiver the Purchase Price plus applicable GST and Sales Taxes, plus the Pre-Funded Post-Closing Costs, defined as an amount to be determined by the Receiver and communicated to Viceroy not less than three (3) business days prior to the Closing Date, representing a genuine pre-estimate of the carrying costs of the Assets for the period from closing to the time all agreements, contracts and obligations underlying the Assets could be legally and beneficially transferred to and fully assumed by Viceroy.
10. On January 4, 2018, in accordance with Article 2.5(a) of the APA, the Receiver provided notice to Viceroy that the amount of the First Exclusivity Payment would be \$225,000.
11. Viceroy failed to pay the First Exclusivity Payment as required pursuant to Article 2.5(a) of the APA on or before 5:00 p.m. on January 10, 2018.

First Amending Agreement

12. On or about January 11, 2018, Viceroy advised the Receiver that it wished to amend the APA to revise the requirement to pay the Exclusivity Payments and as a result, an Amending Letter Agreement (the “**First Amending Agreement**”) was executed by Viceroy and the Receiver pursuant to which Article 2.5 of the APA was deleted and replaced with the following:

“2.5 Exclusivity Payments

- (a) *Viceroy has paid to Receiver and Receiver has received from Viceroy, on January 11, 2018, a non-refundable fee in the amount of \$50,000 which amount is a genuine pre-estimate of the carrying costs of the Assets for the period January 15 to January 22, 2018, inclusive (the “First Exclusivity Payment”).*
 - (b) *Provided Closing has not occurred, Viceroy shall pay to Receiver, on or before 5:00 p.m. on January 18, 2018, a non-refundable fee in the amount to be determined by Receiver and communicated to Viceroy on or before January 16, 2018 and which amount shall be a genuine pre-estimate of the carrying costs of the Assets for the period January 23 to March 15, 2018, inclusive (the “Second Exclusivity Payment”, and together with the First Exclusivity Payment, the “Exclusivity Payments”).*
 - (c) *Viceroy hereby agrees that other than pursuant to Section 2.5(d), it shall have no rights of return, adjustment or reimbursement, and hereby waives any right it may have to claim that the Exclusivity Payments are excessive or punitive. Viceroy agrees that the Exclusivity Payments shall not be applied against the Purchase Price any adjustment to the Purchase Price or any deposit forming a part thereof and is not an advance payment in consideration of the Assets and is not a penalty.*
 - (d) *Provided Closing occurs, Receiver shall, within 60 business days of the Closing Date, provide to Viceroy a good faith calculation of the carrying costs of the Assets for such relevant periods hereunder and return to Viceroy such portion of the Exclusivity Payments actually paid which exceed such calculated amounts, if any.”*
13. Viceroy paid the First Exclusivity Payment as amended by the First Amending Agreement and by the deadlines set out therein.
14. Subsequent to entering into the First Amending Agreement, Viceroy advised the Receiver that it would be unable to pay the Second Exclusivity Payment on a lump sum basis, but that it would instead pay the Receiver on a weekly basis an amount representing the genuine pre-estimate of the carrying costs of the Assets over the relevant period. Viceroy indicated to the Receiver at this time that it remained intent on meeting the Closing Date and the Receiver, on this basis, accepted the Second Exclusivity Payment from Viceroy in weekly installments of \$50,000. Viceroy made the following carrying cost payments to the Receiver over this period:
- (a) \$50,000 – January 19, 2018;
 - (b) \$50,000 – January 26, 2018;
 - (c) \$50,000 – February 1, 2018;
 - (d) \$50,000 – February 7, 2018; and
 - (e) \$50,000 – February 15, 2018.

Second Amending Agreement

15. On or about February 23, 2018, Viceroy advised the Receiver that it wished to pay the Purchase Price and close the transaction on the Closing Date, however, it was unable to transfer all of the Purchase Price into Canada. Instead, Viceroy indicated to the Receiver that it would pay \$1,000,000 on the Closing Date with the remaining amount of the Purchase Price to be paid shortly thereafter.
16. As a result of the significant risks and ongoing costs associated with maintaining possession and oversight of the Assets, the Receiver determined that it was prudent to close the transaction before the end of February, 2018 and agreed to further amend the APA pursuant to a second amending letter agreement (the "Second Amending Agreement").
17. Shortly before the anticipated closing time, a representative of Viceroy contacted the Receiver, advising that instead of a certified bank draft in the amount of \$1,000,000, Viceroy would deliver a certified bank draft in the amount of \$800,000 and would provide the remaining Purchase Price of \$1,200,000 on or before March 31, 2018.
18. The Second Amending Agreement was subsequently executed between the parties on February 26, 2018 and amended the APA, *inter alia*, as follows:
 - (a) Article 2.2 of the APA was deleted and replaced with the following:

"2.2 Purchase Price

The aggregate consideration to be paid by Viceroy to Receiver for Receiver's interest in and to the Assets shall be TWO MILLION DOLLARS (\$2,000,000.00) (the "Purchase Price") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Viceroy (or Receiver, to the extent applicable) as follows:

 - (a) *payment in the amount of EIGHT HUNDRED THOUSAND DOLLARS (\$800,000.00) by way of certified bank draft, adjustment pursuant to Section 7.2(a), payable by Viceroy to Receiver at Closing;*
 - (b) *payment in the amount of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000.00), payable by Viceroy to the Receiver on or before March 31, 2018; and*
 - (c) *any payments between the Parties arising from adjustments set for the in the Final Statement of Adjustments, paid in accordance with Article 7.2(b) and other payments required pursuant to Article 7.*

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Southern Pacific and Receiver of all and any responsibility or liability therefor."

(b) Article 2.7 was deleted and replaced with the following:

"2.7 Closing and Certain Post-Closing Deliveries

(a) *Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Receiver's interest in and to the Assets shall pass from Receiver to Viceroy on the Closing Date.*

(b) *On the Closing Date, Receiver shall deliver to Viceroy:*

- i. *the General Conveyance in the form attached as Schedule "D", duly executed by Receiver;*
- ii. *the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Receiver;*
- iii. *a receipt for the portion of the Purchase Price due at Closing as adjusted herein plus applicable GST and/or Sales Taxes and plus the Pre-Funded Post-Closing Costs;*
- iv. *an executed copy of the Receiver's Certificate;*
- v. *the Specific Conveyances, duly executed by Receiver, to the extent such Specific Conveyances were provided to Viceroy no later than one (1) business day prior to Closing; and*
- vi. *such other documents as may be specifically required hereunder or as may be reasonably requested by Viceroy upon reasonable notice to Receiver.*

(c) *On the Closing Date, Viceroy shall deliver to Receiver:*

- i. *The portion of the Purchase Price due at Closing, as adjusted herein plus applicable GST and Sales Taxes, plus the Pre-Funded Post-Closing Costs;*
- ii. *A fully executed and certificated personal guarantee of Huigang (Andrew) Sun to secured the outstanding balance of the Purchase Price and other amounts, in the form provided to Viceroy by Receiver;*
- iii. *The General Conveyance in the form attached as Schedule "D", duly executed by Viceroy;*
- iv. *The Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Viceroy;*

- v. *Where required, the Specific Conveyances, duly executed by Viceroy, to the extent prepared on or before the Closing Date; and*
- vi. *Such other documents as may be specifically required hereunder or as may be reasonably requested by Receiver upon reasonable notice to Viceroy.*

(d) On or before March 31, 2018, Viceroy shall deliver to Receiver the portion of the Purchase Price due on or before March 31, 2018 as set forth in Section 2.2(b).

(e) Upon receipt of complete payment of the Purchase Price, Receiver shall deliver to Viceroy a receipt for the remaining portion of the Purchase Price due on or before March 31, 2018 as set forth in Section 2.2(b)."

- (c) Articles 7.4 and 7.5 were added to the APA as follows:

“7.4 Delay Fee

In the event Viceroy fails to pay Receiver the remaining balance of the Purchase Price due on or before March 31, 2018 as set forth under Article 2.7(d), Viceroy shall immediately pay a delayed payment fee (“Delayed Payment Fee”) of \$100,000 to Receiver. Viceroy acknowledges that the payment of the Delayed Payment Fee is a payment of liquidated damages which is a genuine pre-estimate of the damages which Receiver will suffer or incur as a result of the delay in payment and is not a penalty. Viceroy irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.

7.5 Interest

All overdue payments hereunder, including pursuant to Articles 2.7(d) and 7.4, shall be payable with interest at 2.0% per month, calculated and compounded monthly from the date such payment is due to and including the day such payment is made.”

Closing and Post-Closing Payments

19. The transaction contemplated in the APA closed on or about February 26, 2018. The Receiver determined that it was in the best interests of the Southern Pacific estate to close the transaction contemplated as quickly as possible in order to prevent any further erosion of value to the estate.
20. All other closing deliveries contemplated by the APA, as amended, were provided as required and as a result, the Receiver and Viceroy closed the sale of the Assets.
21. Viceroy has failed to deliver the remaining portion of the Purchase Price in the amount of \$1,200,000, or at all, in breach of Articles 2.2 and 2.7 of the APA, as amended by the Second Amending Agreement.

22. Further, Viceroy has failed to pay the Delayed Payment Fee in the amount of \$100,000, or at all, in breach of Article 7.4 of the APA, as amended by the Second Amending Agreement.

Guarantee

23. In accordance with the Second Amending Agreement, Sun executed a personal guarantee dated February 28, 2018 (the “**Guarantee**”) pursuant to which Sun unconditionally and irrevocably guaranteed to the Receiver the payment and performance of all obligations, liabilities and indebtedness (present or future, matured or otherwise) owed by Viceroy to the Receiver pursuant to the APA (including the First Amending Agreement and the Second Amending Agreement), including but not limited to payment of the Purchase Price, the Delay Fee, the interest prescribed pursuant to Article 7.5 of the APA and all losses, costs, charges and expenses payable by Viceroy to the Receiver in connection therewith, and all costs, charges and expenses relating to the enforcement and realization upon the Guarantee.
24. The Guarantee further provides, among other things, that:
- (a) If any or all of the obligations are not duly paid or performed by Viceroy and are not recoverable under section 2.1 (Guarantee of Obligations) for any reason whatsoever, the Guarantor will, as a separate and distinct obligation, indemnify and save harmless the Receiver from and against all losses resulting from the failure of Viceroy to pay and perform such obligations;
 - (b) If any or all of the obligations are not paid or performed by Viceroy and are not recoverable under section 2.1 or the Receiver is not indemnified under section 2.2, in each case, for any reason whatsoever, such obligations shall, as a separate and distinct obligation, be recoverable by the Receiver from Sun as the primary obligor and principal debtor in respect thereof and shall be paid to the Receiver forthwith after demand therefor as provided herein;
 - (c) The Receiver is not bound or obligated to exhaust its recourse against Viceroy or other persons or any securities or collateral it may hold or take any other action (other than to make demand pursuant to Article 5) before the Receiver shall be entitled to demand, enforce and collect payment from Sun hereunder;
 - (d) The Receiver shall be entitled to make demand upon Sun if Viceroy fails to pay the Purchase Price to the Receiver on or before March 31, 2018 and upon any such demand, the Receiver may treat all obligations as due and payable and may forthwith collect from Sun all obligations. Sun shall make payment to or performance in favour of the Receiver of all obligations forthwith after demand is made upon Sun by the Receiver as aforesaid.
25. The Guarantees Acknowledgment Act Certificate appended to the Guarantee was duly executed in accordance with the provisions of the *Guarantees Acknowledgment Act*, RSA 2000, c G-11 and the Guarantee is valid and enforceable in accordance with the terms thereof.

Demands and Debts Outstanding

26. Viceroy has defaulted under the terms of the APA by failing or neglecting to pay the remaining portion of the Purchase Price and the Delayed Fee Payment.
27. As a result, on or about April 3, 2018, the Receiver issued demands for repayment to each of Viceroy and Sun, demanding payment of all amounts properly due and owing to the Receiver pursuant to the terms of the APA and the Guarantee (as applicable), no later than 4:00 p.m. on Wednesday, April 11, 2018.
28. As of April 24, 2018, there remains a total of \$1,326,000.00 (the “**Indebtedness**”), together with interest and costs continuing to accrue, due and owing by Viceroy and Sun to the Receiver pursuant the terms of the APA. For clarity, the Indebtedness includes the remaining portion of the Purchase Price in the amount of \$1,200,000, the Delayed Payment Fee in the amount of \$100,000 and interest accrued in the amount of \$26,000.
29. Each of Viceroy and Sun have failed, neglected or refused to pay the Indebtedness to the Receiver as contractually required. Further, Viceroy and Sun have been unjustly enriched by their failure to pay the Indebtedness after closing the APA transaction. The Receiver has suffered a corresponding deprivation as a result of the failure of Viceroy and Sun to pay the Indebtedness and there is a lack of juristic reason for the deprivation.
30. The Receiver states and the fact is that the entire sum of \$1,326,000.00, together with interest and costs continuing to accrue, is a just debt properly due and owing by Viceroy and Sun.
31. The Receiver requests that the trial of this action be held at the Calgary Courts Centre, in the City of Calgary, in the Province of Alberta, and expects it to take no more than 25 days.

Remedy sought:

32. The Plaintiff, PricewaterhouseCoopers Inc., in its capacity as Receiver of Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 161789 Alberta Ltd., 1717712 Alberta Ltd. and Southern Pacific Resource Partnership, and not in its personal capacity, seeks the following:
 - (a) A declaration that the Defendants are in default of payment of the outstanding Indebtedness;
 - (b) Judgment against the Defendants Viceroy and Sun in the sum of \$1,326,000.00, together with interest, costs and fees continuing to accrue pursuant to the APA, the First Amending

Agreement, the Second Amending Agreement and the Guarantee, as may be proven or acknowledged in the within Action;

- (c) In the alternative, general damages in an amount to be proven or acknowledged in the within Action;
- (d) Interest pursuant to the APA (including the Second Amending Agreement) and the Guarantee, or, in the alternative, pursuant to the *Judgment Interest Act*, RSA 2000, c J-1;
- (e) Costs on a solicitor and his own client basis; and
- (f) Such further and other relief as this Honourable Court may see fit to allow.

NOTICE TO THE DEFENDANT

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

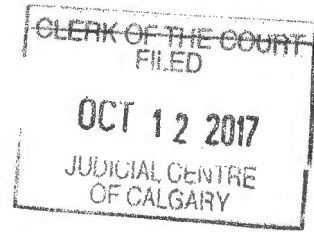
If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you.

THIS IS EXHIBIT "E" REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor



Clerk's stamp:

Court File Number 1501-05908

Court COURT OF QUEEN'S BENCH OF ALBERTA

Judicial Centre CALGARY

Plaintiff CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, in its capacity as Administrative Agent under that certain First Lien Term Loan Credit Agreement dated March 31, 2014

Defendants SOUTHERN PACIFIC RESOURCE CORP., SOUTHERN PACIFIC ENERGY LTD., 1614789 ALBERTA LTD., 1717712 ALBERTA LTD. AND SOUTHERN PACIFIC RESOURCE PARTNERSHIP.

**RECEIVER'S FOURTH REPORT TO THE COURT
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
DATED OCTOBER 11, 2017**

Address for Service and Contact
Information of Party Filing this
Document:

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Avenue S.W.
Calgary, AB T2P 0R3
Phone: 403-232-9563 / 403-232-9774
Fax: 403-266-1395
Attention: Josef G. A. Kruger, Q.C. / Robyn Gurofsky
jkruger@blg.com, rgurofsky@blg.com

**SOUTHERN PACIFIC RESOURCE CORP. ET AL
RECEIVER’S FOURTH REPORT TO COURT
October 11, 2017**

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APPENDIX A – ELLS PURCHASE AND SALES AGREEMENT
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APPENDIX D - SUMMARY OF RECEIPTS AND DISBURSEMENTS
APPENDIX E – SUMMARY OF RECEIVER’S FEES AND DISBURSEMENTS
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SOUTHERN PACIFIC RESOURCE CORP. ET AL
RECEIVER'S FOURTH REPORT TO COURT
October 11, 2017

1. INTRODUCTION

- 1.1. This report (the "**Fourth Report**") is filed by PricewaterhouseCoopers Inc. ("**PwC**") in its capacity as receiver and manager (the "**Receiver**") of all the assets, undertakings and properties (collectively, the "**Property**") of Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 1614789 Alberta Ltd., 1717712 Alberta Ltd. and Southern Pacific Resource Partnership (collectively referred to as the "**Company**").
- 1.2. On January 21, 2015, the Company successfully applied to the Court of Queen's Bench of Alberta (the "**Court**") for protection from its creditors under the Companies' Creditors Arrangement Act (the "**CCAA**") and was granted an order (the "**Initial CCAA Order**") staying its creditors until February 21, 2015. The Court appointed PwC as Monitor ("**Monitor**") under the Initial CCAA Order.
- 1.3. Pursuant to a number of Court Orders, the stay was extended to June 1, 2015 to allow the Company to run a sales and investment solicitation process ("**SISP**") conducted by RBC Dominion Securities Inc. (the "**Financial Advisor**"). Ultimately the SISP did not result in a successful transaction and on June 1, 2015 the Company did not seek a further extension of the stay period under the CCAA.
- 1.4. On application of the Plaintiff, Credit Suisse AG, Cayman Islands Branch, in its capacity as Administrative Agent under the First Lien Term Loan Credit Agreement dated March 31, 2014 (the "**First Lien Creditors**"), the Court granted the Receivership Order on June 1, 2015 which was subsequently amended on June 4, 2015 (the "**Receivership Order**").
- 1.5. The First Lien Creditors are the Company's major secured lender, holding a general security interest over all of Company's present and after acquired personal property.
- 1.6. The purpose of this report is to:
 - 1.6.1. update the Court on the activities of the Receiver since the date of the Third Report;
 - 1.6.2. provide a summary of the prior sales processes/activities (collectively the "**Sales Processes**") conducted by the Company and the Receiver and their multiple attempts to sell the Company's Fort McKay oil sands assets and facility (the "**McKay Facility**");

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- 1.6.3. update the Court with respect to the current state of the SAGD industry in Alberta and its effect on the investment potential for the McKay Facility;
- 1.6.4. provide the Court with an overview of the significant expenditures made to initiate and maintain the warm hibernation of the McKay Facility during the course of the receivership;
- 1.6.5. advise the Court of the Receiver's intent to disclaim the McKay Facility;
- 1.6.6. advise the Court of the Receiver's agreement with the Alberta Energy Regulator ("AER") and Orphan Well Association ("OWA") to coordinate an orderly transfer to the Province of Alberta under a consensual transition agreement ("**Transition Agreement**") at a date specified therein ("**Transfer Date**");
- 1.6.7. request the Court to amend the Initial Order to permit the Receiver, in consultation with the OWA, to sell any and all assets affixed to or located at the McKay Facility up to the Transfer Date without further order of the Court;
- 1.6.8. request the Court to approve the proposed sale of the Company's interests in oil sands leases in the Ells area ("**Ells Lands**") to Bounty Developments Limited ("**Bounty**");
- 1.6.9. advise the Court of the Receiver's intent to disclaim all of the Company's remaining non-core interests in oil sands leases in the areas of Hangingstone, South McKay and Anzac, Alberta, together with all remaining contracts;
- 1.6.10. request the Court approve the fees and disbursements of the Receiver and its legal counsel to date;
- 1.6.11. request the Court approve the activities of the Receiver as set out in this Fourth Report;
- 1.6.12. advise the Court of the actions remaining for the Receiver to conclude the administration of the Receivership; and
- 1.6.13. issue an Order discharging the Receiver effective upon the completion of all of the following steps:
 - 1.6.13.1. disclaiming and transferring the McKay Facility to the OWA;

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- 1.6.13.2. disclaiming all other remaining assets and contracts;
 - 1.6.13.3. completion of the steps necessary to finalize the Ells Transaction;
 - 1.6.13.4. issuing a final distribution to the First Lien Creditors;
 - 1.6.13.5. completion of the steps necessary to finalize the administration of the receivership; and
 - 1.6.13.6. the filing of a Certificate of Discharge with the Court.
- 1.7. Copies of this and all Receiver's reports are available on the Receiver's website www.pwc.com/car-stp. All prescribed materials filed by the First Lien Creditors , the Receiver and other parties relating to the Receivership proceedings are available to creditors and other interested parties in electronic format on the Receiver's website. In addition, all materials relating to the CCAA proceedings are also filed on the Receiver's website. The Receiver will make regular updates to the website to ensure creditors and interested parties are kept current and to add prescribed materials as required.
- 1.8. Certain information contained in this report is based on information obtained from the Company's books and records and discussion with management and staff. The Receiver has not independently verified the accuracy or completeness of such information; accordingly the Receiver does not express an opinion thereon.
- 1.9. The Receiver reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this Fourth Report.
- 1.10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the Company's application materials, the Receivership Order and the Receiver's prior reports.
2. UPDATE ON THE ACTIVITIES OF THE RECEIVER
- 2.1. Since the date of the Third Report the Receiver has:
- 2.1.1. continued to work closely with the Company's remaining five employees, contractors and vendors to ensure safe function and continued maintenance under the warm hibernation program at the McKay Facility;

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- 2.1.2. worked with Houlihan Lokey (“**Houlihan**”) and the First Lien Lenders to facilitate the Court approved Sales Process for the McKay Facility as described in the Receiver’s Third report;
- 2.1.3. maintained ongoing communications with various parties who have expressed interest in partnering and/or acquiring the McKay Facility;
- 2.1.4. negotiated an agreement for the sale of the Ells Lands; and
- 2.1.5. engaged in discussions with the AER to coordinate an orderly transition of the McKay Facility to the province.

3. SUMMARY OF PRIOR SALES PROCESSES AND ACTIVITIES

- 3.1. More than two months prior to filing for creditor protection under the CCAA on January 21, 2015, the Company engaged the Financial Advisor to assist in identifying, examining and implementing strategic and financial alternatives available to the Company.
- 3.2. The Company developed a SISP (the “**Initial SISP**”) with input from the Financial Advisor, Credit Suisse AG acting for the First Lien Term Creditors, the holders of 8.75% second lien notes under an Indenture dated January 25, 2013 (“**Second Lien Creditors**”), approximately 40% of the holders of debentures issued under a Debenture Indenture dated as of January 7, 2011 (the “**Debenture Holders**”), and the Monitor. The Initial SISP was approved by Court Order dated February 17, 2015 with a bid deadline of April 2, 2015. This process was supported by the Monitor, concluding that the Initial SISP would provide a robust process that is fair, reasonable and balances the needs of all stakeholders in the process and would provide an opportunity to maximize the value of the assets.
- 3.3. The Financial Advisor sent out preliminary marketing materials and communications on Friday January, 30, 2015. The Financial Advisor advised the Monitor that during the Initial SISP:
 - 3.3.1. it sent the non-confidential Information Memorandum to 439 organizations representing oil sands developers, Canadian E&Ps, foreign E&Ps, state owned enterprises, private enterprises, energy investors and private equity organizations, and that follow up contact was made with the 75 highest potential organizations;

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- 3.3.2. it conducted broad public marketing of the Initial SISP through postings on its website and advertisements in the Nickel's Daily Oil Bulletin resulted in the further identification of nine parties;
 - 3.3.3. non-disclosure agreements ("NDA's") were signed by 22 parties, all of which were provided with access to the virtual data room;
 - 3.3.4. a number of parties requested and received management presentations; and
 - 3.3.5. on April 2, 2015, the Initial SISP bid deadline, it received a number of proposals (the "**Proposals**").
- 3.4. The Company, in consultation with the Financial Advisor and the Monitor, reviewed the Proposals received in the Initial SISP. The bids which were received that conformed with the terms of the Initial SISP (the "**Conforming Bids**") were for amounts less than the total amount owed to the First Lien Creditors, resulting in the First Lien Creditors becoming the fulcrum creditors.
- 3.5. As a result, the Company and the Monitor consulted with the First Lien Creditors in respect of the acceptability of the Conforming Bids. The First Lien Creditors reviewed the Conforming Bids and concluded that no acceptable offer was received in the Initial SISP.
- 3.6. As the Initial SISP did not result in any offers acceptable to the Company and the First Lien Creditors, the Company concluded that no viable plan of compromise or arrangement could be made. As such, the First Lien Creditors brought an application for the appointment of a receiver which was granted on June 1, 2015.
- 3.7. After PwC was appointed as the Receiver, one of the parties to the Initial SISP, Canadian Natural Resources Limited ("**CNRL**"), continued to express interest in the Company's Senlac assets ("**Senlac Assets**"). On October, 20, 2015, CNRL provided the Receiver with an offer (the "**Senlac Offer**") to purchase the Senlac Assets.
- 3.8. As a result of continuing low oil prices and geopolitical instability, the market for oil and gas assets had not improved since the date of the Initial SISP. As such, the Receiver concluded that implementing a Receiver's sale process would not result in a bid that is superior to the Senlac Offer. The First Lien Creditors, who are the fulcrum creditors

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based on the results of the Initial SISP process, were supportive of the acceptance by the Receiver of the Senlac Offer.

- 3.9. The Court approved the sale of the Senlac Assets to CNRL on December 3, 2015. The proceeds of the sale were insufficient to repay the debts owed to the First Lien Creditors.
- 3.10. During December 2015, PwC's corporate finance team worked with the Receiver to create a teaser document for the McKay Facility (the "**Teaser**"). The Teaser was subsequently sent to 234 different parties identified as potential purchasers in an informal sales process. A data room was created with relevant information which could be accessed by signing an NDA with the Receiver.
- 3.11. This informal process resulted in five interested parties signing NDA's. The Receiver worked with these parties over the next 12 months and provided continued information to facilitate their ongoing due diligence, however no viable offers were received.
- 3.12. In early 2017, the First Lien Creditors requested that the Receiver engage Houlihan to conduct a formal international sales process for the McKay Facility as it had not been subject to a full marketing process since the Initial SISP. Houlihan had previously been engaged as advisor to the First Lien Creditors throughout the CCAA and Receivership proceedings and had both direct knowledge of the McKay Facility and prior experience in conducting international sale processes.
- 3.13. The Receiver developed a sales process for the McKay Facility in consultation with Houlihan (the "**McKay Sales Process**"), noting that the process would provide an efficient yet robust marketing of the McKay Facility in a manner that could add value for the benefit of the First Lien Creditors. The timing for marketing the McKay Facility was considered appropriate given the then recent stability in the price of oil and the potential for investment in the sector.
- 3.14. On March 15, 2017 the Court approved the engagement of Houlihan as financial advisor to the Receiver and the McKay Sales Process as described in the Receiver's Third Report.
- 3.15. Houlihan initiated a nine week marketing process, contacting 233 strategic buyers and 65 financial buyers. Of the 298 parties, who were contacted at least twice, 290 companies passed on the opportunity citing reasons primarily surrounding the asset not being a core focus or concerns about current market conditions. A total of nine NDA's were executed

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through Houlihan and the Receiver's efforts. In order to provide additional time for interested parties to complete their respective diligence, the Receiver extended the original bid deadline from May 19 to June 30, 2017.

3.16. Of the nine NDA's signed, three parties continued discussions with Houlihan and the Receiver past the June 30 deadline as no bids for the McKay Facility were received at that time.

3.17. As of the date of this report, no viable bids or proposals have been received for the McKay Facility.

4. MARKETING OF NON-CORE OIL SANDS LEASES

4.1. The Company's undeveloped oil sands leases located in northern Alberta were also marketed through the McKay Sales Process. These leases are located in the areas of Hangingstone, South McKay, Anzac and Ells.

4.2. The McKay Sales Process resulted in an acceptable offer for the Ells Lands.

4.3. The Receiver has entered into a purchase and sale agreement with Bounty for the sale of the Ells Lands (the "Ells PSA"). A copy of the Ells PSA is attached hereto as Appendix "A". The Receiver is supportive of the Ells PSA on the basis that:

4.3.1. It was obtained after a number of thorough marketing processes;

4.3.2. It was negotiated in good faith and at arm's length with Bounty; and

4.3.3. It represents one of the only remaining avenues of recovery for the First Lien Creditors, whom the Receiver understands to be supportive of the sale.

4.4. A copy of the Mine and Minerals and PPR searches is attached hereto as Appendix "B"

4.5. No offers or expressions of interest were received for the leases at Hangingstone, South McKay or Anzac.

5. INDUSTRY UPDATE

5.1. Alberta has experienced a significant reduction in oil sands investment since the Company entered CCAA protection in early 2015, with major international players

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exiting the oil sands and junior players struggling to maintain viable operations amidst decreased pricing.

- 5.2. The continued depression of WTI pricing, insufficient pipeline capacity to get product to market, and increased taxation have reduced the overall appetite for investment in the oil sands. This lack of investment combined with the geological risk profile associated with the McKay Facility have had a negative impact on the the sales processes conducted prior to and throughout the receivership.

6. MCKAY WARM HIBERNATION

- 6.1. The McKay Facility was originally built for a total cost of approximately \$468 million and commissioned for first steam in July, 2012. Capital costs of \$300 million were incurred up to June 30, 2016, bringing the investment in the McKay Facility to approximately \$768 million. The facility was designed to process approximately 12,000 barrels per day of raw bitumen, however the Company was never able to achieve production levels much higher than 2,100 barrels per day. Prior to filing for CCAA in November, 2014, the Company's 12 SAGD well pairs were producing approximately 2,132 barrels per day.
- 6.2. The Company's operating structure was such that approximately 70% of its operating costs were fixed. The combination of poorly performing well pairs, high transportation costs, and a depression in pricing resulted in significant losses. The Company's last publicly released financial statements indicated operating losses of approximately \$29 million for three months ended September 30, 2014.
- 6.3. Production from the McKay Facility did not materially increase during the six months that the Company was in CCAA. Shortly prior to PwC's appointment as Receiver, the Company shut in all production at the McKay Facility.
- 6.4. The Receiver entered into discussions with Alberta Energy to determine the requirements to maintain the Company's operating license while the McKay Facility was shut in. Alberta Energy agreed to allow the Company to maintain its operating license provided the Receiver initiate and maintain the facility in a warm hibernation state ("**Warm Hibernation**").
- 6.5. A comprehensive Warm Hibernation program was developed with the assistance of external engineers, contractors and the Company. The Warm Hibernation was designed

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to maintain the cogeneration turbines, plant equipment and plant facilities in a state that would allow a prospective purchaser to resume SAGD operations.

- 6.6. The initial cost to implement the Warm Hibernation in the summer of 2015 was approximately \$2.5 million. Up to the end of August 2017, additional costs of \$11.9 million were incurred to maintain the Warm Hibernation for a total investment of \$14.4 million.
- 6.7. Despite its high cost, the First Lien Creditors were supportive of the Warm Hibernation as it maintained the facility in a saleable state. Furthermore, it was determined that a cold hibernation would risk significant deterioration of the entire facility as well as the ability to restart operations for a prospective purchaser.
- 6.8. The Warm Hibernation program was designed to be a short term preservation plan (6 months to 3 years) that would allow for an inexpensive future restart of the McKay Facility. As the facility has been hibernated for over two years and is nearing the Warm Hibernation program's end date, the quantum of capital expenditures required to extend the program beyond three years is unknown.

7. RECEIVER'S INTENT TO DISCLAIM

- 7.1. As of the date of this report, the Receiver is holding approximately \$3 million in cash. The current cost of the Warm Hibernation is approximately \$350,000 per month, without consideration of the potential capital costs required to continue the Warm Hibernation plan beyond its intended three year life span.
- 7.2. The various sales processes have not resulted in any viable bids or proposals for the McKay Facility. The First Lien Creditors have indicated they are no longer willing to support the Warm Hibernation . Without such support the Receiver has no alternative but to disclaim its interest in the McKay Facility.
- 7.3. The Receiver also intends to disclaim the Company's interests in certain remaining ancillary assets including its interest in the McKay West Road, the West Service Road, and all oil sands leases at Hangingstone, South McKay and Anzac.
- 7.4. Property taxes of approximately \$1.7 million are currently outstanding to the municipality of Wood Buffalo. No property tax payments have been made during the Receivership.

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8. TRANSITION AND FURTHER SALES

- 8.1. The Receiver has been working closely with the AER and the OWA to ensure coordination of a smooth and safe transition to the OWA upon disclaiming the McKay Facility.
- 8.2. The Receiver is working with the AER and the OWA to develop a Transition Agreement to coordinate the orderly hand over of the McKay Facility to the OWA on a mutually agreed Transfer Date.
- 8.3. The Receiver is also in discussions with various parties for the sale and removal of certain McKay Facility fixed equipment ("**McKay Equipment**") prior to the Transfer Date.
- 8.4. The Receiver has been in discussions with the AER with respect to the potential sale and removal of the McKay Equipment and will continue to consult with the AER throughout to ensure the safe removal of any McKay Equipment from the McKay Facility.
- 8.5. The Receiver will also be selling three trucks, a bobcat and a small amount of other rolling stock (collectively, the "**Rolling Stock**").
- 8.6. It is possible that the aggregate sales proceeds from the Rolling Stock and any sale of the McKay Equipment could exceed the thresholds set out in the Initial Order of \$500,000 for a single transaction and aggregate consideration of \$1,000,000. As a result, the Receiver respectfully requests that the Court amend the Receivership Order to permit the sale of any of the McKay Equipment and the Rolling Stock without further Court approval, notwithstanding that the aggregate consideration may exceed those amounts authorized in the Receivership Order. The Receiver believes it is fair and reasonable to do so, taking into consideration the following:
 - 8.6.1. The First Lien Creditors are the fulcrum creditors and are anticipated to suffer a significant shortfall in these proceedings;
 - 8.6.2. The sale of the Rolling Stock and any potential sale of the McKay Equipment combined will not come close to paying the First Lien Creditors in full;
 - 8.6.3. The cost of a Court approval application will erode value from the sales that could otherwise be paid to the First Lien Creditors;

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- 8.6.4. The First Lien Creditors are supportive of the proposed amendment to the Receivership Order;
- 8.6.5. The Receiver has been in consultation with both the AER and the OWA regarding the potential sale of these assets;
- 8.6.6. The Receiver understands that neither the AER or the OWA take issue with the potential sales, nor will there be any dispute regarding the Receiver and the First Lien Creditors' entitlement to the sale proceeds provided the Receiver is able to negotiate and finalize these transactions prior to the Transition Date;
- 8.6.7. The Receiver will continue to consult with the AER and the OWA to ensure the safe removal of these assets from the site; and
- 8.6.8. These are the only remaining assets which may be saleable in these proceedings and once the sales and the other administrative tasks noted herein are complete, the Receiver intends to file a discharge certificate, subject to the Court approving same.

9. FINAL DISTRIBUTION AND DISCHARGE OF THE RECIEVER

- 9.1. Upon completion of the administration of the Receivership, the Receiver proposes to pay the remaning funds available for distribution to the First Lien Creditors who, as of the date of this Fourth Report, are owed approximately USD\$172 million.
- 9.2. Given that the Receiver expects to have completed its obligations under the Receivership Order in the near future and in an effort to limit the future costs of administering the Receivership, the Receiver is seeking an Order conditionally discharging it from its duties. The discharge proposed by the Receiver is conditional upon the fulfilment of its duties at which time it would file a Discharge Certificate, in the form attached as Appendix "C", without further application or Order of the Court.
- 9.3. The duties required to be completed by the Receiver prior to filing the Discharge Certificate include:
 - 9.3.1. completing all steps necessary to finalize the Ells Transaction;
 - 9.3.2. selling the Rolling Stock;
 - 9.3.3. negotiating and finalizing the sale of any of the McKay Equipment;

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- 9.3.4. disclaiming and transferring the McKay Facility to the OWA pursuant to the Transition Agreement;
- 9.3.5. disclaiming all other remaining assets and contracts; and
- 9.3.6. issuing a final distribution to the First Lien Lenders;

10. STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 10.1. On December 29, 2015, pursuant to the Order granted on December 3, 2015, an interim distribution was made to the First Lien Creditors in the amount of \$10 million. The interim distribution was funded by a portion of the net proceeds from the Senlac transaction.
- 10.2. Shortly after the failure of the most recent sale process in September 2017, the First Lien Creditors requested a further interim distribution from the Receiver. Pursuant to the December 3, 2015 Order an interim distribution in the amount of \$2.5 million was made on September 18, 2017.
- 10.3. Attached hereto as Appendix “D” is a statement of receipts and disbursements (“R&D”) for the period June 1, 2015 to September 30, 2017 which reflects an excess of receipts over disbursements of approximately \$3,080,569.
- 10.4. As at September, 2017, the cash balance in the Receiver’s accounts was approximately \$3,080,569.

11. RECEIVER AND LEGAL COUNSEL’S FEES AND DISBURSEMENTS

- 11.1. The Receiver is seeking the approval of its fees and disbursements as well as those of its legal counsel at this time.
- 11.2. The fees and disbursements of the Receiver for the period January 31, 2017 to September 30, 2017 total \$327,234 (including GST of \$15,579). A summary of the Receiver’s invoices is attached as Appendix “E”. All rates are for time and services provided at standard rates.
- 11.3. The fees and disbursements of the Receiver’s independent legal counsel for these proceedings, Borden Ladner Gervais LLP (“BLG”), for the period January 31, 2017 to September 30, 2017 total \$81,903 (including GST of \$3,898). A summary of BLG’s

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invoices is attached as Appendix "F". All rates are for time and services provided at standard rates.

- 11.4. Copies of the invoices rendered by the Receiver and BLG will be made available to the Court at the hearing on October 17, 2017.

12. CONCLUSION AND RECOMMENDATIONS

12.1. Based on the foregoing, the Receiver respectfully requests this Court to:

- 12.1.1. approve the disclaimer by the Receiver of the roads and oil sands leases at Hangingstone, South McKay and Anzac, the McKay Facility, and any remaining McKay Equipment or other property that the Receiver is unable to sell prior to the Transfer Date;
- 12.1.2. approve the Ells Transaction;
- 12.1.3. approve the amendment to paragraph 4(l) of the Receivership Order by allowing future sales by the Receiver without further Court approval, and authorizing the Receiver to sell the Rolling Stock and any of the McKay Equipment in a commercially reasonable manner;
- 12.1.4. approve the R&D attached as Appendix "D";
- 12.1.5. approve the fees and disbursements of the Receiver and BLG rendered to date, summaries of which are attached as Appendices "E" and "F";
- 12.1.6. approve the activities of the Receiver as set out in this Fourth Report; and
- 12.1.7. conditionally discharge the Receiver upon fulfilling all remaining duties as more particularly outlined in this Report and the filing a Certificate of Discharge.

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This report is respectfully submitted this 11th day of October, 2017.

**PricewaterhouseCoopers Inc.
Court Appointed Receiver and Manager of
Southern Pacific Resource Corp. et al**



Paul Darby
Senior Vice President



Rick Osuna
Senior Vice President

THIS IS **EXHIBIT "F"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor



SOUTHERN PACIFIC
RESOURCE CORP.



000418

2015 Annual Performance Presentation

STP - McKay River Thermal Project



Subsurface Summary Table of Contents

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3. Heave Monitoring and Caprock
4. Drilling and Completions
5. Artificial Lift
6. Instrumentation in Wells
7. Scheme Performance
8. Future Plans

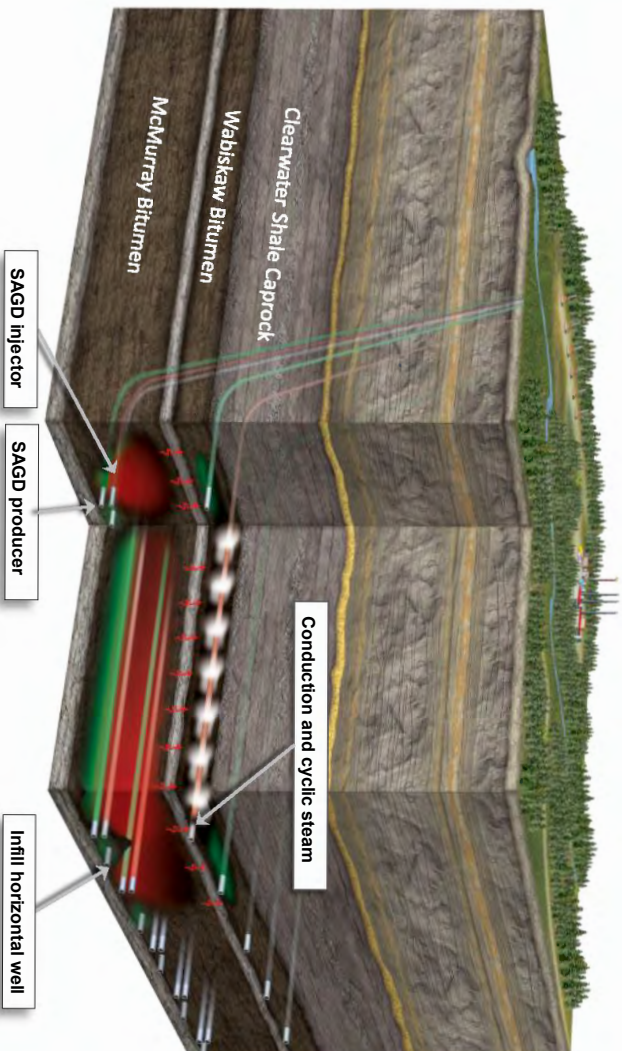


PROJECT BACKGROUND

000420

Project Background

STP-McKay: Full Bitumen Exploitation Plan



- The STP - McKay Thermal Project uses Steam Assisted Gravity Drainage technology to recover bitumen from the underlying McMurray Formation.
- May 2009 – joint AESRD and ERCB application to construct STP - McKay Thermal Project (Phase 1).
- November 2010 - STP receives project approval:
 - EPEA Approval No. 255245-00-00
 - Oil Sands Conservation Act Approval No. 11461.
- Phase 1 first steam in July 2012.
- Phase 1 first oil in October 2012.
- The Project consists of a central processing facility (CPF), well pads (2), borrow pits, water source wells (3), observation wells, a water treatment plant, a wastewater treatment plant, access roads and operations camps.
- The facility is approved to produce 1,900m³/d (~12,000 bpd) of bitumen.
- In November of 2011 an expansion application (Phase 2) was submitted to AESRD and ERCB seeking approval to construct a second CPF on the east side of the MacKay River that would produce an additional 24,000 bpd of bitumen.
- In October of 2012 a Project Update was submitted to amend the Phase 2 application to increase production at the Phase 1 facility from 12,000 bpd to 18,000 bpd while decreasing production at the proposed Phase 2 facility from 24,000 bpd to 18,000 bpd.



Project Background



- The Project is located approximately 45 km northwest of Fort McMurray and 45 km southwest of the community of Fort MacKay in Section 7-91-14W4M
- Project Area is 10.5 sections in Township 91, Range 14, W4M and Township 91, Range 15, W4M.
- Development Area is 1.25 Sections in Township 91, Range 14, W4M.

000422



GEOLOGY/GEOSCIENCE

000423



McKay OBIP by Volumetrics

- Approval Area OBIP
 - 89,376 E³m³
- Approval Area Reservoir Properties:
 - Porosity: 30-33%, Oil Saturation: 65-75%, Height: 10-27m

000424

Southern Pacific Resource Corp.

Suite 1700, 205 - 5th Ave. SW

Calgary, AB T2P 2V7

Phone: 403-269-5243

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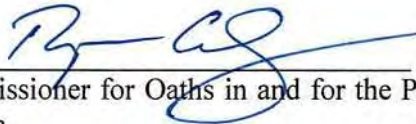


000425

Contact Information

THIS IS EXHIBIT "G" REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor



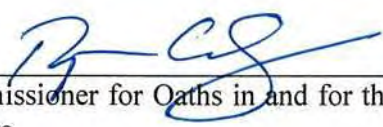
Not Required for Steam or Oil Dates

Date of Issue	Item	Work required	Estimate Time	Estimate Cost
30-Oct	Raw water inlet line to Plant 2	- Isolate line - Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line	2 weeks	\$ 100,000.00
31-Oct	Pond bypass line	- Isolate line - Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line	2 weeks	\$ 100,000.00
2-Nov	E204B Exchanger wash outlet line	- Isolate line - Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line	2 weeks	\$ 100,000.00
2-Nov	Condensate line to PWR building	- Procure replacement line and ensure meets engineering standards - Install new line - Isolate valve - Remove valve, may require steam to thaw - Test valve for functionality in shop	3 weeks	\$ 200,000.00
2-Nov	XV-3101 body gasket leak	- Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate line	1 week	\$ 10,000.00
3-Nov	Emulsion line from pads to Plant 2	- Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line - Isolate valve	3 weeks	\$ 250,000.00
4-Nov	XV-3102 body gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate valve	1 week	\$ 10,000.00
4-Nov	XV-3103 body gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate valve	1 week	\$ 10,000.00
4-Nov	XV-3104 body gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate meter	1 week	\$ 10,000.00
4-Nov	FE-3601 gasket and meter	- Remove meter, may require steam to thaw - Test meter for functionality in shop, may require recalibration or servicing at vendor shop - Procure replacement parts, or entire new meter - Install working meter - Kill well with kill fluid	1 week	\$ 20,000.00
5-Nov	HZIP wellhead flange below master valve gasket leak	- Well will need to be open for gasket replacement - Pressure truck required during replacement - Isolate valve - Remove valve, may require steam to thaw - Test valve for functionality in shop	1 week	\$ 10,000.00
7-Nov	Caustic to HLC flange gasket	- Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate valve	1 week	\$ 10,000.00
7-Nov	XV-4405 body gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate valve	1 week	\$ 10,000.00
8-Nov	Source Water inlet to TK-460 gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve - Isolate valve	1 week	\$ 10,000.00
9-Nov	P-436B Suction gasket leak	- Remove valve, may require steam to thaw - Procure replacement valve and other parts - Install working valve - Isolate valve	1 week	\$ 10,000.00
9-Nov	P-421B Sludge recirc pump suction pinch valve broken	- Remove valve, may require steam to thaw - Procure replacement valve and other parts - Install working valve - Isolate line	2 weeks	\$ 20,000.00
10-Nov	Condensate line from P 563A/B to E409 possible split	- Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line - Isolate line	3 weeks	\$ 100,000.00
12-Nov	Pad 6 quench line leaks	- Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line - Isolate line	2 weeks	\$ 50,000.00
12-Nov	Pad 6 V-145 bottom iso valve leak, could be vessel leak	- Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line - Isolate line	2 weeks	\$ 50,000.00
12-Nov	Pad 6 V-140 bottom iso valve leak, could be vessel leak	- Determine best replacement size and method - Remove line, may require steam to thaw - Procure replacement line and ensure meets engineering standards - Install new line - Isolate pump	2 weeks	\$ 50,000.00
12-Nov	P-463B poor rotation	- Determine best testing method, may require extensive servicing - Procure replacement parts if necessary or bring it for service - Re-install pump - Isolate valve	2 weeks	\$ 50,000.00
12-Nov	XV-4418 body gasket leak	- Remove valve, may require steam to thaw - Test valve for functionality in shop - Procure replacement gasket and other parts, or entire new valve - Install working valve	1 week	\$ 10,000.00
			Equipment Total	\$ 1,190,000.00
			Site Burn (\$30,000/day)	\$ 630,000.00
				\$ 1,820,000.00
				\$ 1,660,000.00 After Repair Defferal

000427

THIS IS **EXHIBIT "H"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

Made at Bonnyville AB, in the
Province of Alberta, on

November 17, 2020

ALBERTA ENERGY REGULATOR

Under section 26.2 of the *Oil and Gas Conservation Act (OCGA)* and section 22.1 of the *Pipeline Act*

Greenfire Hangingstone Operating Corporation (A7P4)

Suite 1650, 444 – 5 AVE SW
Calgary, AB T2P 2T8

WHEREAS Greenfire Hangingstone Operating Corporation (Greenfire) is the holder of the Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A (the Sites);

WHEREAS on October 8, 2020, Greenfire filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS on November 6, 2020, Greenfire obtained an extension to November 20, 2020, to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS Greenfire has an Active status in the Alberta Corporate Registry as of November 17, 2020.

WHEREAS Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures;

WHEREAS freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;

WHEREAS Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020;

WHEREAS Colin Woods, Manager, Compliance & Liability Management Field Operations East (Director) has authority for the purpose of issuing Orders under the *OCGA* and *Pipeline Act*;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at the Sites;

Therefore, I, Colin Woods, Manager, Compliance & Liability Management Field Operations East, under section 26.2 of the *OCGA*, and section 22.1 of the *Pipeline Act*, DO HEREBY ORDER the following:

Action Items

1. Greenfire shall **immediately** report in writing that Greenfire's posted emergency number 000429 will remain active and will initiate an immediate response when called.

2. By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

Action Plan

3. On or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

4. On or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment.

5. Implement the above Action Plans as authorized until otherwise directed by the AER in writing.

Reporting

6. All Plans and Reports to be submitted to the Director under this order shall be submitted to fieldoperationseast@aer.ca

General

7. In carrying out the requirements of this Order, Greenfire shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt.

8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Bonnyville in the Province of Alberta, the 17th day of November, 2020.



Colin Woods

Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA* or *Pipeline Act* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliance's from occurring.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix A

Table 1: Well Licences

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0483436	F1/01-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424893	10/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424892	09/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424838	07/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424837	06/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0419253	AA/13-26-084-11W4/2	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0375428	W0/13-35-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0375327	00/13-35-084-11W4/2 00/13-35-084-11W4/4 00/15-34-084-11W4/3 00/16-34-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0370910	02/03-35-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370909	02/14-26-084-11W4/0 02/14-26-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370903	00/03-35-084-11W4/0 00/03-35-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370901	00/14-26-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370727	03/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370726	18/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370725	21/01-34-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0370724	03/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0367690	AF/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0367479	AC/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000432

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0366965	09/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366964	03/03-35-084-11W4/0	03-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366963	AE/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366962	AB/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366961	10/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366691	02/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366690	16/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366688	W2/04-35-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366687	02/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366675	AB/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0324493	03/13-34-084-11W4/0	13-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0323896	AC/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0319542	00/14-34-084-11W4/0	14-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318834	03/12-34-084-11W4/0	12-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318503	02/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318502	04/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318485	03/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318484	00/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314411	02/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314410	00/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0297267	06/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000433

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0296876	09/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296875	08/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296874	05/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296872	04/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296871	07/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281690	00/11-34-084-11W4/0 05/09-33-084-11W4/2	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281688	04/09-33-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281687	06/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281685	05/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259728	03/09-33-084-11W4/0	09-33-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0259095	02/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259094	02/05-34-084-11W4/0	05-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259093	03/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259092	04/13-27-084-11W4/0	13-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259091	02/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259090	00/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259088	03/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242489	02/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242488	04/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242486	03/13-27-084-11W4/0	02-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242483	00/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000434

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0242482	03/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242480	02/13-27-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240026	02/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240025	02/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240024	00/05-34-084-11W4/0	05-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240023	00/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240022	02/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240021	00/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240020	00/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0239728	00/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219033	04/08-34-084-11W4/0	08-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219032	AF/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219031	AE/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219030	AC/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219028	07/10-34-084-11W4/0	10-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219027	AA/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219024	AD/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219023	00/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219022	07/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219021	00/05-35-084-11W4/0	05-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219020	08/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000435

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0219019	AB/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0214840	06/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214839	05/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214838	04/09-34-084-11W4/0 04/09-34-084-11W4/2	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214837	03/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214836	02/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214835	00/09-34-084-11W4/0	04-35-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0213618	02/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0213579	AA/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213576	AB/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213575	AB/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213532	AB/12-35-084-11W4/0	12-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212103	06/10-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212100	05/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0212096	04/10-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0212095	F1/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0207219	02/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207217	02/07-34-084-11W4/0	07-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207216	00/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207213	00/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0140078	03/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000436

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0131674	00/01-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

Table 2: Facility Licences

Licence Number	Surface Location	Responsible Party	Percent Interest
F21408	16-27-084-11W4	Greenfire Hangingstone Operating Corporation	100%

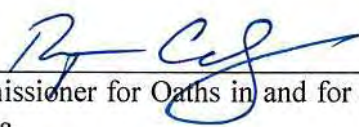
Table 3: Pipeline Licences

Licence Number	From Location	To Location	Line Number
P53137	01-34-084-11W4	13-26-084-11W4	S-1
P53137	01-34-084-11W4	01-34-084-11W4	S-2
P53137	01-34-084-11W4	16-27-084-11W4	S-3
P53137	07-34-084-11W4	01-34-084-11W4	S-4
P53137	11-34-084-11W4	07-34-084-11W4	S-5
P53137	10-27-084-11W4	13-26-084-11W4	S-6
P53137	09-27-084-11W4	09-27-084-11W4	S-7
P53137	01-34-084-11W4	13-26-084-11W4	S-8
P53137	01-34-084-11W4	16-27-084-11W4	S-9
P53137	07-34-084-11W4	01-34-084-11W4	S-10
P53137	11-34-084-11W4	07-34-084-11W4	S-11
P53137	10-27-084-11W4	13-26-084-11W4	S-12
P53137	09-27-084-11W4	09-27-084-11W4	S-13
P53112	13-26-084-11W4	04-35-084-11W4	S-1
P53112	01-34-084-11W4	04-35-084-11W4	S-2
P53112	01-34-084-11W4	07-34-084-11W4	S-3
P53112	01-34-084-11W4	01-34-084-11W4	S-4
P53112	16-27-084-11W4	16-27-084-11W4	S-5
P53112	07-34-084-11W4	11-34-084-11W4	S-6
P53112	13-26-084-11W4	10-27-084-11W4	S-7
P53112	09-27-084-11W4	09-27-084-11W4	S-8
P53112	16-27-084-11W4	16-27-084-11W4	S-9
P53112	01-34-084-11W4	01-34-084-11W4	S-10
P53112	13-26-084-11W4	01-34-084-11W4	S-11
P53111	01-34-084-11W4	01-34-084-11W4	S-1
P53111	01-34-084-11W4	01-34-084-11W4	S-2
P53110	16-27-084-11W4	01-34-084-11W4	000437-1

Licence Number	From Location	To Location	Line Number
P53110	01-34-084-11W4	16-27-084-11W4	S-2
P53110	01-34-084-11W4	04-35-084-11W4	S-3
P53110	01-34-084-11W4	07-34-084-11W4	S-4
P53110	07-34-084-11W4	11-34-084-11W4	S-5
P53110	13-26-084-11W4	10-27-084-11W4	S-6
P53110	09-27-084-11W4	09-27-084-11W4	S-7
P53109	04-35-084-11W4	01-34-084-11W4	S-1
P53109	04-35-084-11W4	13-26-084-11W4	S-2
P53109	07-34-084-11W4	01-34-084-11W4	S-3
P53094	16-27-084-11W4	01-34-084-11W4	S-1
P53094	13-26-084-11W4	01-34-084-11W4	S-2
P53094	01-34-084-11W4	01-34-084-11W4	S-3
P53094	01-34-084-11W4	07-34-084-11W4	S-4
P53094	07-34-084-11W4	11-34-084-11W4	S-5
P53094	13-26-084-11W4	10-27-084-11W4	S-6
P53094	09-27-084-11W4	09-27-084-11W4	S-7
P53094	11-34-084-11W4	07-34-084-11W4	S-8
P53094	11-34-084-11W4	07-34-084-11W4	S-9
P53094	10-27-084-11W4	13-26-084-11W4	S-10
P53094	10-27-084-11W4	13-26-084-11W4	S-11
P53094	01-34-084-11W4	13-26-084-11W4	S-12
P53093	13-26-084-11W4	04-35-084-11W4	S-1
P53093	01-34-084-11W4	04-35-084-11W4	S-2
P53093	01-34-084-11W4	16-27-084-11W4	S-3
P53093	01-34-084-11W4	01-34-084-11W4	S-4
P53093	01-34-084-11W4	07-34-084-11W4	S-5
P53093	07-34-084-11W4	11-34-084-11W4	S-6
P53093	13-26-084-11W4	10-27-084-11W4	S-7
P53093	09-27-084-11W4	09-27-084-11W4	S-8
P24616	05-34-083-11W4	01-34-084-11W4	S-1
P24616	15-34-083-11W4	15-34-083-11W4	S-2
P24616	01-11-084-11W4	13-26-084-11W4	S-3
P24616	16-27-084-11W4	16-27-084-11W4	S-4
P24616	12-13-084-11W4	12-13-084-11W4	S-5
P21792	02-36-084-11W4	13-26-084-11W4	S-5
P21792	13-26-084-11W4	01-34-084-11W4	S-6

THIS IS **EXHIBIT "I"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

File No. 4005
November 25, 2020

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

By email only

tel 780-826-5352
fax 780-826-2366

Mr. Robert B. Logan, Chairman
Greenfire Hangingstone Operating Corporation (A7P4)

www.aer.ca

Email: rlogan@greenfireoilandgas.com

**RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001**

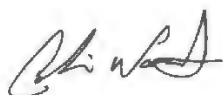
Mr. Logan:

The Alberta Energy Regulator (AER) acknowledges receipt of Greenfire Hangingstone Operating Corporation (Greenfire) Surface Action Plan, received November 23, 2020 (enclosed), as per *Order RCAM 2020-01*. The AER has reviewed and hereby accepts the plan as presented, contingent on Greenfire's anticipated debtor in possession financing, to be confirmed in court on December 8, 2020. Greenfire must update the AER on the outcome of this court proceeding by end of business day December 9, 2020, through the established Order communication process. Dependent on the outcome of these proceedings, the AER may require Greenfire to update its Surface Action Plan accordingly.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Should you have any questions or concerns, please don't hesitate to contact me at 780-826-8334 (office) or alternate contact at 780-201-1737 (cell).

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

CW/cla

000440

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension
cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)
David Phung, Greenfire (dphung@greenfireoilandgas.com)



November 22, 2020

Manager, Compliance & Liability Management, Field Operations East

Alberta Energy Regulator

Suite 1000, 250 5 Street SW

Calgary, Alberta T2P 0R4

Email: fieldoperationseast@aer.ca

RE: Order RCAM 2020-001 – Surface Action Plan

On or before November 23, 2020, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

To whom it may concern,

Greenfire Hangingstone Operation Corporation ("**Greenfire**"), as the current holder of Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A of Order RCAM 2020-001

Greenfire's plan is to restart the Hangingstone site including making any repairs necessary to ensure the safety, integrity and operability of the SAGD plant and wells.

Greenfire has the majority of its former employees ready to restart operations and to protect the facility from further damages due to freezing. Restarting operations is contingent upon receiving debtor in possession (DIP) financing, which is currently expected to be on or about December 8th, 2020, subject to court approval.

During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored.

Action Item #2 from Order RCAM 2020-001 states:

*By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.*

As such, Greenfire is requesting an extension to Action Item #2 from **to December 15, 2020**, from **December 1, 2020**, to allow for time for Greenfire to obtain funds from the aforementioned DIP financing and begin implementation of the restart.

If you require any further information pertaining to the subject request, please contact the undersigned.

Best regards,

A handwritten signature in blue ink, appearing to read "Robert B. Logan".

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Hangingstone Operating Corporation

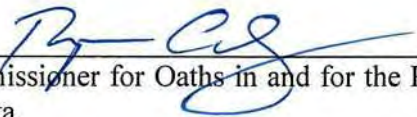
403-465-2321 (cell)

rlogan@greenfireoilandgas.com

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THIS IS **EXHIBIT "J"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

ASSET SALE AGREEMENT

- between -

GREENFIRE HANGINGSTONE OPERATING CORPORATION

as Vendor

- and -

GREENFIRE ACQUISITION CORPORATION

as Purchaser

December 1, 2020

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ASSET SALE AGREEMENT

THIS AGREEMENT is made as of the 1st day of December, 2020

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 ("**Vendor**")

– and –

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 ("**Purchaser**")

WHEREAS:

- A. Vendor is the owner of the Assets;
- B. Purchaser desires to purchase the Assets and Vendor has determined that it is in the best interests of its creditors and stakeholders to sell the Assets, pursuant to and in accordance with the terms and conditions of this Agreement and subject to the Court Approval; and
- C. Purchaser has conducted an investigation of the nature and extent of the Assets and desires to purchase the Assets on the terms and conditions set out herein.

NOW THEREFORE in consideration of the premises, the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.01 Definitions

In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

"Abandonment and Reclamation Obligations" means all past, present and future obligations under contracts or Applicable Laws to abandon, restore and reclaim the Assets, including:

- (a) any closing, decommissioning, dismantling or removing of any Assets and all structures, foundations, buildings, pipelines, equipment and other facilities used in respect of the Assets; and

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- (b) reclaiming, remediating and restoring the surface and subsurface locations and lands pooled or unitized therewith, or comprising all or part of the Assets, or that were used or previously used in respect of that portion of the Leases pertaining to the Lands;

all in accordance with generally accepted oil and gas industry practice in the jurisdiction in which the Assets are located and in compliance with Applicable Laws.

"Access Road" means the roads related to the Facilities and located within the Project Area as set out in the diagram attached hereto as Schedule "F".

"AER" means the Alberta Energy Regulator.

"AER Licences" means the Permits held by Vendor respecting the Wells, Facilities and certain of the Tangibles over which the AER has jurisdiction including as set forth in Schedule "A".

"Affiliate" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person is under common control.

"AFE" means authorities for expenditure, operations notices, or amounts budgeted pursuant to mail ballots.

"Agreement" means and refers to this agreement entitled "Asset Sale Agreement", including the recitals hereto and all Schedules, all as amended, supplemented or modified from time to time in accordance with the provisions hereof.

"Applicable Laws" means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by any Governmental Authority by which such Person is bound or having application to the transaction or event in question.

"Assets" means, collectively, Vendor's undivided interest in and to the Oil Sands Rights, the Tangibles and the Miscellaneous Interests.

"Assignable Agreements" means each of the agreements described in Schedule "D".

"Assignment and Assumption Agreement" means the assignment and assumption agreement to be entered into among Vendor, Lender and Purchaser providing for the assignment of the Interim Financing Term Sheet to Purchaser, Purchaser's assumption of all of Vendor's obligations thereunder, including the Interim Financing Debt, and Lender's full and final release and discharge of Vendor from all obligations and liabilities arising under the Interim Financing Term Sheet, including the Interim Financing Debt.

"Business Day" means a calendar day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta.

"Cash Portion" has the meaning ascribed to that term in Section 2.04.

"**Claim**" means, in relation to any Person, any and all claims, actions, causes of action, accounts, Liens, demands, lawsuits, suits, judgments, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, proceedings, arbitrations, mediations, hearings, investigations or actions by any Governmental Authority, of every kind, nature or description brought against or suffered, sustained or incurred by such Person, in each case whether fixed or contingent or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery.

"**Consequential Damages**" means any Claims, Losses or Liabilities howsoever arising or occurring that are in the nature of consequential, special, indirect, punitive or exemplary damages, including compensation for business interruption, loss of profit, including business loss and economic loss, loss of revenue, loss of value, loss of opportunity, opportunity costs, and similar types of Losses and damages.

"**Court**" means the Court of Queen's Bench of Alberta.

"**Court Approval**" means the approval of the Transaction by the Court, including:

- (a) an order of the Court, substantially based on the form of the Alberta Standard Template Approval and Vesting Order, vesting the Assets in the name of Purchaser free and clear of any and all Encumbrances other than the Permitted Encumbrances (the "**SAVO**"); and
- (b) an order of the Court approving the Interim Financing, including the granting of a security interest in and to the Assets together with any other assets then held by Vendor to Lender, which security interest shall rank in priority to all other Liens in and over the Assets and such other assets to secure the payment and performance of Vendor's obligations under the Interim Financing (including the Interim Financing Debt), provided that such security interest shall at all times be junior to the Administration Charge (as defined in the order of the Court dated October 16, 2020)(the "**Interim Financing Approval**"),

all in form and content satisfactory to Vendor and Purchaser, acting reasonably.

"**Deposit**" means [REDACTED]

"**Dispute**" means any dispute or controversy arising out of this Agreement or the performance of any activities under this Agreement, and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability or breach of this Agreement.

"**DOA**" means the JACOS Hangingstone SAGD Operating Agreement dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Vendor.

"**Effective Time**" means 8:00 a.m. (Calgary time) on the Final Closing Date.

"**Encumbrance**" means any and all Liens, caveats, trusts or deemed trusts (whether contractual, statutory, or otherwise), royalties, options, privilege, interests, assignments, actions, executions, levies, Taxes, judgments, writs of execution, lease, reservation of ownership, rights of pre-emption, claims (whether financial, monetary or otherwise) or charges, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including any encumbrances or charges created by the *Bankruptcy and Insolvency Act* (Canada) and all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system.

"Environment" means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.

"Environmental Liability" means all present and future Losses and Liabilities pertaining to the Assets in respect of the Environment, whether or not caused by a breach of contract, the common law or the Applicable Laws and whether or not resulting from operations conducted with respect to the Assets (if any), including Losses and Liabilities related to:

- (a) the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield substances or waste;
- (b) the release, spill, escape or emission of toxic or hazardous substances;
- (c) any other pollution or contamination of the Environment,
- (d) Losses and Liabilities suffered by Third Parties as a result of the occurrences in Sections (a), (b) and (c) of this definition;
- (e) any obligations imposed by the Applicable Laws or the common law to protect the Environment or to rectify Environmental problems; and
- (f) any operations carried out in respect of the Assets which operations have caused damage to the Environment.

"Escrow Agent" means Burnet, Duckworth & Palmer LLP, in its capacity as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the escrow closing agreement to be entered into on the Escrow Closing Date among Vendor, Purchaser, Proposal Trustee, Lender and Escrow Agent, substantially in the form set forth in Schedule "C".

"Escrow Closing" means the delivery of the Escrowed Documents and the Escrowed Funds to Escrow Agent to be held in escrow for the Escrow Period.

"Escrow Closing Date" means the earlier of:

- (a) the tenth (10th) Business Day after obtaining Court Approval; and
- (b) any other Business Day as Vendor and Purchaser may agree,

provided that, following Escrow Closing, reference to "Escrow Closing Date" shall mean the date on which Escrow Closing actually occurred.

"Escrow Closing Place" means the office of Vendor's Counsel or such other place as Vendor and Purchaser may agree.

"Escrow Closing Statement" means a written statement prepared by Vendor and agreed by Purchaser and Lender setting forth the total amount of any Repair Costs advanced by Lender under the Interim Financing on or prior to the Escrow Closing Date.

"Escrow Closing Time" means 11:00am on the Escrow Closing Date or any other time as Vendor and Purchaser may agree.

"Escrow Conditions" means the LTA is approved by the AER without conditions such that the AER Licences have been registered in the name of Purchaser and Purchaser has provided Vendor with evidence that the transfer of the AER Licences is complete.

"Escrow Period" means the period from the Escrow Closing Time until the earlier of (i) the Final Closing Date, or (ii) the time that this Agreement is terminated in accordance with Section 6.01(a).

"Escrowed Documents" means all of the documents set forth in Sections 4.01(a)(i) and 4.01(b)(i) required to be delivered to Escrow Agent at the Escrow Closing Time.

"Escrowed Funds" has the meaning ascribed to that term in Section 2.06.

"Facilities" means the plants, facilities and utilities within or proximate to the Lands (including the Project Area), in each case as described in Schedule "A" under the heading "Facilities".

"Facilities Inspection" means the inspection of the Facilities by an independent expert agreed to by the Parties to confirm that the damage caused, directly or indirectly, by cold temperatures and plant shut-down does not render the Facilities beyond repair and is not, when taken together with the Repair Costs already incurred, [REDACTED].

"Final Closing" means the completion of the Transaction on the Final Closing Date in accordance with the provisions hereof.

"Final Closing Date" means the date upon which (i) the Escrow Conditions are satisfied or waived, as the case may be, and (ii) the Parties, the Escrow Agent and the Proposal Trustee have complied with the requirements of Section 6.01(b).

"Final Closing Joint Direction" has the meaning ascribed to that term in the Escrow Agreement.

"Final Closing Statement" means a written statement prepared by Vendor and agreed by Purchaser and Lender setting forth the total amount of any Repair Costs advanced by Lender under the Interim Financing at any time prior to the Final Closing Date.

"General Conveyance" means the agreement entitled "General Conveyance" to be delivered at Escrow Closing and entered into as of the Final Closing Date between Vendor and Purchaser providing for the conveyance of the Assets, which agreement shall be in the form set forth in Schedule "B", with only such changes thereto as are necessary to complete such agreement for execution.

"General Eligibility" means eligibility to hold licences for all types of wells, facilities and pipelines in Alberta as described in *AER Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*.

"GORR Agreement" means the agreement entitled "GORR Agreement" entered into as of the 3rd day of August, 2018 between Vendor and Japan Canada Oil Sands Limited.

"Governmental Authority" means, in relation to any Person, transaction or event, any: (i) federal, provincial, state, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (ii) agency, authority, commission, instrumentality, regulatory body,

court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event.

"Gross Negligence or Wilful Misconduct" by a Party means:

- (a) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct; or
- (b) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences;

of such Party, provided that a Party shall not be considered to have engaged in Gross Negligence or Wilful Misconduct if the actions or omissions of such Party (i) only constitute an act or omission of ordinary negligence, or (ii) were in accordance with the written instructions received from, or express concurrence of (to the extent evidenced in writing), the other Party or any of its Representatives.

"GST" means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada).

"Interim Financing" means the interim financing to be provided by Lender to Vendor pursuant to the Interim Financing Term Sheet between Lender, Vendor and Greenfire Oil & Gas Ltd. dated as of the date of this Agreement.

"Interim Financing Debt" has the meaning ascribed to that term in Section 2.04(a).

"Interim Financing Term Sheet" means the interim financing term sheet approved by and appended to the Court Approval.

"Interim Period" means the period from the date of this Agreement to the Escrow Closing Time.

"Interim/Escrow Period Marketing Agreement" means a marketing agreement to be entered into by Vendor and Lender immediately following Court Approval, providing for the marketing of all production from the Assets that is produced from the date hereof to the Final Closing Date, on terms and conditions that are agreeable to Vendor and Lender, in each case acting reasonably.

"Lands" means the lands, the legal descriptions of which are set forth in Schedule "A" and any lands with which the same have been pooled or unitized, and includes (a) unless the context otherwise requires, the surface of such lands and (b) the Petroleum Substances within, upon or under such lands, together with the rights to mine for, drill for, explore for, win, take, own or remove same, insofar as the same are granted by the Leases to such lands.

"Leases" means the leases, reservations, permits, licences or other documents of title, or the relevant portions of each, by virtue of which the holder thereof is entitled to drill for, explore for, mine, win, take, own or remove Petroleum Substances, pertaining to the Lands and in which Vendor holds any interest and includes any document of title issued in substitution for, amendment of or in addition to any of them, including those which are set forth in Schedule "A".

"Lender" means Trafigura Canada General Partnership.

"Liabilities" means any and all liabilities and obligations, whether under common law, in equity, under the Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise.

"Lien" means any lien, mortgage, Security Interest, pledge, hypothecation, garnishment, deposit, restriction, burden, encumbrance, right of conversion or reduction of interest, rights of a vendor under any title retention or conditional sale agreement, or lease or other arrangement substantially equivalent thereto.

"Losses" means, in respect of a Person, any and all losses, damages, costs, out-of-pocket expenses, charges, indebtedness, obligations, assessments, fines, penalties, fees and expenses of every kind, nature or description which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes (other than income taxes), as applicable, court costs and costs which such Person suffers, sustains, pays or incurs in connection with any Claims (including Professional Fees and reasonable costs of investigating and defending such Claims) arising from such Claims, regardless of whether such Claims are sustained, together with any interest which may be imposed in connection therewith.

"LTA" means the licence transfer application to be submitted to the AER in respect of the AER Licences to be transferred to Purchaser in connection with the Transaction pursuant to Directive 006 as amended from time to time, or other such AER Directive that may apply to the application, together with all other AER Licences which are under the jurisdiction of the AER and which are to be transferred to Purchaser pursuant to their applicable processes under the same or related application, as contemplated by the AER's Bulletin 2017-13 or other such AER Directive or AER Bulletin that may apply to the application.

"Material Adverse Effect" means any effect, change, event or occurrence, that, individually or in the aggregate, is material and adverse to the Assets taken as a whole, other than any effect, change, event or occurrence relating to:

- (a) the oil and gas industry in western Canada as a whole;
- (b) the market price of any Petroleum Substance;
- (c) the COVID-19 pandemic or state of emergency related to COVID-19;
- (d) general global or national political, market, economic or social conditions (or changes therein);
- (e) any change in financial, banking, capital or securities markets in general, including any disruption thereof and any change in the price of any security or any market index or any change in prevailing interest or currency rates;
- (f) any act of terrorism, war, military action or the escalation thereof, act of God, natural disaster, similar calamity or other force majeure event, excluding wildfire;
- (g) any change or proposed change in Applicable Law, applicable accounting principles (including IFRS) or applicable regulatory accounting rules (or, in each case, the adoption, enforcement, implementation or interpretation thereof);
- (h) any action required or contemplated by this Agreement or any action taken (or omitted to be taken) with the written consent or at the written request of the Purchaser;

- (i) any damage caused, directly or indirectly, to the Assets by cold temperatures and plant shut-down; or
- (j) any effect, change, event or occurrence directly resulting from the execution, delivery or performance of this Agreement or the announcement of the Transaction (including by reason of the identity of Purchaser or any communication by Purchaser regarding its plans or intentions with respect to the Assets),

provided, however, that the effect referred to in (a), (c), (d), (e) or (f) above does not disproportionately affect the Assets, taken as a whole, compared to other assets of similar size and nature, in which case, the relevant exclusion from this definition of material adverse effect referred to in (a), (c), (d), (e) or (f) above will not be applicable.

"Miscellaneous Interests" means, subject to any and all limitations and exclusions provided for in this definition, the entire right, title, estate and interest of Vendor in all property, assets and rights (other than the Oil Sands Rights or Tangibles) to the extent they pertain directly to the Assets, the Oil Sands Rights or the Tangibles to which Vendor is entitled as at the date hereof, including the following:

- (a) the Title and Operating Documents and all other contracts and agreements and all rights in relation thereto and including any interest of Vendor in and to the Assignable Agreements;
- (b) the Surface Rights;
- (c) the records, files, reports, data, correspondence, production and engineering information, or any of them;
- (d) all non-interpretive records, books, documents, licences, reports and data in respect of the Lands;
- (e) seismic data, engineering and technical information, to the extent relating to the Oil Sands Rights, the Tangibles or the Lands (if any);
- (f) the Wells, including the wellbores and casing;
- (g) all inventory and equipment located within, upon or under the Lands, or within or upon the Facilities as of the date hereof;
- (h) to the extent existing, warranties and guarantees from Third Parties in favour of the Vendor regarding the Facilities and the Tangibles, including the construction and installation thereof, and any other goods, services, equipment or materials incorporated into or acquired for the purpose of incorporation into the Facilities and Tangibles; and
- (i) all insurance proceeds described in Section 11.01,

however, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests shall not include the Warner Contract or any of the foregoing to the extent that:

- (j) they pertain to Vendor's proprietary technology, interpretations or economic evaluations or to Vendor's tax and financial records;

- (k) they are owned or licenced by a Third Party with restrictions on their deliverability, assignability or disclosure by Vendor to any assignee which is not an Affiliate of Vendor or which require the payment of any fees to transfer or disclose same;
- (l) they are legal opinions, or documents prepared by or on behalf of Vendor in contemplation of litigation; or
- (m) they are original records or documents that are required to be maintained by Vendor pursuant to the Applicable Laws, in which case copies thereof shall be delivered to Purchaser.

"Month" means a calendar month beginning at 08:00 a.m. (Calgary time) on the first day of such month and ending at 08:00 a.m. (Calgary time) on the first day of the following month.

"Oil Sands Rights" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land" of Vendor in and to the Lands and Leases, as more particularly set out in Schedule "A".

"Operating Expense Funding" means the funding of all costs and expenses incurred in relation to the restart and operations of the Assets (including in respect of Repair Costs and the Deposit) up to a maximum of \$16,000,000.

"Other Licences" has the meaning set forth in Section 9.03(a).

"Outside Date" means 5:00 p.m. (Calgary time) on February 12, 2021 or such other date as agreed to by the Parties in writing.

"Parties" means Vendor and Purchaser and **"Party"** means either of them.

"Permits" means all notices, notifications, registrations, requirements, filings, submissions, permits (including the AER Licences), licences, approvals, exemptions, orders, rulings, consents or other authorizations required to be made to, with, or obtained from, any Governmental Authority under Applicable Laws to own or operate the Assets and which are held by Vendor.

"Permitted Encumbrances" means:

- (a) the rights reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, permit or authorization or by any Applicable Law, to terminate any such lease, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;
- (b) the rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets or operations (if any) in respect thereof in any manner;
- (c) easements, rights of way, servitudes and other similar rights in lands, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables; provided in each case to the extent that such rights do not materially impair the use of, access to, or operation (if any) of the Assets;

- (d) statutory exceptions to title and the reservations, limitations, provisos and conditions in any original grants from the Crown of any mines and minerals within, upon or under the Lands;
- (e) the terms and conditions of the Title and Operating Documents; provided that any Encumbrance created under or pursuant to any such Title and Operating Document will be a Permitted Encumbrance only if it is set forth in Schedule "A" or also satisfies another provision of this definition;
- (f) contracts for the purchase, sale, handling processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets terminable by any party thereto without penalty or other cost on 91 days' notice or less;
- (g) the terms of the GORR Agreement including the Lien granted therein; and
- (h) the royalties, burdens, reduction or conversion or alteration of interests and adverse claims and other Liens set forth in Schedule "A",

provided that in no circumstances shall the Warner Contract or any rights of Warner Petroleum Corporation related thereto be a Permitted Encumbrance.

"Person" means any natural person, corporation, company, partnership (general or limited), limited liability company, business trust, Governmental Authority, joint venture or other entity or association.

"Petroleum Substances" means crude oil and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids and related hydrocarbons and all other substances (whether hydrocarbon or not), including sulphur, capable of being produced in association with any of the foregoing; sands and other rock materials containing crude bitumen, any crude bitumen contained therein, and any other mineral substances, other than natural gas, in association with that crude bitumen or those sands and other rock materials, as well as any products obtained by processing oil sands, crude bitumen or derivatives of crude bitumen.

"Post-Closing Transfer Obligations" has the meaning set forth in Section 9.01(a).

"Professional Fees" means reasonable (a) fees and disbursements of legal counsel on a solicitor and his own client basis, and (b) fees and disbursements of any other professional advisors and consultants, including expert witnesses, and such other reasonable out-of-pocket expenses as are incurred in connection with such professional advisors and consultants.

"Project Area" means the area set out in the diagram attached hereto as Schedule "E".

"Proposal Trustee" means Alvarez & Marsal Canada Inc. in its capacity as trustee in the notice of intention to make a proposal proceedings of Vendor and not in its personal or corporate capacity.

"Purchase Price" has the meaning set forth in Section 2.02.

"Purchaser's Losses" has the meaning set forth in Section 12.01.

"Repair Costs" means the capital costs related to the damages caused to the Assets, directly or indirectly, by cold temperatures and plant shut-down, as duly certified by an independent engineering firm or such other party satisfactory to the Vendor, Purchaser and Lender.

"**Representatives**" means, in respect of a Party:

- (a) its Affiliates; and
- (b) the respective directors, officers, employees, agents and representatives of such Party and its Affiliates.

"**Retention Period**" shall have the meaning set forth in Section 14.02.

"**Rights of First Refusal**" means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase all or a portion of the Assets as a consequence of Vendor having agreed to sell the Assets to Purchaser in accordance with the terms of this Agreement.

"**Security Interests**" means security interests in the Assets or any portion thereof granted by Vendor, its Affiliates or predecessors in title to any Third Party, whether by way of mortgage, deed of trust, assignment under the *Bank Act* (Canada), debenture, general security agreement or land charge under personal property security legislation or otherwise, including any amendments thereto.

"**Specific Conveyances**" means all conveyances, assignments, transfers, novations, and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer Vendor's title to the Assets to Purchaser and to novate Purchaser into the Miscellaneous Interests that are contracts in the place and stead of Vendor to the extent they relate to the Assets.

"**Surface Rights**" means all rights of Vendor to use the surface of land in connection with the Assets, including the right to enter upon and occupy the surface of land on which the Tangibles are located and rights to cross or otherwise use the surface of land for access to the Assets, including the Access Road, together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing.

"**Survival Period**" means in respect of the representations and warranties of a Party set forth in Article 7, a period of six (6) months following the Final Closing Date.

"**Tangibles**" means the entire right, title, estate and interest of Vendor in and to the Facilities and any and all tangible depreciable property and depreciable assets other than the Facilities that are located within, upon, or under the Lands (including the Project Area) and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable Petroleum Substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Oil Sands Rights.

"**Taxes**" means any taxes, duties, fees, premiums assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Applicable Laws, all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, or including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, property, development, occupancy, all surtaxes, and all customs duties and import and export taxes.

"**Termination Joint Direction**" has the meaning ascribed to that term in the Escrow Agreement.

"**Third Party**" means a Person other than: (a) Vendor or Purchaser, or (b) any of their respective Affiliates.

"Title and Operating Documents" means, to the extent directly related to the Oil Sands Rights or Tangibles, all agreements and documents that relate to the ownership, operation or exploitation of the Oil Sands Rights or Tangibles, including:

- (a) the Leases;
- (b) the DOA;
- (c) agreements whereby Vendor derives any interest in, or affecting Vendor's interests and obligations in, the Oil Sands Rights or the Tangibles, including operating agreements, option agreements, participation agreements, sale and purchase agreements, trust agreements (whether Vendor is trustee or beneficiary), asset exchange agreements, agreements for the construction, ownership and/or operation of the Tangibles and agreements providing for the gathering, measuring, processing, compression or transportation of Petroleum Substances that are terminable on 31 days' notice or less without early termination penalty or other cost;
- (d) agreements pertaining to the Surface Rights;
- (e) service agreements for the operation of the Tangibles by a Third Party (if any); and
- (f) the Permits,

together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing; provided that, for greater certainty, in no circumstances shall the Warner Contract be a Title and Operating Document.

"Transaction" means the transactions contemplated by this Agreement.

"Vendor's Counsel" means Burnet, Duckworth & Palmer LLP.

"Warner Contract" means the marketing agreement dated April 15, 2019 between Vendor and Warner Petroleum Corporation.

"Water Wells" means the water wells identified in Schedule "A".

"Wells" means: (i) the Water Wells and (ii) all wells located in or under the Lands, including: (A) producing, shut in, injection, delineation, abandoned, observation, suspended, capped or other wells and (B) the wells identified in Schedule "A"; but, for certainty, excludes all wells which have been certified reclaimed and a reclamation certificate has been received.

1.02 Schedules

The following are the Schedules attached to and forming part of this Agreement:

- (a) Schedule "A" – Oil Sands Rights, Lands, Leases, Project Area, Facilities, Wells, Water Wells and AER Licences
- (b) Schedule "B" – Form of General Conveyance Agreement
- (c) Schedule "C" – Escrow Agreement

- (d) Schedule "D" – Assignable Agreements
- (e) Schedule "E" – Project Area Diagram
- (f) Schedule "F" – Access Road Diagram
- (g) Schedule "G" – Forms of Officer's Certificates
- (h) Schedule "H" – Disclosure

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.03 Extended Meanings

In this Agreement, unless the context requires otherwise:

- (a) words importing the singular number include the plural and vice versa;
- (b) words importing the masculine gender include the feminine and neuter genders;
- (c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning;
- (d) the terms "herein", "hereby", "hereof", "hereunder", "hereto" and similar expressions mean or refer to this Agreement and not to any particular provision of this Agreement;
- (e) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;
- (f) the use of the word "include" or "including" shall be deemed to mean "include, without limitation", or "including, without limitation", as applicable;
- (g) references to any Person (including any Governmental Authority) include such Person's permitted successors and assigns;
- (h) any reference to a Person in a particular capacity is and is deemed to be a reference to that Person in that capacity and not in any other capacity;
- (i) reference to any agreement, document or instrument means such agreement, document or instrument as amended, replaced, restated or modified and in effect from time to time in accordance with the terms thereof;
- (j) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;

- (k) Terms and expression that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom and usage of the petroleum and natural gas industry in Western Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement unless the contrary is specified or provided for elsewhere in this Agreement.
- (l) references to Articles, Sections, Sections or Schedules refer to articles, sections, clauses, or schedules of this Agreement;
- (m) headings and the table of contents are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents hereof;
- (n) the rule of contractual interpretation known as "*contra proferentem*" shall not apply to the interpretation or construction of this Agreement, such that in interpreting this Agreement, it shall be irrelevant which Party drafted any particular provision hereof;
- (o) all dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein;
- (p) unless otherwise indicated, payments are to be made in Canadian funds, in immediately available funds;
- (q) unless otherwise indicated, references to the time of day or date mean the local time or date in Calgary, Alberta;
- (r) unless otherwise specified herein, or as the context may require, computation of any period of time referred to in this Agreement shall exclude the first Day and include the last Day of such period; and
- (s) where any payment is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, then unless otherwise provided herein, such payment is to be made, or the other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next calendar Month, in which event the payment is to be made, or the other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

1.04 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, sub-sections, paragraphs and other sub-divisions and the insertion of headings for any of the foregoing are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.05 Interpretation If Closing Does Not Occur

In the event that Escrow Closing and/or Final Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets shall be construed as having been contingent upon Escrow Closing and/or Final Closing having occurred.

1.06 Conflicts

If there is any conflict, whether express or implied, or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document (including any Specific Conveyance), the provision of the body of this Agreement shall prevail.

1.07 Vendor's Knowledge

The knowledge or awareness of Vendor herein consists of the actual knowledge or awareness of Robert Logan and Allan Bezanson, without any obligation on such individuals to make any inquiry and without any personal responsibility whatsoever. For these purposes, knowledge and awareness does not include the knowledge of any other Person or constructive or imputed knowledge.

**ARTICLE 2
PURCHASE AND SALE, ESCROW CLOSING AND TAXES**

2.01 Purchase and Sale of Assets

Upon the terms and subject to the conditions of this Agreement, Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase and receive from Vendor, all of the right, title and interest of Vendor in and to the Assets on the Final Closing Date.

2.02 Escrow Closing

- (a) Subject to all other provisions of this Agreement, Escrow Closing shall take place at the Escrow Closing Place at the Escrow Closing Time.
- (b) Vendor and Purchaser agree that the Escrowed Documents shall not have any effect or confer any rights on Vendor, Purchaser or Lender until released from escrow in accordance with the terms of the Escrow Agreement and Final Closing occurs.

2.03 Form of Payment

All payments to be paid pursuant to this Agreement shall be made in immediately available funds by wire, certified cheque or bank draft.

2.04 Purchase Price

The aggregate consideration to be paid by, or on the behalf of, Purchaser to Vendor for the Assets (the "Purchase Price") shall be equal to:

- (a) 
- (b) 



2.05 Deposit

- (a) Pursuant to the terms and conditions of the Interim Financing, Lender (on behalf of Purchaser) shall advance the Deposit to Vendor as soon as reasonably practicable (and in any event within one (1) Business Day) following Court Approval.
- (b) Vendor covenants and agrees that, until the Final Closing, the Deposit or any portion thereof will only be used for the purpose of satisfying accrued and ongoing fees and expenses of Vendor directly related to the administration of the Bankruptcy Proceedings, including the Professional Fees of Vendor's Counsel, the Proposal Trustee and the Proposal Trustee's counsel; *provided that* Vendor will disburse no amounts in respect thereof from the Deposit unless copies of the invoices to which such fees and expenses relate are concurrently provided to Purchaser.

2.06 Payment of Escrowed Funds




At Escrow Closing, Purchaser shall cause Lender to, pay to Escrow Agent an amount equal to:

- (a) 
- (b) 

(the "**Escrowed Funds**") which amount, pursuant to and in accordance with the terms of the Escrow Agreement, will be held by the Escrow Agent in trust for the Escrow Period.

2.07 Allocation of Purchase Price

The Purchase Price shall be allocated among the Assets as follows:

- (a) to the Oil Sands Rights 
- (b) to the Tangibles 
- (c) to the Miscellaneous Interests 

2.08 Taxes

- (a) The Purchase Price does not include any applicable GST. With respect to the GST, the Parties shall jointly elect pursuant to section 167(1) of the *Excise Tax Act (Canada)* with respect to the transfer of the Assets. Purchaser shall file the prescribed form within the

time referred to in subsection 167(1.1) of the *Excise Tax Act* (Canada). If the election is not available to the Parties for any reason, Vendor shall invoice Purchaser for any GST payable by Purchaser to Vendor that is associated with transfer of the Assets and Purchaser shall pay such GST to Vendor. Vendor shall furnish the relevant information and details so requested for the purpose of the joint election in a timely manner without any additional charges or costs to Purchaser.

- (b) Subject to Section 2.08(a):
 - (i) Purchaser shall be solely liable for any and all sales and similar Taxes (including GST) imposed by provincial or federal legislation in respect of the purchase of the Assets pursuant hereto (but excluding for greater certainty Vendor's federal and provincial income taxes) and Purchaser shall indemnify, defend and save harmless Vendor from any GST, penalty, interest or other amounts which may be payable by or assessed against Vendor under the *Excise Tax Act* (Canada) or any Losses and Liabilities suffered, sustained, paid or incurred by Vendor or any of its Representatives or any Claims made against Vendor or any of its Representatives as a result of or in connection with the failure by Purchaser to pay or Vendor to collect any Taxes at Final Closing. Without limiting the generality of the foregoing, if subsequent to Final Closing, the section 167 election is rejected or overturned by the Minister of National Revenue, then the Purchaser shall pay the GST that is determined to be payable in respect of the transfer of the Assets, including any interest and penalties payable in respect thereof in accordance with Section 2.08(b)(ii); and
 - (ii) if Vendor, as agent for the Crown, is required to collect such Taxes, Purchaser shall pay the aggregate amount of such Taxes, as applicable to Vendor at Final Closing. Vendor shall remit such amount to the appropriate authorities in accordance with applicable legislation. The GST Registration Number of Vendor is 778306712 RT0001. The GST Registration Number of Purchaser is 702715475 RT0001.

2.09 Successor Election

Vendor shall execute and file the designation contemplated by Section 66.7(12.1) of the *Income Tax Act* (Canada) with respect to this Transaction within the time and in the manner prescribed the *Income Tax Act* (Canada). Vendor shall, subject to the limitations in the *Income Tax Act* (Canada), provide Purchaser with the maximum successored pools available and reflect same in the designation contemplated by Section 66.7(12.1) of the *Income Tax Act* (Canada).

2.10 No Adjustments

Notwithstanding any other provision in this Agreement, other than as provided pursuant to the Interim Financing there shall be no adjustments made between Vendor and Purchaser in respect of benefits and obligations of any kind and nature relating to the operation of the Assets conveyed pursuant to this Agreement, including maintenance, development, operating and capital costs, government incentives and administration fees, royalties and other burdens, and proceeds from the sale of production, whether accruing, payable or paid and received or receivable.

ARTICLE 3
CONDITIONS TO ESCROW CLOSING

3.01 Vendor's Conditions

The obligation of Vendor under this Agreement to proceed to Escrow Closing is subject to the following conditions, which are for the exclusive benefit of Vendor and may be waived in whole or in part by Vendor by written notice to Purchaser at or before the Escrow Closing Time:

- (a) Accuracy of Representations and Warranties. Purchaser's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Escrow Closing Date and are true in all material respects as of the Escrow Closing Date and Purchaser has delivered to Escrow Agent an officer's certificate in the form of Schedule "G" dated as of the Escrow Closing Date and signed by Purchaser to that effect;
- (b) Performance of Agreements. Purchaser has performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to Escrow Closing and Purchaser has delivered to Escrow Agent an officer's certificate in the form of Schedule "G" dated as of the Escrow Closing Date and signed by Purchaser to that effect;
- (c) Payment. Vendor shall have received the Deposit from Lender (on Purchaser's behalf) and Lender on Purchaser's behalf shall have tendered payment of the Escrowed Funds to the Escrow Agent as contemplated herein in the form stipulated in this Agreement;
- (d) Court Approval. The Court Approval shall have been obtained;
- (e) No Action or Proceeding. At Escrow Closing, no Claim shall be pending before any Governmental Authority seeking to restrain or prohibit the Transaction or to obtain material damages or other relief from Vendor in connection with the consummation of the Transaction; and
- (f) Escrow Closing Deliveries. Purchaser shall have complied with Section 4.01(b).

3.02 Purchaser's Conditions

The obligation of Purchaser under this Agreement to proceed to Escrow Closing is subject to the following conditions, which are for the exclusive benefit of Purchaser and may be waived in whole or in part by Purchaser by written notice to Vendor at or before the Escrow Closing Time:

- (a) Accuracy of Representations and Warranties. Vendor's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Escrow Closing Date and are true in all material respects as of the Escrow Closing Date and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "G" dated as of the Closing Date and signed by Vendor to that effect;
- (b) Performance of Agreements. Vendor has performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions

contained in this Agreement to be performed or complied with by it at or prior to Escrow Closing and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "G" dated as of Escrow Closing signed by Vendor to that effect;

- (c) Court Approval. The Court Approval shall have been obtained;
- (d) Key Employees. Purchaser shall have executed employment agreements with Robert Logan, Allan Bezanson and David Phung pursuant to which such individuals have accepted employment with Purchaser to commence as of the Effective Time.
- (e) Facilities Inspection. The Facilities Inspection has been performed [REDACTED]
- (f) Material Adverse Effect. No Material Adverse Effect shall have occurred from the date of this Agreement to the Escrow Closing Date;
- (g) No Action or Proceedings. At Escrow Closing, no Claim shall be pending before any Governmental Authority which seeks to refrain or prohibit the Transaction, or obtain material damages or other relief from Purchaser in connection with the consummation of the Transaction;
- (h) Escrow Closing Deliveries. Vendor shall have complied with Section 4.01(a); and
- (i) Payment. Vendor shall have received the Deposit from Lender (on Purchaser's behalf) and Lender on Purchaser's behalf shall have tendered payment of the Escrowed Funds to the Escrow Agent as contemplated herein in the form stipulated in this Agreement.

3.03 Facilities Inspection

The Parties shall use commercially reasonable efforts to arrange for the performance of the Facilities Inspection prior, but as close to reasonably practicable, to the Escrow Closing Date. All costs and expenses associated with the Facilities Inspection shall be incurred by Purchaser.

3.04 Efforts to Fulfill Conditions

Purchaser and Vendor shall proceed diligently, honestly and in good faith and use all commercially reasonable efforts to satisfy and comply with and assist in the satisfaction of the compliance with the conditions set forth in Sections 3.01 and 3.02; provided that the Parties acknowledge and agree that the results of the Facilities Inspection referred to in Section 3.02(e) are beyond the control of Vendor and Vendor shall have no liability under this Section 3.04 in respect of a failure to take any actions to satisfy such condition.

3.05 Failure to Fulfill Conditions

- (a) If any of the conditions precedent in Section 3.01 has not been satisfied, complied with or waived by Vendor at or before the Escrow Closing Time and Vendor is not otherwise in breach of this Agreement, then Vendor may terminate this Agreement by written notice to Purchaser prior to the Escrow Closing Time.
- (b) If any of the conditions precedent in Section 3.02 has not been satisfied, complied with or waived by Purchaser at or before the Escrow Closing Time and Purchaser is not otherwise in breach of this Agreement, then Purchaser may terminate this Agreement by written notice to Vendor prior to the Escrow Closing Time.

- (c) Following any termination of this Agreement by Vendor pursuant to Section 3.05(a) or by Purchaser pursuant to Section 3.05(b), Vendor and Purchaser shall be released and discharged from the further performance of any duties or obligations under this Agreement, except as provided in Article 10.

ARTICLE 4 ESCROW CLOSING DELIVERIES

4.01 Deliveries at Escrow Closing

- (a) At Escrow Closing, Vendor shall deliver, or cause to be delivered, the following:
 - (i) to Escrow Agent:
 - (A) a certified copy of the SAVO;
 - (B) the Proposal Trustee's certificate, substantially in the form of Schedule "A" to the Alberta Standard Template Approval and Vesting Order, duly executed (but not dated) by Proposal Trustee;
 - (C) the General Conveyance, duly executed (but not dated) by Vendor;
 - (D) the Assignment and Assumption Agreement, duly executed (but not dated) by Vendor;
 - (E) the Specific Conveyances, duly executed (but not dated) by Vendor;
 - (F) a Section 66.7(7) election under the *Income Tax Act* (Canada), duly executed (but not dated) by Vendor;
 - (G) a Section 167 election under the *Excise Tax Act* (Canada), duly executed (but not dated or completed with respect to amounts) by Vendor; and
 - (H) such other items as may be specifically required hereunder.
 - (ii) to Purchaser:
 - (A) a certified copy of the Interim Financing Approval;
 - (B) the Vendor's officer's certificate referred to in Sections 3.02(a) and 3.02(b) duly executed (and dated as of the Escrow Closing Date);
 - (C) the Escrow Agreement, duly executed (and dated as of the Escrow Closing Date) by Vendor and Proposal Trustee;
 - (D) a receipt for the Escrowed Funds, duly executed (and dated as of the Escrow Closing Date) by Escrow Agent; and
 - (E) such other items as may be specifically required hereunder.
- (b) At Escrow Closing, Purchaser shall deliver, or cause to be delivered, the following:

- (i) to Escrow Agent:
 - (A) the Escrowed Funds;
 - (B) the Assignment and Assumption Agreement, duly executed (but not dated) by Purchaser and Lender;
 - (C) the General Conveyance, duly executed (but not dated) by Purchaser;
 - (D) a Section 66.7(7) election under the *Income Tax Act* (Canada), duly executed (but not dated) by Purchaser;
 - (E) a Section 167 election under the *Excise Tax Act* (Canada), duly executed (but not dated or completed with respect to amounts) by Purchaser; and
 - (F) such other items as may be specifically required hereunder.
- (ii) To Vendor:
 - (A) the Purchaser's officer's certificate referred to in Sections 3.01(a) and 3.01(b) duly executed (and dated as of the Escrow Closing Date);
 - (B) the Escrow Agreement, duly executed (and dated as of the Escrow Closing Date) by Purchaser and Lender; and
 - (C) such other items as may be specifically required hereunder.

In addition, Purchaser will duly execute (but not date) the Specific Conveyances tabled by Vendor.

- (c) All deliveries of Vendor and Purchaser pursuant to this Article 4 shall, except as otherwise stated, be in a form acceptable to each of Vendor and Purchaser and their respective solicitors, acting reasonably.

4.02 Specific Conveyances

- (a) Prior to the Escrow Closing Time Vendor, at its own cost, shall prepare and execute the Specific Conveyances and deliver the Specific Conveyances to Escrow Agent at the Escrow Closing Time.
- (b) To the extent that Purchaser is required to execute any Specific Conveyances, it shall do so promptly after the delivery of such Specific Conveyances by Vendor to Escrow Agent at the Escrow Closing Time.

ARTICLE 5 INTERIM PERIOD AND ESCROW PERIOD

5.01 License Transfer Application

- (a) Subject to Section 5.01(e), Purchaser shall, at its sole cost and expense, both prior to and following Escrow Closing, take, or cause to be taken, any and all actions, and do, or cause to be done, any and all things reasonably necessary, proper or advisable to satisfy all

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regulatory qualification requirements to be eligible to accept the LTA and to receive and hold the AER Licences from and after Final Closing, in accordance with all applicable regulatory processes and Applicable Laws. Without limiting the generality of the foregoing, to the extent that Purchaser has not already done so prior to the execution of this Agreement, Purchaser shall promptly obtain and maintain a Business Associate Code from Petrinex and concurrently with the submission of the LTA to the AER Purchaser shall diligently apply for, and use commercially reasonable efforts to seek a General Eligibility designation, including obtaining the requisite insurance coverage and paying all associated filing fees, and the Parties shall communicate with the AER to determine all conditions which the AER will require in order for the AER to approve the LTA, if any.

- (b) Promptly, and in any event no later than one (1) Business Day, following Escrow Closing Vendor shall submit the LTA to the AER and Purchaser, will electronically ratify and sign such application if the information in such application is accurate.
- (c) Each of Purchaser and Vendor will cooperate with each other, including by way of furnishing such information as may be reasonably requested by a Party, in connection with any correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or in connection with any response or submissions to any statement of concern received by the AER) as may be or become necessary or desirable in connection with the application and approval of the LTA and Purchaser's application for a General Eligibility designation.
- (d) Each Party will:
 - (i) promptly inform the other Party of any material communication received by that Party from the AER in respect of obtaining or concluding LTA or Purchaser's General Eligibility designation;
 - (ii) use commercially reasonable efforts to respond promptly to any request or notice from the AER, or any one of them, to supply additional information that is relevant in respect of obtaining or concluding the LTA or Purchaser obtaining a General Eligibility designation;
 - (iii) permit the other Party to review in advance any proposed filings, submissions, correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or any Third Party in respect of any statement of concern received by the AER) in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation, and will provide the other Party a reasonable opportunity to comment thereon where timing permits and agree to consider those comments in good faith;
 - (iv) promptly provide the other Party with any filings, submissions, correspondence and communications of any material nature that were submitted to the AER or any Third Party in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation or addressing any statement of concern;
 - (v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the AER in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation unless it consults with the other Party in advance when possible; and

- (vi) keep the other Party promptly informed of the status of discussions relating to obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation.
- (e) For greater certainty and notwithstanding any other provision herein to the contrary, if the AER requires as a pre-requisite to or a condition of the LTA, a security deposit, guarantee or any kind of monetary payment (other than administrative filing fees required by Applicable Laws) or financial assurance, Purchaser shall not, by the terms of this Agreement, be obligated to pay or provide such amount or such assurance.

5.02 Interim Period and Escrow Period Operations

During the Interim Period and the Escrow Period Vendor will maintain the Assets in a prudent manner in accordance with Applicable Laws and the Title and Operating Documents, its past practices, as undertaken prior to the cessation of production from the Assets, and good oil and gas industry practices.

5.03 Material Commitments

During the Interim Period and the Escrow Period, Vendor will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed:

- (a) make any commitment or propose, initiate or authorize:
 - (i) any capital expenditure with respect to the Assets, including any Repair Costs; or
 - (ii) any expenditures to be included in the amount advanced by the Lender under the Interim Financing;in each case, of which Vendor's share is in excess of \$50,000, except in case of an emergency;
- (b) sell, transfer or otherwise dispose of any Assets; or
- (c) surrender or abandon any Assets, amend or terminate any of the Title and Operating Documents or grant any Security Interests.

ARTICLE 6 FINAL CLOSING

6.01 Escrow Conditions, Final Closing and Termination

- (a) If the Escrow Conditions are not satisfied on or prior to the Outside Date or if the AER closes the LTA prior to the Outside Date, Final Closing shall not be completed and each Party, the Lender and the Proposal Trustee shall immediately thereafter sign and deliver a Termination Joint Direction to the Escrow Agent, in which event the Agreement shall terminate, and the Escrow Agent shall within two (2) Business Days, in accordance with the terms of the Escrow Agreement:
 - (i) destroy all copies of the Escrowed Documents; and
 - (ii) deliver the Escrowed Funds to Lender on behalf of Purchaser.

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(b) If the Escrow Conditions are satisfied on or prior to the Outside Date, then Vendor shall immediately prepare the Final Closing Statement and the Parties, Lender and Proposal Trustee shall sign and deliver a Closing Joint Direction to the Escrow Agent, and

(i) the Escrow Agent shall within two (2) Business Days, in accordance with the terms of the Escrow Agreement:

(A) date each of the Escrowed Documents as of the Final Closing Date;

(B) deliver the Escrowed Documents to Vendor and Purchaser; and

(C) deliver from the Escrowed Funds:

(I)

[REDACTED]

(II)

[REDACTED]

as provided for in the Final Closing Joint Direction; and

(ii) the Proposal Trustee shall promptly, file the Proposal Trustee's certificate (referenced in Section 4.01(a)(i)(B)) with the Court and notify the Parties that such filing has occurred,

in which event Final Closing shall be deemed to have occurred as of the Final Closing Date.

6.02 Transfer of Possession

Subject to all other provisions of this Agreement, title to, operatorship and beneficial ownership, risk and possession of, the Assets shall pass from Vendor to Purchaser upon Final Closing.

6.03 Specific Conveyances

(a) On the Final Closing Date, Escrow Agent shall deliver the Specific Conveyances in accordance with the Escrow Agreement and promptly after Final Closing:

(i) In respect of any Specific Conveyances that require execution by Third Parties, Vendor shall co-operate with Purchaser and provide all reasonable assistance that Purchaser may reasonably request in connection with Purchaser's procurement of the execution of such Specific Conveyances by the parties thereto other than Vendor and Purchaser.

- (ii) In respect of any Specific Conveyances that do not require execution by Third Parties, Purchaser shall deliver such Specific Conveyances to the appropriate recipients thereof, including the registration with the appropriate Governmental Authorities of any such Specific Conveyances that require registration.
- (b) Except as otherwise expressly stated herein, Purchaser shall bear all costs, fees and deposits of every nature and kind in distributing and registering any Specific Conveyances and in providing any assurances or security required to convey, transfer and assign the Assets to Purchaser and to have Purchaser recognized as the holder thereof.
- (c) Notwithstanding the forgoing in this Section 6.03, in the case of any Specific Conveyances that are transfers of Permits or Crown lease transfers which may be filed electronically with the applicable Governmental Authority, other than Specific Conveyances forming part of the LTA, promptly following Final Closing, Vendor shall submit electronic transfers for such Permits and Crown leases and Purchaser shall accept such electronic transfers from Vendor without delay, provided that, if Purchaser in good faith determines or believes that any of the electronic transfers are not complete and accurate, or the applicable Governmental Authority refuses to process any such transfers because of some defect therein, the Parties shall cooperate to duly complete or to correct such incomplete or inaccurate electronic transfers as soon as practicable and, thereafter, Vendor shall promptly re-submit such electronic transfers and Purchaser shall accept such electronic transfers from Vendor without delay.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES

7.01 Representations and Warranties of Vendor

Purchaser acknowledges that it is purchasing the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party, except that and subject in all instances to the Permitted Encumbrances, or any matter disclosed in any of the Schedules, Vendor makes the following representations and warranties to Purchaser:

Regarding Vendor

- (a) Standing. Vendor is, and on the Escrow Closing Date, shall continue to be, duly organized, valid and subsisting, and registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) Requisite Authority. Provided that the Court Approval is obtained, Vendor has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) No Conflict. Provided that the Court Approval is obtained, the execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the articles, bylaws or other constating documents of Vendor,

- (ii) any agreement, instrument, permit or other governmental authorization to which Vendor is a party or by which Vendor is bound, or
- (iii) any Applicable Law applicable to Vendor or the Assets;
- (d) Execution and Enforceability. Vendor has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of the Escrow Closing Date, provided that the Court Approval is obtained, Vendor shall have taken all actions necessary to authorize and complete the sale of the Assets in accordance with the provisions of this Agreement. This Agreement and, provided that the Court Approval is obtained, any other agreement or document delivered in connection herewith, has been validly executed and delivered by Vendor and this Agreement and all other documents executed and delivered on behalf of Vendor hereunder shall constitute valid and binding obligations of Vendor enforceable in accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);
- (e) Residency. Vendor is a Canadian body corporate within the meaning of the *Income Tax Act* (Canada);
- (f) Finders' Fees. Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the sale of the Assets for which Purchaser will have any obligation or liability;
- (g) Employees. Vendor does not have any employees as of the date of this Agreement;

Regarding the Assets

- (h) Title to Assets. Vendor does not warrant title to the Assets but does warrant that the SAVO to be sought will be in a form which provides for the transfer of the Assets free and clear of all Liens, Encumbrances, royalties, conversions, rights and other Claims of Third Parties created by through or under Vendor other than the Permitted Encumbrances;
- (i) No Default Notices. Vendor has not received any notice of default under the Title and Operating Documents or any notice alleging its default thereunder, which default remains outstanding or unsatisfied at Escrow Closing;
- (j) Rights of First Refusal. None of the Assets are subject to any Rights of First Refusal;
- (k) Removal of Tangibles. No tangible depreciable property that would otherwise form part of the Tangibles has been removed from its location since the date hereof;
- (l) Environmental Matters. Other than AER Order RCAM 2020-001 dated November 17, 2020 (and the extension dated November 25, 2020) Vendor has not received:
 - (i) any order or directive under any Applicable Law which relates to Environmental Liabilities and which requires any work, repairs, construction or capital expenditures with respect to the Assets which remains outstanding, where such orders or directives have not been complied with in all material respects; or

- (ii) any demand or notice issued by any Governmental Authority with respect to the breach of any Applicable Law relating to the Environment, health or safety applicable to the Assets, including any Applicable Law respecting the use, storage, treatment, transportation or disposition of Environmental contaminants, which demand or notice remains outstanding;
- (m) Fee Simple Interests. Vendor does not have any fee simple interests in and to any of the Lands;
- (n) Surface Rights.
 - (i) the Surface Rights constitute all of the rights that are necessary for the Facilities to be affixed to, installed and/or to occupy the Lands and for Vendor to occupy, gain access to, operate, maintain and use the Assets substantially as operated, maintained and used on the date hereof; and
 - (ii) there is no pending or, to the knowledge of Vendor threatened, condemnation of the Surface Rights by any Third Party that would materially interfere with the overall operation, maintenance or use of the Assets substantially as operated, maintained and used on the date hereof;
- (o) Permits.
 - (i) the Permits include all permits, licences or other authorizations in respect of the ownership or operation of the Facilities that are required and necessary under Applicable Law to operate the Assets as presently operated;
 - (ii) to Vendor's knowledge, the consummation of the Transaction will not result in the cancellation, suspension, termination or otherwise require modification of any Permits; and
 - (iii) subject to Vendor's receipt of AER Order RCAM 2020-001 dated November 17, 2020 (and the extension dated November 25, 2020) Vendor has not received any written notice alleging any material violation of any Permit;
- (p) Insurance. Vendor maintains policies of property and casualty insurance insuring the Assets with policy limits, coverage provisions, deductibles, waiting periods and other provisions that a reasonably prudent operator of similar assets would maintain and all such insurance policies are in full force and effect; and
- (q) Information. To Vendor's knowledge, it has not withheld from Purchaser any document in its possession which it is permitted to disclose and which it knows to include information regarding the Assets that is material and adverse to the ownership, operation or maintenance of the Assets taken as a whole.

7.02 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor:

- (a) Standing. Purchaser is, and at Escrow Closing shall continue to be, duly organized, valid and subsisting, registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) Requisite Authority. Provided that the Court Approval is obtained, Purchaser has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) No Conflict. Provided that the Court Approval is obtained, the execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the organizational documents of Purchaser,
 - (ii) any agreement, instrument, permit or authority to which Purchaser is a party or by which Purchaser is bound, or
 - (iii) any Applicable Law applicable to Purchaser or its assets;
- (d) Execution and Enforceability. Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of Escrow Closing, provided that the Court Approval is obtained, Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by Purchaser, and this Agreement and, provided that the Court Approval is obtained, all other documents executed and delivered on behalf of Purchaser hereunder shall constitute valid and binding obligations of Purchaser enforceable in accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);
- (e) Finders' Fee. Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of its purchase hereunder for which Vendor will have any obligation or liability;
- (f) Availability of Funds: Purchaser has available to it sufficient cash, available lines of credit, or other sources of immediately available funds to enable Purchaser to make payment of the Escrowed Funds at Escrow Closing and all other amounts to be paid by Purchaser hereunder;
- (g) Investment Canada Act. Purchaser is a "WTO investor", within the meaning of the *Investment Canada Act*;
- (h) No Lawsuits or Claims. There are no material unsatisfied Claims in existence or threatened in writing by, on behalf of, or against Purchaser, or imposed by any Governmental Authority, whether or not insured and which may adversely affect Purchaser or the condition (financial or otherwise) of Purchaser to complete the Transaction;
- (i) Regulatory Approvals. Provided that the Court Approval is obtained, and subject to the approval of the LTA, to Purchaser's knowledge, other than as contemplated herein, there

are no regulatory approvals or rulings required to be obtained by Purchaser in respect of the Transaction;

- (j) Residency. Purchaser is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada); and
- (k) Acquiring as Principal. Purchaser is acquiring the Assets as principal and not on behalf of any Third Party.

ARTICLE 8 SURVIVAL AND LIMITATIONS OF REPRESENTATIONS AND WARRANTIES

8.01 Survival of Representations and Warranties

- (a) Except where a time is specified therein, the representations and warranties in Article 7 shall be true at the date hereof and at Escrow Closing and such representations and warranties shall continue in full force and effect and shall survive Final Closing for the Survival Period for the benefit of the Party for which such representations and warranties were made; provided that no Claim shall be commenced or enforceable by either Party with respect to a breach of any such representation or warranty except as expressly permitted in and in accordance with Article 12.
- (b) The Parties acknowledge and agree that an obligation under this Agreement to provide written notice of a Claim within the Survival Period and in a manner specified in this Agreement is intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and Liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provisions of Section 7(2) of the *Limitations Act* (Alberta).

8.02 No Merger

The representations and warranties in Article 7 shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Assets from Vendor to Purchaser. There shall not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

8.03 Limitation of Representations or Warranties by Vendor

- (a) Purchaser acknowledges to and agrees with Vendor that each of the representations and warranties of Vendor in this Agreement shall be qualified by, and Vendor will not be liable for, and Purchaser will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, or in the Bankruptcy Proceedings (as defined in Clause 15.01) that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 7.01; or

- (ii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Vendor representations and warranties set out in Section 7.01, Vendor makes no representations or warranties to Purchaser in addition to those expressly enumerated in Section 7.01 and, in particular and without limiting the generality of the foregoing, Vendor hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Purchaser or its Representatives in any manner, except for those expressly set forth in Section 7.01, including with respect to:
- (i) the Facilities Inspection or any other inspection of the Assets and any estimates of damage determined during such inspection(s);
 - (ii) any data or information provided or made available to Purchaser by Vendor or its Representatives on plant or site visits, in management presentations, in meetings with Vendor's management or employees or otherwise;
 - (iii) any estimates of the value of the Assets or the revenues applicable to future production therefrom;
 - (iv) any engineering or other interpretations or economic evaluations respecting the Assets;
 - (v) the Environmental condition of any asset or any Environmental Liability or Abandonment and Reclamation Obligations;
 - (vi) title to the Assets;
 - (vii) any Liabilities or Claims related to the Assets;
 - (viii) any Losses related to or associated with the Assets; or
 - (ix) the quality, condition or serviceability of the Assets or the suitability of their use for any purpose.

8.04 Limitation of Representations or Warranties by Purchaser

- (a) Vendor acknowledges to and agrees with Purchaser that each of the representations and warranties of Purchaser in this Agreement shall be qualified by, and Purchaser will not be liable for, and Vendor will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 7.02; or

- (ii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Purchaser representations and warranties set out in Section 7.02, Purchaser makes no representations or warranties to Vendor in addition to those expressly enumerated in Section 7.02 and, in particular and without limiting the generality of the foregoing, Purchaser hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Vendor or its Representatives in any manner, except for those expressly set forth in Section 7.02.

ARTICLE 9 COVENANTS

9.01 Post-Closing Conveyancing

- (a) It is acknowledged that, subject to Section 5.01, it may not be practicable to deliver all Specific Conveyances at Escrow Closing and that it shall not be necessary for assignment and novation agreements (for which consent to assign thereunder may not be unreasonably or arbitrarily withheld by the counterparties thereto) to have been executed prior to or at Escrow Closing or Final Closing by Third Parties. To the extent it is not reasonably practicable to deliver certain Specific Conveyances (for which consent to assign thereunder may not be unreasonably or arbitrarily withheld by the counterparties thereto) at Escrow Closing, including with respect to the ABSA registration set out in Schedule "A", then, after Final Closing, Vendor shall use diligent efforts to, as soon as is practicable, prepare and execute the Specific Conveyances and Vendor shall co-operate with Purchaser in its procurement of the execution of such documents and any substitutions, amendments or replacements thereof by Third Parties. Purchaser shall use all commercially reasonable efforts to become, as soon as reasonably practicable, the recognized and beneficial holder of the Assets in the place and stead of Vendor and shall promptly register all such Specific Conveyances; provided however, in furtherance thereof, Vendor may, after Final Closing, elect to register on behalf of Purchaser all transfers of permits and similar documents. Vendor, where Purchaser is the registering Party, and Purchaser, where Vendor is the registering Party, shall promptly take whatever steps are reasonably necessary to verify such registrations. The obligations of the Parties pursuant to this Section 9.01(a) are called the "**Post-Closing Transfer Obligations**". The Parties shall continue to use commercially reasonable efforts following Final Closing to complete the Post-Closing Transfer Obligations in an effort to have the same completed by no later than twenty (20) Business Days after Final Closing, provided that so long as a Party has used such commercially reasonable efforts and continues to use such commercially reasonable efforts, such Party shall not be in breach of this Section 9.01(a). For greater certainty and notwithstanding the foregoing, Purchaser shall not be obligated to pay any deposits or other like bonding amounts in order to complete the Post-Closing Transfer Obligations.
- (b) Purchaser shall bear all out of pocket costs and fees of every nature and kind incurred (whether by Vendor or Purchaser) in registering any Specific Conveyances and registering any further assurances required to convey the Assets to Purchaser.

- (c) Following Final Closing, until the Specific Conveyances have been delivered and/or registered, and until Purchaser is novated into the place and stead of Vendor in and to the Title and Operating Documents and any other documents comprising the Miscellaneous Interests, Vendor shall hold the benefit of Purchaser's interest in same in trust as bare trustee for Purchaser, and Vendor shall represent Purchaser and receive and hold, as bare trustee and agent of Purchaser, all proceeds, benefits and advantages accruing in respect of the Assets for the benefit, use and ownership of Purchaser.
- (d) Having regard to the Post-Closing Transfer Obligations, Vendor shall, as soon as is reasonably practicable following Final Closing, deliver to Purchaser the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests which it has in its possession or control; provided that if Vendor retains any interest in any property to which any of the Title and Operating Documents relate, Vendor may retain the original copy of such Title and Operating Document and provide a photocopy of it to Purchaser in every case. At any time while Vendor remains in possession of such Title and Operating Documents and related information, it shall provide access thereto to Purchaser as reasonably requested from time to time.

9.02 Post-Closing Maintenance of Assets

Following Final Closing until such time as Purchaser is recognized by Third Parties under the applicable Title and Operating Documents or otherwise recognized as the owner of the applicable Assets, Vendor shall:

- (a) in a timely manner, forward to Purchaser all notices, specific information and other documents Vendor receives respecting such Assets;
- (b) in a timely manner, deliver to Third Parties all such notices and communications as Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of such Assets;
- (c) as agent of Purchaser, do and perform all such acts, operations and things and execute and deliver all such agreements, notices and other documents and instruments as Purchaser may reasonably request in writing for purposes of facilitating the exercise of rights incidental to the ownership of such Assets or required by any government or regulatory agency of appropriate authority having jurisdiction; and
- (d) not initiate or authorize any operations with respect to the applicable Assets, except upon the written direction of Purchaser or if Vendor reasonably determines that such operations are required for the protection of life or property, in which case Vendor may take any actions that it reasonably determines are required in the circumstances at Purchaser's sole cost and expense, provided that, in such latter case Vendor shall promptly notify Purchaser of such actions and Vendor's estimate of the costs and expenses associated therewith.

Purchaser shall be liable for and shall, in addition, as a separate and independent covenant indemnify Vendor and its Representatives from and against all Losses, Liabilities and Claims suffered, sustained, paid or incurred by such Vendor or its Representatives or made against them as a result of maintaining the Assets pursuant to and in accordance with this Section 9.02 or exercising any other rights as Purchaser's agent hereunder, insofar as those Losses, Liabilities and Claims are not a direct result of the Gross Negligence or Wilful Misconduct of Vendor or its Representatives. An act or omission will not be regarded as Gross

Negligence or Wilful Misconduct under this Article to the extent that it was done or omitted to be done in accordance with Purchaser's written instructions or written concurrence.

9.03 Other Permits

- (a) In respect of any Permits that are not transferred as part of the LTA, including those set out in Schedule "A" under the heading Other Licences (the "**Other Licences**"), no later than five (5) Business Days after Escrow Closing, the Parties shall:
 - (i) commence to use all commercially reasonable efforts and cooperate with each other to make all required filings and satisfy all requirements of an applicable Governmental Authority, to transfer the Other Licences from Vendor to Purchaser; provided that, for greater certainty, Purchaser shall not be obligated to pay any deposits or other like bonding amounts in order to satisfy any such requirements;
 - (ii) keep each other informed of the status of any process applicable pursuant to, or other communications with Governmental Authorities in connection with, this Section 9.03; and
 - (iii) each Party shall bear its own costs and expenses required to be incurred to satisfy its obligations under this Section 9.03,

provided that, for certainty, the transfer of any Other Licences shall not be a condition to Final Closing.

- (b) Unless otherwise agreed to by Vendor in writing, Purchaser and/or Vendor shall make all filings, and seek the transfer or issuance, as applicable, of any and all Other Licences to be transferred or obtained pursuant to this Section 9.03 on the same terms and conditions as apply to (i) the Other Licence prior to its transfer, or (ii) the existing Other Licence a new Other Licence replaces, as the case may be.

9.04 Governmental Security Deposits

For greater certainty and notwithstanding any other provision herein to the contrary, if, after Escrow Closing, a Governmental Authority requires as a pre-requisite to or a condition of the transfer of any Permit, a security deposit, guarantee or any kind of monetary payment (other than administrative filing fees required by Applicable Laws) or financial assurance from Purchaser, such security deposit, guarantee or any kind of monetary payment or financial assurance shall not, by the terms of this Agreement, be required to be paid by Purchaser.

ARTICLE 10 TERMINATION

10.01 Termination Prior to Escrow Closing

This Agreement may be terminated at any time prior to Escrow Closing:

- (a) by mutual written consent of both Parties;
- (b) by Vendor pursuant to Section 3.05(a); or

- (c) by Purchaser pursuant to Section 3.05(b).

10.02 Termination Following Escrow Closing

This Agreement may be terminated at any time prior to Final Closing by the Parties pursuant to Section 6.01(a).

10.03 Effect of Termination

If this Agreement is terminated pursuant to Section 10.01 or 10.02, then the Parties shall be released from all of their obligations under this Agreement, other than Sections 13.01, 17.01 and 17.02, which, together with any and all Liabilities and obligations of the Parties accruing prior to termination of this Agreement, shall survive such termination and remain in effect and be binding and enforceable in accordance with their terms. Following such termination, each Party shall be responsible for the costs and expenses incurred by it in connection with this Agreement and the Transaction.

ARTICLE 11 LOSS

11.01 Loss

If, during the Interim Period or Escrow Period, part of the Assets are damaged or destroyed by fire or other casualty, Vendor will promptly give Purchaser notice thereof. If the resulting loss is reimbursable to Vendor under its insurance policies or by a Third Party (including such Third Party's insurance policies), then, without limiting Purchaser's rights pursuant to Section 3.02(f) to the extent such event constitutes a Material Adverse Effect or otherwise, and provided Final Closing occurs, Vendor will, at Final Closing or upon receipt whichever is later, pay to Purchaser all insurance proceeds arising from the destruction pertaining to the Assets. In addition, Vendor at Final Closing will assign, transfer and set over to Purchaser all of the right, title and interest of Vendor to any unpaid insurance proceeds arising out of the destruction pertaining to the Assets. Vendor will not voluntarily compromise, settle or adjust any insurance Claim resulting from the destruction without first obtaining Purchaser's consent. If Final Closing does not occur for any reason whatsoever Purchaser shall have no right to such insurance proceeds.

ARTICLE 12 LIABILITIES AND INDEMNITIES

12.01 Indemnity by Vendor

Subject to Section 8.01, and provided that Final Closing has occurred, Vendor shall:

- (a) be liable to Purchaser and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Purchaser and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or connected with:

- (c) a breach of the representations and warranties of Vendor in Article 7, including in the certificate delivered pursuant to Section 3.02(a); or

- (d) a breach of any covenant of Vendor herein made in respect of or applicable to the Transaction, including in the certificate delivered pursuant to Section 3.02(b),

provided always that Vendor shall not be liable to or be required to indemnify and save harmless Purchaser nor its Representatives pursuant to this Section 12.01 in respect of any Losses, Liabilities and Claims: (i) that consist of Consequential Damages (provided, for greater certainty, that Purchaser and its Representatives shall not be precluded from entitlement to indemnification under this Section 12.01 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); (ii) to the extent that the same are reimbursed by insurance maintained by Purchaser; or (iii) that are caused by the Gross Negligence or Wilful Misconduct of Purchaser or its Representatives (collectively, "**Purchaser's Losses**").

12.02 Indemnity by Purchaser

Subject to Section 8.01, and provided that Final Closing has occurred, Purchaser shall:

- (a) be liable to Vendor and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Vendor and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or in any way connected with:

- (c) a breach of the representations and warranties of Purchaser in Article 7 made in respect of or applicable to the Transaction;
- (d) a breach of any covenant of Purchaser herein made in respect of or applicable to the Transaction; or
- (e) the Assets, to the extent such Losses, Liabilities and Claims occur or arise on or after the Effective Time;

provided always that Purchaser shall not be liable to or be required to indemnify and save harmless Vendor nor its Representatives pursuant to this Section 12.02 in respect of any Losses, Liabilities and Claims: (i) to the extent that the same are reimbursed by insurance maintained by Vendor; (ii) that are caused by the Gross Negligence or Wilful Misconduct of Vendor or its Representatives; (iii) that consist of Consequential Damages (provided, for greater certainty, that Vendor and its Representatives shall not be precluded from entitlement to indemnification under this Section 12.02 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); or (iv) that are matters or things for which Purchaser is entitled to indemnification under Section 12.01;

12.03 Assets Acquired On "As Is" Basis

- (a) In the determination of the Purchase Price, the Parties confirm and agree that past, present and future Environmental Liabilities, including Abandonment and Reclamation Obligations, are a future cost embedded in the Assets that is so associated or physically connected with the Assets that, while having been taken into account in establishing the value of the Assets, cannot be separated from the ownership rights in the Assets and moreover, that such obligations are not capable of quantification as of the Effective

Time. Accordingly, the Parties have not attributed a specific or agreed to value with regard to either: (i) such Environmental Liabilities or Abandonment and Reclamation Obligations; or (ii) any indemnities provided in respect thereof, nor shall there be any adjustments made to the Purchase Price in relation thereto. For greater certainty, neither the existence nor the amount of any accounting reserve for asset reclamation obligations or similar matters in the financial statements or accounting records the Parties has been of any relevance to either Party in determining the value of the Assets.

- (b) Purchaser acknowledges that it is acquiring the Assets on an "as is" basis and that Purchaser is not entitled to rely upon any representation or warranty of Vendor as to the condition, Environmental or otherwise, of the Assets, except as is specifically made pursuant to Section 7.01. Subject to the foregoing, and provided that Final Closing has occurred, Purchaser further agrees that it shall:
- (i) be solely liable to Vendor and its Representatives for any and all Losses and Liabilities they suffer, sustain, pay or incur; and
 - (ii) as a separate and independent covenant, indemnify and save Vendor and their Representatives harmless from any and all Claims made against them,

insofar as such Losses, Liabilities and Claims are a direct result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or Abandonment and Reclamation Obligations, whether occurring or accruing before, on or after the Effective Time, except to the extent that any such Losses, Liabilities and Claims are matters or things for which Purchaser is entitled to indemnification under Section 12.01 by virtue of any breach by Vendor of Section 7.01(l). Subject to the foregoing, once Final Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations as between Vendor and Purchaser in respect of the Assets. In addition, Purchaser hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all Environmental Liabilities and Abandonment and Reclamation Obligations in respect of Assets that occur or accrue on or after the Effective Time under the Applicable Laws, at common law or otherwise, including the right to name Vendor as a third party under any action commenced or enforcement proceeding against Purchaser. In addition, Vendor will also retain those other rights and remedies available to it under the Applicable Laws, under the common law or otherwise with respect to any Claim it may have against Purchaser under this Article 12.

12.04 No Merger

The indemnities set forth in Sections 12.01, 12.02 and 12.03 will be deemed to apply to, and will not merge in, any assignment, transfer, conveyance, novation or other document conveying the Assets to Purchaser.

12.05 Carriage of Litigation

If a Claim is made under this Article 12 involving a Claim by a Third Party, the Party with greater exposure under this Agreement in respect of the Claim will have carriage of the Third Party litigation. It will consult with the other Party, which will be entitled to retain its own counsel and participate in the litigation at its own expense.

12.06 Limitations on Liability

- (a) Notwithstanding any other provision contained herein, the total amount of the Liabilities and indemnities of Vendor to Purchaser in connection with any Purchaser's Losses or Claims pursuant to Section 12.01(c) shall not exceed \$1.
- (b) No Claim may be commenced by a Party in respect of a breach of a representation or warranty given by any other Party in Article 7 unless, within the Survival Period, written notice of a Claim specifying the breach in reasonable detail, the amount of the Claim and the provisions of the Agreement applicable to such Claim has been provided to the Party which made such representation and warranty, and each Party hereby waives any rights it may have at law or otherwise to commence a Claim or action for breach of representation or warranty or indemnification under this Article 12 in respect thereof after such Survival Period.
- (c) Notwithstanding anything to the contrary herein, in no event shall any Party be liable to the other for any Consequential Damages in connection with this Agreement. This limitation of liability shall apply regardless of whether the liability claim is based on a breach of contract, breach of representation or warranty, negligence, strict liability, tort or other legal or equitable theory or cause of action.

12.07 Sole Remedy

Provided that Final Closing has occurred, the sole and exclusive remedy of a Party in respect of all pre-Final Closing matters (including in respect of representations, warranties and covenants) of this Agreement shall be for indemnification pursuant to Section 12.01 or Section 12.02, as the case may be, and in connection therewith, Vendor and Purchaser each hereby waive all other rights and remedies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) that it may have against the other Party and the other Party's Representatives in connection with such pre-Final Closing matters.

ARTICLE 13 CONFIDENTIALITY

13.01 Confidentiality

- (a) Neither Party may disclose the terms or contents of this Agreement, including the name of the other Party, or any information concerning negotiations leading to this Agreement and the Transaction, without the prior written consent of the other Party.
- (b) Prior to Escrow Closing, all information obtained by Purchaser from Vendor respecting the Assets shall be retained in confidence by it and used by it only for the purposes of this Transaction; provided, however, that nothing contained herein shall prevent Purchaser from using or disclosing information pertaining to the Assets after Final Closing.
- (c) Notwithstanding Sections 13.01(a) and 13.01(b), a Party may release or provide information about the Transaction:
 - (i) as is required by Applicable Laws (including as may be required to obtain Court Approval) or stock exchange requirements applicable to the disclosing Party; provided that such disclosing Party shall make reasonable commercial efforts to

provide the other Party with the details of the nature and substance of such required disclosure as soon as practicable and in any event prior to such disclosure;

- (ii) as is required to enable such Party to fulfil its obligations under this Agreement, including obtaining any approvals or consents to the Transaction required from Governmental Authorities (including the AER and Court Approval) or Third Parties;
 - (iii) to the Proposal Trustee; and
 - (iv) to Lender, and to a bank or other financial institution to obtain financing or any required consent of the bank or other financial lender of such Party.
- (d) The Parties agree that this Agreement shall be filed with the Court on a confidential basis such that the Purchase Price, Purchase Price allocation and such other sensitive terms, as the Parties may agree, shall be sealed, kept confidential and not form part of the public record, and that Vendor shall seek a sealing order to that effect in respect of this Agreement. If this Agreement is terminated, each Party upon request will promptly return to the other Party all documents, contracts, records or other information received by it that disclose or embody confidential information of the other Party.

13.02 Public Announcements

The Parties shall consult with and obtain the consent (not to be unreasonably withheld) of each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transaction.

ARTICLE 14 ACCESS TO BOOKS AND RECORDS

14.01 Access to Information

- (a) After Final Closing, Purchaser shall, upon request from Vendor, provide reasonable access at Purchaser's offices during its normal business hours to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences and data included in the Miscellaneous Interests (including Title and Operating Documents) which are then in the possession of Purchaser and to make copies thereof, as Vendor may require for purposes relating to its ownership of the Assets prior to Closing (including taxation matters and Liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations (if any) prior to the Closing Date), including for purposes of:
- (i) audits relating to periods prior to Final Closing;
 - (ii) Taxes relating to periods prior to Final Closing;
 - (iii) compliance with the Applicable Laws in respect of a period prior to Final Closing;
or
 - (iv) any Claim commenced or threatened against Vendor or its Representatives in respect to periods prior to Closing;

provided that, Vendor may use and copy such documents and materials for such purposes after Final Closing and prior to delivery of same to Purchaser.

- (b) If Purchaser disposes of any of the Assets to a Third Party, Purchaser will take reasonable steps to enable Vendor to have continued reasonable access to those materials; provided that Purchaser will not be required to retain copies of those materials following any such disposition.

14.02 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be retained and kept in a reasonably accessible location by or on behalf of Purchaser for a period of two (2) years from the Final Closing Date or for any longer period as may be required under the Applicable Laws (the "**Retention Period**"). Vendor may, during the Retention Period, at its expense, make such copies of the information and materials described above as it may reasonably request.

ARTICLE 15 DISPUTES

15.01 Dispute Resolution

All Disputes between the Parties, which the Parties are unable to resolve themselves, shall be referred to the Court for resolution by application made in Estate No. 25-2679073 (the "**Bankruptcy Proceedings**").

ARTICLE 16 NOTICES

16.01 Notice

Any notice, Claim or other communication provided for in this Agreement or any notice that either Party may desire to give to the other shall be in writing and shall be: (i) sent by email transmission; (ii) delivered by hand; (iii) sent by Canada Post mail with all postage fully prepaid; or (iv) sent by courier with charges paid in accordance with the customary arrangements established by such courier, in each of the foregoing cases addressed to the Party at the following addresses:

To Vendor: **GREENFIRE HANGINGSTONE OPERATING CORPORATION**

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attention: Robert Logan, Director

Email: [REDACTED]

With a copy to: **BURNET, DUCKWORTH & PALMER LLP**
Vendor's Counsel

2400, 525-8th Ave SW
Calgary, Alberta, Canada

T2P 1G1

Attention: Natasha Wood
Email: nwood@bdplaw.com

To Purchaser: **GREENFIRE ACQUISITION CORPORATION**

4600, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Venkat Siva
Email: [REDACTED]

or at such other address as either Party may at any time designate by giving written notice to the other Party. Notices, invoices, allocation statements, Claims or other communications shall be deemed received as follows: (i) if delivered personally, upon delivery; (ii) if sent by Canada Post, whether by express mail, registered mail, certified mail or regular mail, the notice shall be deemed to have been received by the close of the third (3rd) Business Day after the day upon which it was postmarked and sent, or such earlier time as is confirmed orally or in writing by the receiving Party; (iii) if sent by a courier service, upon delivery; or (iv) if sent by email, the Business Day following the day on which it was transmitted.

ARTICLE 17 MISCELLANEOUS

17.01 Laws and Regulations

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

17.02 Jurisdiction and Venue

- (a) The Parties hereby irrevocably consent to the exclusive jurisdiction of the courts of the Province of Alberta and any appeal courts.
- (b) The Parties hereby irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Transaction in the courts of the Province of Alberta.
- (c) In respect of any action, cause of action, Claim, cross-claim or third-party Claim, each Party hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any such Claim or cause of action.

17.03 Entire Agreement, Amendments and Waiver

This Agreement, including all Schedules hereto, integrates the entire understanding between the Parties with respect to the subject matter covered and supersedes all prior understandings, drafts, discussions, or statements, whether oral or in writing, expressed or implied, dealing with the same subject matter. This

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Agreement may not be amended or modified in any manner except by a written document signed by the Parties that expressly amends this Agreement. No waiver by either Party of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless expressly provided. No waiver shall be effective unless made in writing and signed by the Party to be charged with such waiver.

17.04 Headings

The headings and captions in this Agreement have been inserted for convenience of reference only and shall not define or limit any of the terms and provisions hereof.

17.05 No Partnership

Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust, fiduciary or partnership duty, obligation or liability on or with regard to Vendor and Purchaser.

17.06 No Third Party Beneficiaries

This Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns, and shall not inure to the benefit of any other Person or entity whomsoever or whatsoever, it being the intention of the Parties that no third Person shall be deemed a third party beneficiary of this Agreement, except (i) for Persons expressly indemnified hereunder, and (ii) Section 17.14 shall be for the benefit of and enforceable by the Persons set forth therein.

17.07 Further Assurances

Each Party shall take such acts and execute and deliver such documents as may be reasonably required to effectuate the purposes of this Agreement.

17.08 Severability

If any provision of this Agreement is determined by Applicable Law to be void or unenforceable, in whole or in part, then (a) such provision shall be deemed inoperative to the extent it is deemed void or unenforceable, (b) the Parties agree to enter into such amendments to this Agreement in order to give effect to the greatest extent legally possible to the provision that is determined to be void or unenforceable, and (c) the other provisions of this Agreement in all other respects shall remain in full force and effect and binding and enforceable to the maximum extent permitted by law.

17.09 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall be deemed one and the same Agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

17.10 Time of Essence

Time shall be of the essence in this Agreement.

17.11 Survival

The obligations and Liabilities of the Parties accruing prior to termination of this Agreement shall survive such termination.

17.12 Assignment; Enurement

Neither Party shall assign this Agreement or any of its rights or obligations hereunder, in whole or in part to any Person without the advance written consent of the other Party, such consent not to be unreasonably withheld. This Agreement will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns, as the case may be.

17.13 Remedies Cumulative

Unless otherwise specified herein:

- (a) no reference to or exercise of any specific right or remedy by a Party hereunder shall prejudice or preclude such Party from exercising or invoking any other remedy in respect thereof, whether allowed under Applicable Law or expressly provided for herein; and
- (b) no such remedy shall be exclusive or dependent upon any other such remedy but either Party may exercise any one or more of such remedies independently or in combination.

17.14 Nonrecourse

This Agreement may only be enforced against, and any Claims or causes of action that arise out of this Agreement, or the negotiation, execution or performance of this Agreement, may only be made against the entities that are expressly identified as parties hereto. Except to the extent a named party to this Agreement, no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any party hereto shall have any liability for any obligations or Liabilities of any party hereto under this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first written above.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per:



Name: Robert Logan

Title: Chairman

**GREENFIRE ACQUISITION
CORPORATION**

Per:

Name:

Title:

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first written above.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per:

Name:
Title:

**GREENFIRE ACQUISITION
CORPORATION**

Per:

Name: Julian A. McIntyre
Title: Director



SCHEDULE "A"

OIL SANDS RIGHTS, LANDS, LEASES, PROJECT AREA, FACILITIES, WELLS, WATER WELLS AND AER LICENCES

Crown Lease	Land Description, Rights and Area	Working Interest	Encumbrances
Alberta Crown Oilsands Lease No. 072 728201AT70 Expiry: Section 13 Continuation	Twp. 84, Rge. 11 W4M: NW26, N27, N28, 33, 34, W35 (Oil Sands in the Wabiskaw-McMurray) Area: 3.75 sections; 960 ha	100%	Alberta Crown Sliding Scale Lessor Royalty Japan Canada Oil Sands Limited sliding scale GORR \$0/bbl - \$2/bbl based on WTI

PROJECT AREA SURFACE LEASES AND FACILITIES

See attached.

Project Area Surface Leases and Facilities

a) All Facilities within MSL 972290:

JACOS File No.	Facility Description	LLD/UWI (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Licence #	Comments/Status
S00022	Plant 1 Facility Site	LSD 16-Sec. 27 & LSD 1-Sec. 34	All associated Facilities.	
	Plant 2 Facility Site	LSD 12 & 13-Sec. 26	All associated Facilities.	
	Peat/Spoil Pile 1	LSD 12-Sec. 26		
	Plant 1 Main S - N Access Road	LSD 8-Sec. 27 to LSD 9-Sec. 27		
	Plant 2 Main S - N Access Road	LSD 12-Sec. 26		
	M Well Pair Road By-Pass	LSD 1-Sec. 34		
	Borrow Pit # 7	LSD 10-Sec. 34		
	Borrow # 8	LSD 15-Sec. 34		
	Pad 6 Borrow	LSD 9-Sec. 27		
	Pad 6 Sump	LSD 9-Sec. 27		
	Peat/Spoil Pile 6	LSD 9-Sec. 27	Soil Stockpile	
	PCI PCEJ 13-27	LSD 13-Sec. 27	Camp	
	Borrow Pit #6 & Old Sumps	LSD 10-Sec. 34		
	Power Line to Plant 2	LSD 5, 12 & 13-Sec. 26	ATCO EZE870319	
	Power Line to Plant 1	LSD 8, 9 & 16-Sec. 27	ATCO EZE880742	
	Cabling Corridor to Ph3 Obs Well Pads	LSD 6 & 7-Sec. 34		
	Pipe Racks between Wellpad's 1 to 6 and Plant's 1 and 2		53093	Misc Gas - Instrument Air
			53094	Misc Gas - Steam
			53109	Fresh Water
			53110	Fuel Gas
			53111	Glycol
			53112	Salt Water
			53137	Oil-Well Effluent
	New Road to Wellpad 4 Well Pad	LSD 7, 10 & 11-Sec. 34		
	Power Line to Wellpad 4	LSD 14, 15 & 16-Sec. 27	ATCO EZE060051	
	Power Line to DEMO Camp	LSD 16-Sec 27; LSD 1, 2, 6, 7, 9-Sec. 34	ATCO EZE050291	
	Wellpad 5 Access Road	LSD 9 & 10-Sec. 27		
	Road from Pad 5 to Blueberry Pit	LSD 11-Sec. 27		
	Pad 4 West Road	LSD 6 & 11-Sec. 34		
	Pad 6 Access	LSD 9-Sec. 27		
	Wellpad 6 Cable Tray Access	LSD 16-Sec. 27		
	Wellpad 6 Cable Tray ROW	LSD 16-Sec. 27		
	Peat/Spoil Pile 1	LSD 12-Sec. 26	Soil Stockpile	
	Peat/Spoil Pile 4A	LSD 10-Sec. 34	Soil Stockpile	
	Peat/Spoil Pile 4B	LSD 11-Sec. 34	Soil Stockpile	
	Peat/Spoil Pile 5A	LSD 10-Sec. 27	Soil Stockpile	
	Peat/Spoil Pile 5B	LSD 10-Sec. 27	Soil Stockpile	
	Peat/Spoil Pile 5C	LSD 10-Sec. 27	Soil Stockpile	
	Peat/Spoil Pile 5D	LSD 10-Sec. 27	Soil Stockpile	
	Wellpad 1		All associated Facilities.	
	Wellpad 2		All associated Facilities.	
	Wellpad 3		All associated Facilities.	
	Wellpad 4		All associated Facilities.	
	Wellpad 5		All associated Facilities.	
	Wellpad 6		All associated Facilities.	
	OBA1	102/07-34-84-11W4/00	207217	
	OBA2	102/10-34-84-11W4/00	207219	
	OBA3	1AA/10-34-84-11W4/00	219027	
	OBA4	1AB/10-34-84-11W4/00	219028	
	OBA5	1AC/10-34-84-11W4/00	219030	
	OBB1	100/08-34-84-11W4/00	207216	
	OBB2	100/10-34-84-11W4/00	207213	
	OBB3	1AE/09-34-84-11W4/00	219031	
	OBC1	1AB/08-34-84-11W4/00	213576	
	OBC2	1AA/09-34-84-11W4/00	213579	
	OBC3	1AF/09-34-84-11W4/00	219032	
	OBC4	1AC/08-34-84-11W4/00	219033	
	OBD1	1AB/05-35-84-11W4/00	213575	
	OBD2	1AA/12-35-84-11W4/00	213618	
	OBD3	1AB/09-34-84-11W4/00	219019	
	OBD4	1AC/09-34-84-11W4/00	219020	
	OBD5	1AC/05-35-84-11W4/00	219021	
	OBE1	1AB/12-35-84-11W4/00	213532	
	OBE2	1AD/09-34-84-11W4/00	219022	
	OBE3	1AC/12-35-84-11W4/00	219023	
	OBE4	1AD/05-35-84-11W4/00	219024	
	OBF1	100/03-34-84-11W4/00	240021	
	OBF2	100/04-34-84-11W4/00	239728	
	OBF3	100/03-34-84-11W4/00	259088	
	OBF4	100/14-27-84-11W4/00	259090	
	OBF5	102/14-27-84-11W4/00	259091	
	OBF6	104/13-27-84-11W4/00	259092	
	OBG1	102/03-34-84-11W4/00	240022	

	OBG2	102/04-34-84-11W4/00	240026	
	OBH1	102/06-34-84-11W4/00	240025	
	OBH2	100/05-34-84-11W4/00	240024	
	OBH3	103/06-34-84-11W4/00	259093	
	OBH4	102/05-34-84-11W4/00	259094	
	OBI1	100/06-34-84-11W4/00	240023	
	OBI2	100/12-34-84-11W4/00	240020	
	OBI3	102/12-34-84-11W4/00	259095	
	K2	1AA/05-34-84-11W4/00	276823	Rec cert application submitted.
	K1	1AB/06-34-84-11W4/00	276825	Rec cert application submitted.
	K3	1AC/06-34-84-11W4/00	276828	Rec cert application submitted.
	J1	1AA/11-34-84-11W4/00	276829	Rec cert application submitted.
	N1	1AA/03-34-084-11W4/00	280318	Rec cert application submitted.
	L3	1AE/06-34-84-11W4/00	280321	Rec cert application submitted.
	M1	1AA/02-34-084-11W4/00	296877	Rec cert application submitted.
	M2	1AF/06-34-084-11W4/00	296878	Rec cert application submitted.
	L1	1AG/06-34-084-11W4/00	296879	Rec cert application submitted.
	L2	1AD/05-34-084-11W4/00	296880	Rec cert application submitted.
	OBO1	103/12-34-084-11W4/00	318834	
	OV13-26	1AB/13-26-084-11W4/00	319487	Rec cert application submitted.
	OV15-27	1AB/15-27-084-11W4/00	319534	Rec cert application submitted.
	OBP3 14-34	100/14-34-084-11W4/00	319542	Note both inside and outside of MSL972290
	OV16-34	1AA/16-34-084-11W4/00	319799	Rec cert application submitted.
	OV13-35	1AA/13-35-084-11W4/00	319802	Rec cert application submitted.
	OV14-27	1AA/14-27-084-11W4/00	319813	Rec cert application submitted.
	OV4-35	1AA/04-35-084-11W4/00	319956	Rec cert application submitted. Note both inside and outside of MSL972290
	U1	1AB/16-27-084-11W4/00	366962	Abandoned
	U2	1AB/04-35-084-11W4/00	366675	Abandoned
	V1	109/16-27-084-11W4/00	366965	
	W1	110/16-27-084-11W4/00	366961	
	Y1	1AE/13-26-084-11W4/00	366963	Abandoned
	Y2	1AF/13-26-084-11W4/00	367690	On Plant 2. Abandoned.
	X1	103/03-35-084-11W4/00	366964	Note both inside and outside of MSL972290
	PCEJ B 16-27	103/16-27-084-11W4/00	140078	
	OV3 13-26	1AD/13-26-084-11W4/00	323912	Rec cert application submitted.
	Z2 15-34	1AB/15-34-084-11W4/00	366330	Rec cert application submitted.
	S2	1AA/01-34-084-11W4/00	366530	Rec cert application submitted.
	S1	1AC/15-27-084-11W4/00	366960	Rec cert application submitted.
	HZAI Mon Well	LSD 1-Sec. 34		Related to 1F1/10-34-084-11W4/00.
	Water monitoring wells for reporting			As shown on attached "Demo GWM Well List" and/or listed as "ENV __" on Figure E"
	Roads within MSL 972290			Approximately 8.12 ha
	Cut Lines within MSL 972290			Approximately 10.37 ha
	2016 Ft. McMurray wildfire firebreak clearings			Approximately 15.72 ha. Some remediation work complete.

b) Facilities related to the Project Area but outside of MSL 972290

JACOS File No.	Facility Description	LLD/UWI (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Status/Licence #/Comments
S00019	LOC840643	LSD 10-Sec. 36 to LSD 13-Sec. 27	Main E - W Access Road from HW 63
S00076	MLL020204	LSD 8-Sec.11	Water source wells DQ 02-2, DQ06-7; Lic. No. 00229371-02-00 - includes monitoring wells, TW01-1, DQ05-5-50, DQ02-3, DQ05-4-100, DQ02-1, DQ10-15 Note 1: Specifically excludes water source well DQ 06-8; Lic. No. 00290926-01-00 located on MLL020204. An agreement granting Vendor access to DQ06-8 well to be agreed upon between parties. Note 2: Water monitoring wells are shared between Lic. No. 00229371-02-00 and Lic. No. 00290926-01-00. An agreement granting Vendor access to shared monitoring wells to be agreed upon between parties.
S00115	PLA061786	LSD 1-Sec.11	Tie in from PLA900097 to DQ02-2
S00055	PLA900868 R/W9023732	Lsd 15-Sec. 34-83-11W4	Water Source: Connector to TW9
S00081	LOC030619	-	TW01-2. Monitoring well.
S00080	LOC030620	LSD 12-Sec. 12-84-11W4	DQ02-1 & TW01-1. Monitoring well.
S00082	LOC030621	-	TW01-3. Monitoring well.
S00083	LOC030622	-	TW01-4. Monitoring well.
S00125	LOC070661	LSD 5-Sec. 12	DQ05-4. Monitoring well.
S00140	MSL090206	LSD 6-Sec. 23-83-11W4	Grand Rapid Water Well Site (cleared)

S00045	PLA 900072 R/W9021377	LSD 9-Sec. 27 to LSD 6-Sec. 13	24616	Combined Water Source & Disposal ROW
S00009	PLA900097 R/W9021383	LSD 6-Sec. 13-84-11W4 to LSD 5-Sec. 34-83-11W4	24616	Water Source: Pipeline ROW
	Remote Sump Ph2	LSD 5-Sec. 27		Remediation Activities Complete
	Remote Sump Ph3	LSD 3 & 4-Sec. 27		Remediation Activities Complete
S00072	MSL023235	LSD 13-Sec. 21		Remote Sump. Contributing wells from Demo. Remediation Activities Required
S00021	MSL012937	LSD 09-Sec. 33		OBI4. 103/09-33-84-11W4/00.
S00107	LOC051229	NE 34		HEAVE MON
S00108	LOC051230	NW 34		HEAVE MON
S00109	LOC051231	NW 34		HEAVE MON
S00110	LOC051233	NW 34		HEAVE MON
S00111	LOC051234	NW 34		HEAVE MON
S00105	LOC051227	LSD 14-Sec. 34		Site Q1. Remote Monument.
S00106	LOC051228	LSD 14-Sec. 34		Site P3. Remote Monument.
S00124	LOC070664	LSD 3-Sec. 35		Site X1. Remote Monument.
S00084	SML030035	LSD 11-Sec. 27		Borrow #4a. Reclamation Required
S00050	PLA850464 R/W0123976	LSD 2-Sec. 36 to LSD 14-Sec. 26		Old Fuel Gas Line. Inactive Operation
S00046	PLA860770	-		Tie in from 4-35 to 13-36. Inactive Operation
S00047	PLA900026 R/W9021376	LSD 2-Sec. 36 to 14-Sec. 26	21792	Fuel Gas line from Suncor (Phase 1 Gas Pipeline). Inactive Operation
	OV11-26	1AA/11-26-084-11W4/00	319741	Rec cert application submitted.
	Q4 13-34	103/13-34-084-11W4/00	324493	
	Q1 14-34	1AB/14-34-084-11W4/00	320619	Rec cert application submitted.

c) Other			
	Facility Description or Disposition Number	LLD/Rights (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Status/Comments
	Demo Heave Monuments for Annual Survey	n/a	See attached "Heave Monument List"

WELL LIST

See attached.

Well List

UWI	Well Name	AER License #	Status
100/01-34-084-11W4/00	JACOS C2 HANGST EX 1-34-84-11	131674	Abandoned
103/16-27-084-11W4/00	JACOS PCEJ B HANGST 16-27-84-11	140078	Abandoned
100/10-34-084-11W4/00	JACOS OBB2 (102) HANGST 10-34-84-11	207213	
100/08-34-084-11W4/00	JACOS OBB1 (102) HANGST 8-34-84-11	207216	
102/07-34-084-11W4/00	JACOS OBA1 102 HANGST 7-34-84-11	207217	
102/10-34-084-11W4/00	JACOS OBA2 HANGST 10-34-84-11	207219	
1F1/10-34-084-11W4/00	JACOS HANGSTN 10-34-84-11	212095	
104/10-34-084-11W4/00	JACOS HZBI (105) HANGST 10-34-84-11	212096	
105/10-34-084-11W4/00	JACOS HZAP (103) HANGST 10-34-84-11	212100	
106/10-34-084-11W4/00	JACOS HZBP (106) HANGST 10-34-84-11	212103	
1AB/12-35-084-11W4/00	JACOS OBE1 HANGST 12-35-84-11	213532	
1AB/05-35-084-11W4/00	JACOS OBD1 (102) HANGST 5-35-84-11	213575	
1AB/08-34-084-11W4/00	JACOS OBC1 (103) HANGST 8-34-84-11	213576	
1AA/09-34-084-11W4/00	JACOS OBC2 HANGST 9-34-84-11	213579	
102/12-35-084-11W4/00	JACOS OBD2 HANGSTN 12-35-84-11	213618	
100/09-34-084-11W4/00	JACOS HZCP HANGST(100) 9-34-84-11	214835	
102/09-34-084-11W4/00	JACOS HZCI HANGST(101) 9-34-84-11	214836	
103/09-34-084-11W4/00	JACOS HZDI HANGST(102) 9-34-84-11	214837	
104/09-34-084-11W4/00	JACOS HZDP HANGST(103) 9-34-84-11	214838	
104/09-34-084-11W4/02	JACOS HZDP HANGST(103) 9-34-84-11	214838	
105/09-34-084-11W4/00	JACOS HZEI HANGST(104) 9-34-84-11	214839	
106/09-34-084-11W4/00	JACOS HZEP HANGST(105) 9-34-84-11	214840	
1AB/09-34-084-11W4/00	JACOS OBD3 HANGST 9-34-84-11	219019	
108/09-34-084-11W4/00	JACOS OBD4 HANGST 9-34-84-11	219020	
100/05-35-084-11W4/00	JACOS OBD5 HANGST 5-35-84-11	219021	
107/09-34-084-11W4/00	JACOS OBE2 HANGST 9-34-84-11	219022	
100/12-35-084-11W4/00	JACOS OBE3 HANGST 12-35-84-11	219023	
1AD/05-35-084-11W4/00	JACOS OBE4 HANGST 5-35-84-11	219024	
1AA/10-34-084-11W4/00	JACOS OBA3 HANGST 10-34-84-11	219027	
107/10-34-084-11W4/00	JACOS OBA4 HANGST 10-34-84-11	219028	
1AC/10-34-084-11W4/00	JACOS OBA5 HANGST 10-34-84-11	219030	
1AE/09-34-084-11W4/00	JACOS OBB3 HANGST 9-34-84-11	219031	
1AF/09-34-084-11W4/00	JACOS OBC3 HANGST 9-34-84-11	219032	
104/08-34-084-11W4/00	JACOS OBC4 HANGST 8-34-84-11	219033	
100/04-34-084-11W4/00	JACOS OBF2 HANGST 4-34-84-11	239728	
100/12-34-084-11W4/00	JACOS OBI2 HANGST 12-34-84-11	240020	
100/03-34-084-11W4/00	JACOS OBF1 HANGST 3-34-84-11	240021	
102/03-34-084-11W4/00	JACOS OBG1 HANGST 3-34-84-11	240022	
100/06-34-084-11W4/00	JACOS OBI1 HANGST 6-34-84-11	240023	
100/05-34-084-11W4/00	JACOS OBH2 HANGST 5-34-84-11	240024	
102/06-34-084-11W4/00	JACOS OBH1 HANGST 6-34-84-11	240025	
102/04-34-084-11W4/00	JACOS OBG2 HANGST 4-34-84-11	240026	
102/13-27-084-11W4/00	JACOS HZFI HANGST 13-27-84-11	242480	
103/05-34-084-11W4/00	JACOS HZHI HANGST 5-34-84-11	242482	
100/09-33-084-11W4/00	JACOS HZII HANGST 9-33-84-11	242483	
103/13-27-084-11W4/00	JACOS HZFP HANGST 13-27-84-11	242486	
104/05-34-084-11W4/00	JACOS HZHP HANGST 5-34-84-11	242488	
102/09-33-084-11W4/00	JACOS HZIP HANGST 9-33-84-11	242489	
103/03-34-084-11W4/00	JACOS OBF3 HANGST 3-34-84-11	259088	
100/14-27-084-11W4/00	JACOS OBF4 HANGST 14-27-84-11	259090	
102/14-27-084-11W4/00	JACOS OBF5 HANGST 14-27-84-11	259091	
104/13-27-084-11W4/00	JACOS OBF6 HANGST 13-27-84-11	259092	
103/06-34-084-11W4/00	JACOS OBH3 HANGST 6-34-84-11	259093	
102/05-34-084-11W4/00	JACOS OBH4 HANGST 5-34-84-11	259094	
102/12-34-084-11W4/00	JACOS OBI3 HANGST 12-34-84-11	259095	
103/09-33-084-11W4/00	JACOS OB14 HANGST 9-33-84-11	259728	
1AA/05-34-084-11W4/00	JACOS K2 HANGST 5-34-84-11	276823	Rec cert application submitted.
1AB/06-34-084-11W4/00	JACOS K1 HANGST 6-34-84-11	276825	Rec cert application submitted.
1AC/06-34-084-11W4/00	JACOS K3 HANGST 6-34-84-11	276828	Rec cert application submitted.
1AA/11-34-084-11W4/00	JACOS J1 HANGST 11-34-84-11	276829	Rec cert application submitted.
1AA/03-34-084-11W4/00	JACOS N1 HANGST 3-34-84-11	280318	Rec cert application submitted.
1AE/06-34-084-11W4/00	JACOS L3 HANGST 6-34-84-11	280321	Rec cert application submitted.
105/05-34-084-11W4/00	JACOS HZKP HANGST 5-34-84-11	281685	
106/05-34-084-11W4/00	JACOS HZKI HANGST 5-34-84-11	281687	
104/09-33-084-11W4/00	JACOS HZJP HANGST 9-33-84-11	281688	
105/09-33-084-11W4/02	JACOS HZJI HANGST 9-33-84-11	281690	
100/11-34-084-11W4/00	JACOS HZJI HANGSTN 11-34-84-11	281690	
107/06-34-084-11W4/00	JACOS HZNP HANGST 6-34-84-11	296871	
104/06-34-084-11W4/00	JACOS HZMI HANGST 6-34-84-11	296872	

105/06-34-084-11W4/00	JACOS HZMP HANGST 6-34-84-11	296874	
108/05-34-084-11W4/00	JACOS HZLI HANGST 5-34-84-11	296875	
109/05-34-084-11W4/00	JACOS HZLP HANGST 5-34-84-11	296876	
1AA/02-34-084-11W4/00	JACOS M1 HANGST 2-34-84-11	296877	Rec cert application submitted.
1AF/06-34-084-11W4/00	JACOS M2 HANGST 6-34-84-11	296878	Rec cert application submitted.
1AG/06-34-084-11W4/00	JACOS L1 HANGST 6-34-84-11	296879	Rec cert application submitted.
1AD/05-34-084-11W4/00	JACOS L2 HANGST 5-34-84-11	296880	Rec cert application submitted.
106/06-34-084-11W4/00	JACOS HZNI HANGST 6-34-84-11	297267	
100/16-33-084-11W4/00	JACOS HZOP HANGST 16-33-84-11	314410	
102/16-33-084-11W4/00	JACOS HZOI HANGST 16-33-84-11	314411	
100/13-34-084-11W4/00	JACOS HZQP HANGST 13-34-84-11	318484	
103/16-33-084-11W4/00	JACOS HZPP HANGST 16-33-84-11	318485	
104/16-33-084-11W4/00	JACOS HZPI HANGST 16-33-84-11	318502	
102/13-34-084-11W4/00	JACOS HZQI HANGST 13-34-84-11	318503	
103/12-34-084-11W4/00	JACOS 01 HANGSTN 12-34-84-11	318834	
1AB/13-26-084-11W4/00	JACOS OV HANGST 13-26-84-11	319487	Rec cert application submitted.
1AB/15-27-084-11W4/00	JACOS OV HANGST 15-27-84-11	319534	Rec cert application submitted.
100/14-34-084-11W4/00	JACOS P3 HANGSTN 14-34-84-11	319542	
1AA/11-26-084-11W4/00	JACOS OV HANGST 11-26-84-11	319741	Rec cert application submitted.
1AA/16-34-084-11W4/00	JACOS OV HANGST 16-34-84-11	319799	Rec cert application submitted.
1AA/13-35-084-11W4/00	JACOS OV HANGST 13-35-84-11	319802	Rec cert application submitted.
1AA/14-27-084-11W4/00	JACOS OV HANGST 14-27-84-11	319813	Rec cert application submitted.
1AA/04-35-084-11W4/00	JACOS OV HANGST 4-35-84-11	319956	Rec cert application submitted.
1AB/14-34-084-11W4/00	JACOS Q1 HANGST 14-34-84-11	320619	Rec cert application submitted.
1AD/13-26-084-11W4/00	JACOS OV3 HANGST 13-26-84-11	323912	Rec cert application submitted.
103/13-34-084-11W4/00	JACOS Q4 HANGSTN 13-34-84-11	324493	
1AB/15-34-084-11W4/00	JACOS Z2 HANGSTN 15-34-84-11	366330	Rec cert application submitted.
1AA/01-34-084-11W4/00	JACOS S2 HANGSTN 1-34-84-11	366530	Rec cert application submitted.
1AB/04-35-084-11W4/00	JACOS U2 HANGSTN 4-35-84-11	366675	Abandoned
102/08-34-084-11W4/00	JACOS HZRP HANGSTN 8-34-84-11	366687	
1W2/04-35-084-11W4/00	JACOS HZTP HANGSTN 4-35-84-11	366688	
116/01-34-084-11W4/00	JACOS HZSP HANGSTN 1-34-84-11	366690	
102/04-35-084-11W4/00	JACOS HZUP HANGSTN 4-35-84-11	366691	
110/16-27-084-11W4/00	JACOS W1 HANGSTN 16-27-84-11	366961	
1AB/16-27-084-11W4/00	JACOS U1 HANGSTN 16-27-84-11	366962	Abandoned
1AE/13-26-084-11W4/00	JACOS Y1 HANGSTN 13-26-84-11	366963	Abandoned
103/03-35-084-11W4/00	JACOS X1 HANGSTN 3-35-84-11	366964	
109/16-27-084-11W4/00	JACOS V1 HANGSTN 16-27-84-11	366965	
1AC/15-27-084-11W4/00	JACOS S1 HANGSTN 15-27-84-11	366960	Rec cert application submitted.
1AF/13-26-084-11W4/00	JACOS Y2 HANGSTN 13-26-84-11	367690	Abandoned
103/08-34-084-11W4/00	JACOS HZRI HANGSTN 8-34-84-11	370724	
121/01-34-084-11W4/00	JACOS HZTI HANGSTN 1-34-84-11	370725	
118/01-34-084-11W4/00	JACOS HZSI HANGSTN 1-34-84-11	370726	
103/04-35-084-11W4/00	JACOS HZUI HANGSTN 4-35-84-11	370727	
100/14-26-084-11W4/00	JACOS HZYP HANGSTN 14-26-84-11	370901	
100/03-35-084-11W4/00	JACOS HZXP HANGSTN 3-35-84-11	370903	
100/03-35-084-11W4/02	JACOS HZXP HANGSTN 3-35-84-11	370903	
102/14-26-084-11W4/00	JACOS HZYI HANGSTN 14-26-84-11	370909	
102/14-26-084-11W4/02	JACOS HZYI HANGSTN 14-26-84-11	370909	
102/03-35-084-11W4/00	JACOS HZXI HANGSTN 3-35-84-11	370910	
100/15-34-084-11W4/03	JACOS HZZP HANGSTN 15-34-84-11	375327	
100/13-35-084-11W4/02	JACOS HZZP HANGSTN 16-34-84-11	375327	
100/13-35-084-11W4/04	JACOS HZZP HANGSTN 16-34-84-11	375327	
100/16-34-084-11W4/00	JACOS HZZP HANGSTN 16-34-84-11	375327	
1W0/13-35-084-11W4/00	JACOS HZZI HANGSTN 13-35-84-11	375428	
1AA/13-26-084-11W4/02	JACOS RE-ENTRY HANGSTN 13-26-84-11	419253	Abandoned
106/04-35-084-11W4/00	JACOS HZVP HANGSTN 4-35-84-11	424837	
107/04-35-084-11W4/00	JACOS HZWP HANGSTN 4-35-84-11	424838	
109/04-35-084-11W4/00	JACOS HZVI HANGSTN 4-35-84-11	424892	
110/04-35-084-11W4/00	JACOS HZWI HANGSTN 4-35-84-11	424893	
1F1/01-34-084-11W4/00	JACOS OBS JF-A HANGSTN 1-34-84-11	483436	

AER LICENCES

See attached.

AER Licences

Well Licences

Licence Number	Surface Location	Working Interest Participants	
0131674	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0140078	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207213	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207216	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207217	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207219	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212095	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212096	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212100	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212103	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213532	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213575	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213576	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213579	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213618	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214835	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214836	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214837	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214838	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214839	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214840	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219019	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0219020	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219021	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219022	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219023	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219024	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219027	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219028	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219030	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219031	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219032	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219033	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0239728	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240020	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240021	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240022	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240023	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240024	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240025	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240026	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242480	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242482	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242483	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242486	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242488	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242489	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0259088	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259090	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259091	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259092	13-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259093	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259094	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259095	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259728	09-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276823	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276825	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276828	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276829	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0280318	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0280321	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281685	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281687	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281688	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281690	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296871	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296872	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296874	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296875	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296876	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296877	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296878	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0296879	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296880	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0297267	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0314410	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0314411	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318484	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318485	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318502	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318503	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318834	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319487	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319534	15-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319542	14-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319605	08-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319741	11-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319794	14-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319799	16-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319801	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319802	13-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319813	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319956	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0320619	14-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0323896	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0323912	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0324493	13-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0366330	15-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366530	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366675	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366687	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366688	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366690	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366691	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366960	15-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366961	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366962	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366963	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366964	03-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366965	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0367479	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0367690	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370724	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370725	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370726	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370727	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370901	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370903	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370909	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370910	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0375327	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0375428	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0419253	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424837	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424838	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424892	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424893	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0442436	10-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0483436	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Facility Licences

Licence Number	Surface Location	Working Interest Participants	
21408 Includes: ABBT0082311 ABIF0009286 BIF0009362	00/16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Pipeline Licences

Licence Number

21792
24616
53093
53094
53109
53110
53111
53112
53137

OTHER LICENCES

1. Oil Sands Conservation Act Commercial Scheme Approval No. 8788M, as amended.
2. Environmental Protection and Enhancement Act Approval No. 1604-03-00, as amended.
- Effective Date: January 27, 2020; Expiry Date: December 31, 2029.
3. Licence to Divert Water, Alberta Energy Regulator, Water Act, R.S.A. 2000, c.W-3, as amended.
- Licence No.: 00229371-02-00; File No.: 60460; Priority No.: 2006-03-06-001;
- Effective Date: January 29, 2016; Expiry Date: January 28, 2021.

ABSA REGISTRATION

ABSA Certificate of Authorization Permit, Reg No. AQP-8329 issued to Greenfire Hangingstone Operating Corporation on June 14, 2019

SCHEDULE "B"
FORM OF GENERAL CONVEYANCE

GENERAL CONVEYANCE

THIS GENERAL CONVEYANCE made the ___ day of _____, 202__.

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 ("**Vendor**")

– and –

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 ("**Purchaser**")

WHEREAS pursuant to the provisions of an Asset Sale Agreement dated December [●], 2020 between the Vendor and the Purchaser (the "**Sale Agreement**"), the Purchaser has agreed to purchase the Vendor's interest in the "Assets", as defined in the Sale Agreement, subject to the terms and conditions set forth in the Sale Agreement;

NOW THEREFORE THIS GENERAL CONVEYANCE WITNESSES that the Vendor and Purchaser agree as follows:

1. **Definitions**

Unless otherwise defined in this General Conveyance, capitalized words when used in this General Conveyance have the meaning ascribed to them in the Sale Agreement.

2. **Conveyance**

Pursuant to and for the consideration provided for in the Sale Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser Vendor's entire right, title, estate and interest in and to the Assets, and Purchaser hereby purchases and accepts the Assets, to have and to hold the same absolutely, together with all benefits and advantages to be derived therefrom, subject to the terms and conditions of the Sale Agreement.

3. **Subordinate Documents**

This General Conveyance is executed and delivered by the parties hereto pursuant to and for the purposes of the provisions of the Sale Agreement and the provisions of the Sale Agreement shall prevail and govern in the event of a conflict between the provisions of the Sale Agreement and this General Conveyance.

4. **Enurement**

This General Conveyance shall be binding upon and shall enure to the benefit of the Parties hereto and their respective administrators, trustees, receivers, successors and permitted assigns.

5. **Further Assurances**

000508

Each Party hereto will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms of this General Conveyance.

6. **Merger**

Nothing contained in this General Conveyance shall in any way result in a merger of the terms and conditions of the Sale Agreement with the terms and conditions of this General Conveyance and the parties hereto specifically agree that all such terms and conditions of the Sale Agreement shall continue to apply to the within conveyance.

7. **Governing Law**

This General Conveyance shall be governed by and construed in accordance with the laws of the Province of Alberta.

8. **Counterpart Execution**

This General Conveyance may be executed and delivered in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document. All such counterparts shall together constitute and be construed as one and the same instrument. For avoidance of doubt, a signed counterpart provided by way of facsimile transmission or other electronic means shall be as binding upon the Parties as an originally signed counterpart.

IN WITNESS WHEREOF the Parties hereto have executed this General Conveyance as of the date first written above.

GREENFIRE HANGINGSTONE OPERATING CORPORATION

GREENFIRE ACQUISITION CORPORATION

Per:

Per:

Name:
Title:

Name:
Title:

SCHEDULE "C"
ESCROW AGREEMENT

See attached.

ESCROW CLOSING AGREEMENT

THIS AGREEMENT made effective as of this • day of •, 2020.

AMONG:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 (the "**Assignor**")

-and-

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 (the "**Assignee**")

- and -

TRAFIGURA CANADA GENERAL PARTNERSHIP, a general partnership formed under the laws of the Province of Alberta and having an office at 1200, 250 – 2nd Street SW, Calgary, in the Province of Alberta, Canada, T2P 0C1 (the "**Interim Lender**")

-and-

BURNET, DUCKWORTH & PALMER LLP, a limited liability partnership carrying on the practice of law in the Province of Alberta and having a registered office at 2400, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 (the "**Escrow Agent**")

- and -

ALVAREZ & MARSAL CANADA INC., in its capacity as proposal trustee in the Bankruptcy and Insolvency Act proposal proceedings of the Assignor, having an office at 1110, 250 – 6th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 3H7, and not in its personal or corporate capacity (the "**Proposal Trustee**")

WHEREAS:

- A. By an Asset Purchase and Sale Agreement made •, 2020 between Assignor and Assignee (the "**Sale Agreement**"), Assignor has agreed to sell, assign, transfer and convey and Assignee has agreed to purchase and receive the Assets on the terms specified in the Sale Agreement.
- B. By an Interim Financing Term Sheet dated [•], 2020, the Interim Lender agreed to, among other things, deliver the Escrowed Funds to the Escrow Agent on the Escrow Closing Date.
- C. In accordance with Sections 2.02 and 4.01 of the Sale Agreement, concurrent with the

execution hereof, Assignee has caused to be delivered by the Interim Lender the Escrowed Funds and the Parties have delivered the Escrowed Documents to the Escrow Agent to be held in escrow in accordance with the provisions of this Escrow Agreement.

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties hereto have agreed as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Sale Agreement and, in addition:

- (a) **"Direction"** means the Final Closing Joint Direction or the Termination Joint Direction.
- (b) **"Escrow Agreement"** means this Escrow Closing Agreement together with all schedules hereto.
- (c) **"Escrowed Funds"** means the Escrowed Funds paid pursuant to Section 2.06 of the Sale Agreement, being \$[•].
- (d) **"Expenses"** has the meaning provided in Clause 5.1(d).
- (e) **"Final Closing Joint Direction"** has the meaning provided in Clause 4.1(a)(i).
- (f) **"Party"** means a Party to this Agreement, and **"Parties"** means all of the Parties to this Escrow Agreement.
- (g) **"Proposal Trustee's Certificate"** means the Proposal Trustee's certificate, substantially in the form of Schedule "A" to the Alberta Standard Template Approval and Vesting Order, forming part of the Escrowed Documents.
- (h) **"Sale Agreement"** has the meaning provided in the recitals.
- (i) **"Termination Joint Direction"** has the meaning provided in Clause 4.1(a)(ii).

1.2 Headings

The expressions "Article", "Section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, Section, subsection, clause, subclause, paragraph and schedule of or to this Escrow Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Escrow Agreement into Articles, Sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Escrow Agreement.

1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the

plural and vice versa, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders. The word "including" shall be construed for all purposes of this Escrow Agreement as "including, without limitation."

1.5 Business Day

Whenever any payment to be made or action to be taken under this Escrow Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.

1.6 Currency

All dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein and unless otherwise indicated, payments are to be made in Canadian funds, in immediately available funds.

1.7 Schedules

The following schedules are appended to and form part of this Escrow Agreement:

Schedule "A" - Form of Final Closing Joint Direction

Schedule "B" - Form of Termination Joint Direction

ARTICLE 2 APPOINTMENT OF ESCROW AGENT

2.1 Appointment of Escrow Agent

The Parties hereby appoint the Escrow Agent as the escrow agent to receive, hold and administer the Escrowed Documents and the Escrowed Funds subject to the terms and conditions of this Escrow Agreement.

2.2 Acceptance of Appointment

The Escrow Agent hereby accepts such appointment and hereby declares that it will hold the Escrowed Documents and the Escrowed Funds, in escrow, subject to the terms and conditions of this Escrow Agreement.

2.3 Investment of Escrowed Funds

The Escrow Agent may deposit the Escrowed Funds into an interest-bearing trust account with a Canadian chartered bank. The Escrow Agent makes no representation as to the yield available upon the Escrowed Funds, shall bear no liability for any failure to achieve the maximum possible yield from the Escrowed Funds and shall not be responsible for any failure of the Canadian chartered bank with whom the Escrow Agent deposits the Escrowed Funds. If Assignor or Assignee receives interest, if any, on the Escrowed Funds, such Party shall pay all income and other taxes applicable thereto or exigible thereon *pro rata* to the portion of the Escrowed Funds released thereto.

**ARTICLE 3
DELIVERY INTO ESCROW**

3.1 Delivery into Escrow

Concurrent with the execution hereof:

- (a) the Escrowed Funds shall be delivered to the Escrow Agent by the Interim Lender on behalf of the Assignee;
- (b) the Escrowed Documents executed by Assignor, Assignee and Interim Lender, as applicable, shall be delivered to the Escrow Agent by Assignor and Assignee pursuant to Section 4.01(a)(i) and 4.01(b)(i) of the Sale Agreement; and
- (c) the Proposal Trustee shall deliver the signed and undated Proposal Trustee's Certificate to the Escrow Agent.

Assignee and Assignor agree that the Escrowed Documents shall not have any effect or confer any rights on Assignee or Assignor until released from escrow in accordance with the terms hereof.

**ARTICLE 4
ESCROW RELEASE PROVISIONS**

4.1 Operation of Escrow

- (a) Upon receiving:
 - (i) a joint direction to close executed by each of Assignor, Assignee, the Proposal Trustee and the Interim Lender in the form set out in Schedule "A" (a "**Final Closing Joint Direction**"); or
 - (ii) a joint direction to terminate executed by each of Assignor, Assignee, the Proposal Trustee and the Interim Lender in the form set out in Schedule "B" (the "**Termination Joint Direction**"),

the Escrow Agent shall comply with same within two (2) Business Days of receipt of the Direction.

- (b) Notwithstanding the foregoing in clause 4.1(a), if the Escrow Agent is of the view that the directions provided to it in connection with the Escrowed Documents or Escrowed Funds and any interest earned thereon, by Assignor, Assignee, Interim Lender and/or Proposal Trustee are unclear, incomplete or contradictory or may be contrary to the provisions of this Escrow Agreement, the Escrow Agent shall be entitled to make an application to the Court of Queen's Bench of Alberta for advice and direction and, to the extent the Escrow Agent acts in accordance with such advice and direction, neither the Escrow Agent nor its partners, associates or employees will have any liability to Assignor, Assignee, Interim Lender or Proposal Trustee for any claim, proceeding, loss, damages, liability or expense arising from such actions.

**ARTICLE 5
CONCERNING THE ESCROW AGREEMENT**

5.1 Duties, Liability and Indemnification of Escrow Agent

The acceptance by the Escrow Agent of its duties and obligations under this Escrow Agreement are subject to the following terms and conditions, which the Parties agree will govern and control the Escrow Agent with respect to its rights, duties, liabilities and immunities with respect to the Escrowed Funds and the Escrowed Documents:

- (a) neither the Escrow Agent nor its employees, servants, agents and associates will be liable or accountable for any loss or damage whatsoever to any Person, including but not limited to Assignor, Assignee, Interim Lender and Proposal Trustee and each of their officers, directors, shareholders and affiliates, caused by its performance of or its failure to perform its duties and responsibilities under this Escrow Agreement, save only to the extent that such loss or damage is attributable to the gross negligence or wilful misconduct of the Escrow Agent, having regard to the fact, which is hereby acknowledged by Assignor, Assignee, Interim Lender and Proposal Trustee, that the Escrow Agent is not engaged in the business of providing escrow services;
- (b) the Escrow Agent will have no duties or responsibilities except those which are expressly set forth herein, and the rights, duties, liabilities and immunities of the Escrow Agent may not be altered without its prior written consent;
- (c) upon release and delivery by the Escrow Agent of all of the Escrowed Funds and the Escrowed Documents as provided for in this Escrow Agreement, the Escrow Agent will be released and forever discharged from all of its duties and responsibilities hereunder;
- (d) in acting hereunder, the Escrow Agent will be jointly and severally indemnified and saved harmless by Assignor and Assignee from all expenses, liabilities, claims, suits, damages, costs (including any costs incurred by the Escrow Agent pursuant to paragraph (e) below) and demands whatsoever and howsoever arising (collectively, the "**Expenses**") in connection with the performance by it of its duties and responsibilities under this Escrow Agreement, save only to the extent that the Expenses arise directly from the gross negligence or wilful misconduct of the Escrow Agent, its servants, agents and associates, having regard to the fact that the Escrow Agent is not engaged in the business of providing escrow services. This indemnity shall survive the termination of the escrow arrangements provided for in this Escrow Agreement;
- (e) the Escrow Agent may act on the opinion or advice obtained from its counsel or other professional advisors duly qualified to practice in the Province of Alberta, and will not be responsible for any loss occasioned by doing so, nor will it incur any liability or responsibility for deciding in good faith not to act upon such opinion or advice; and
- (f) the Escrow Agent may rely upon any direction, document or instrument delivered to it in compliance or purporting to be in compliance with any provision of this Escrow Agreement without any obligation whatsoever for it to make any inquiry as to its genuineness or the correctness of any statement made therein.

5.2 Resignation of the Escrow Agent

The Escrow Agent may resign and be discharged from any further duties or liabilities hereunder by giving two (2) Business Days' written notice to Assignor, Assignee, Interim Lender and Proposal Trustee or such

shorter notice as Assignor, Assignee, Interim Lender and Proposal Trustee may accept. Upon the resignation of the Escrow Agent, its successor will be forthwith appointed by the Parties (other than Escrow Agent) jointly, and failing such appointment, the Escrow Agent may apply to the Court of Queen's Bench of Alberta, Judicial District of Calgary, on such notice as such court may direct for the appointment of a new escrow agent and upon such appointment, the Escrowed Funds and the Escrowed Documents will be transferred to the successor and the successor will be vested with the same powers, rights, duties and responsibilities as if the successor had been originally named as the escrow agent herein.

5.3 Actions Instituted by Escrow Agent

The Escrow Agent may, but is not obliged to, institute an action in any court of competent jurisdiction seeking instructions, inter alia, as to the release or retention of the Escrowed Funds and the Escrowed Documents and shall be entitled in its sole and arbitrary discretion, in the event of a dispute arising in respect of the Escrowed Funds and/or the Escrowed Documents, or any portion thereof, or otherwise in respect of this Escrow Agreement, to interplead any such dispute at the Court of Queen's Bench in Calgary, Alberta.

5.4 Acknowledgement Respecting the Escrow Agent

Assignee acknowledges that: (a) the Escrow Agent or its servants, agents or associates have provided legal advice and related services to Assignor in connection with the transactions contemplated in the Sale Agreement and this Escrow Agreement and agrees that the Escrow Agent may continue to provide legal advice and related services to Assignor in connection with such agreements; (b) the duties of the Escrow Agent hereunder are purely mechanical; and (c) the Escrow Agent is acting hereunder for the convenience of the Parties and shall not be impeached or accountable because of any conflicting or potentially conflicting duties to Assignor or any advice provided to it. Further, all costs and expenses incurred by the Escrow Agent in performing its duties hereunder shall be equally borne by Assignor and Assignee, and will be those usually charged in performing legal services which will be based on the Escrow Agent's standard hourly rates in effect from time to time.

5.5 Compliance with Judgments

If any dispute arises out of this Escrow Agreement or any process is commenced against the subject matter of this Escrow Agreement, including court orders, garnishees or any other processes, the Escrow Agent is hereby empowered and entitled to comply with any orders, writs, judgements or decrees or, if it sees fit, to deliver the subject matter of the escrow to the Court of Queen's Bench of Alberta.

ARTICLE 6 GENERAL

6.1 Governing Law

This Escrow Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. The Parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Escrow Agreement.

6.2 Enurement

This Escrow Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their

respective administrators, trustees, receivers, successors and permitted assigns and transferees.

6.3 Notices

The addresses for service and the email addresses of the Parties hereto shall be as follows:

Assignor: Greenfire Hangingstone Operating Corporation
1650, 444 5th Avenue SW
Calgary, Alberta, Canada
T2P 2T8
Attention: Robert Logan
Email: [REDACTED]

Assignee: Greenfire Acquisition Corporation
4600, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Venkat Siva
Email: [REDACTED]

Escrow Agent: Burnet, Duckworth & Palmer LLP
2400, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Natasha Wood
Email: nwood@bdplaw.com

Interim Lender: Trafigura Canada General Partnership
1200, 250 – 2nd Street SW
Calgary, Alberta, Canada
T2P 0C1
Attention: •
Email: •

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;
- (b) by electronic mail transmission to a Party to the email address of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing.

A Party may from time to time change its address for service or its email address or both by giving written notice of such change to the other Parties in accordance with the provisions hereof.

6.4 Counterpart and Facsimile

This Escrow Agreement may be executed in separate counterparts and delivered by electronic mail and each counterpart when so executed and delivered, will be deemed to be an original all of which, when taken together, will constitute one and the same instrument and production of an originally executed or electronic mail copy of each counterpart execution page will be sufficient for purposes of proof of the execution and delivery of this Escrow Agreement. Any Party delivering this Escrow Agreement by electronic mail undertakes to deliver, within a reasonable time, an executed original.

Signature page follows.

IN WITNESS WHEREOF the Parties hereto have executed this Escrow Agreement as of the day and year first above written.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

**GREENFIRE ACQUISITION
CORPORATION**

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely
in its capacity of proposal trustee in the notice of
intention to make a proposal proceedings of
**GREENFIRE HANGINGSTONE
OPERATING CORPORATION** and not in its
personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**BURNET, DUCKWORTH & PALMER LLP,
in its capacity as Escrow Agent**

Per: _____
Name:
Title:

SCHEDULE "A"

FINAL CLOSING JOINT DIRECTION

TO: Escrow Agent


RE: Escrow Agreement (the "**Escrow Agreement**") dated as of ●, 2020, among Greenfire Hangingstone Operating Corporation ("**Assignor**"), Greenfire Acquisition Corporation ("**Assignee**"), Alvarez & Marsal Canada Inc. solely in its capacity as proposal trustee in the notice of intention to make a proposal proceedings of the Assignor and not in its personal or corporate capacity ("**Proposal Trustee**"), Trafigura Canada General Partnership (the "**Interim Lender**") and Burnet, Duckworth & Palmer LLP (the "**Escrow Agent**")

AND RE: Purchase and Sale Agreement (the "**Sale Agreement**") dated as of ●, 2020 between Assignor and Assignee

All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement or Sale Agreement, as applicable.

The undersigned hereby unconditionally and irrevocably direct the Escrow Agent, in accordance with clause 4.1(a)(i) of the Escrow Agreement, to:

(a) deliver the Escrowed Funds and any interest earned thereon as follows pursuant to Section 6.01(b)(i)(C) of the Sale Agreement:

(i) **[to the Interim Lender, on behalf of the Assignee,** 

Re:	Trafigura Canada General Partnership
Bank Name :	•
Canadian Routing Code:	•
SWIFT Code:	•
ABA Number :	•
Bank Number :	•
Transit Number :	•
Beneficiary Name :	Trafigura Canada General Partnership
Beneficiary Address :	1200, 250 – 2nd Street SW Calgary, Alberta, Canada
Beneficiary Account No. :	•

and]

(ii) to Assignor, [REDACTED] and [REDACTED]

(b) date the Escrowed Documents [•], 202[•] and deliver one copy of the Escrowed Documents to Assignor, one copy of the Escrowed Documents to the Proposal Trustee and the remaining copies of the Escrowed Documents to Assignee pursuant to Sections 6.01(b)(i)(A) and (B) of the Sale Agreement.

DATED this [•] day of [•], 202•.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

**GREENFIRE ACQUISITION
CORPORATION**

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely in its capacity as proposal trustee in the notice of intention to make a proposal proceedings of **GREENFIRE HANGINGSTONE OPERATING CORPORATION** and not in its personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "B"

TERMINATION JOINT DIRECTION

TO: Escrow Agent

RE: Escrow Agreement (the "**Escrow Agreement**") dated as of ●, 2020, among Greenfire Hangingstone Operating Corporation ("**Assignor**"), Greenfire Acquisition Corporation ("**Assignee**"), Alvarez & Marsal Canada Inc. solely in its capacity as proposal trustee in the notice of intention to make a proposal proceedings of the Assignor and not in its personal or corporate capacity ("**Proposal Trustee**"), Trafigura Canada General Partnership (the "**Interim Lender**") and Burnet, Duckworth & Palmer LLP (the "**Escrow Agent**")

AND RE: Purchase and Sale Agreement (the "**Sale Agreement**") dated as of ●, 2020 between Assignor and Assignee

All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement or the Sale Agreement, as applicable.

The undersigned hereby unconditionally and irrevocably direct the Escrow Agent, in accordance with clause 4.1(a)(ii) of the Escrow Agreement, to:

- (a) return the Escrowed Funds and any interest earned thereon to the Interim Lender, on behalf of the Assignee, pursuant to Section 6.01(a)(ii) of the Sale Agreement by wire transfer as follows:

Re: **Trafigura Canada General Partnership**
Bank Name : ●
Canadian Routing Code: ●
SWIFT Code: ●
ABA Number : ●
Bank Number : ●
Transit Number : ●
Beneficiary Name : Trafigura Canada General Partnership
Beneficiary Address : 1200, 250 – 2nd Street SW
Calgary, Alberta, Canada
Beneficiary Account No. : ●

and

- (b) destroy all copies of the Escrowed Documents as contemplated by Section 6.01(a)(i) of the Sale Agreement.

DATED this [●] day of [●], 202●.

GREENFIRE HANGINGSTONE

GREENFIRE ACQUISITION

OPERATING CORPORATION

CORPORATION

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely
in its capacity as proposal trustee in the notice of
intention to make a proposal proceedings of
GREENFIRE HANGINGSTONE
OPERATING CORPORATION and not in its
personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "D"

ASSIGNABLE AGREEMENTS

1. **JACOS Hangingstone SAGD Operation Agreement** dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Greenfire Hangingstone Operating Corporation
2. **Electricity: Site D41666**
 - Sites D18535 will need to be shared between Greenfire and JACOS
3. **Electrical Service Agreements**

ATCO Project #	Legal Land Description	Site ID	Effective Date	Expiration Date	Contract Demand	Price Schedule	Notes
Distribution							
D41666	13-26-84-11W4M	0010455587412	14-Sep-2013	13-Sep-2038	898 kW	D31 [Option H(b)]	
D18535	SE-11-84-11-W4M	0010049061621	10-Jan-2006	9-Jan-2031	32 kW	D31	<i>Shared meter between HE (~5%) and Demo (~95%). Parties to discuss logistics of allowing JACOS to use meter on limited basis</i>

4. **Natural Gas: Firm Transport at Delivery Point Meter 6012.**

Pipeline	Delivery Point	Transportation Type	GJ/Day	Price Point	Start Date	End Date	Secondary Term Eligibility	Notes
NGTL	6012: JAPAN CANADA SALES	FT-D2	2,000	X	1-Nov-14	31-Oct-19	1-Nov-14	
NGTL	6012: JAPAN CANADA SALES	FT-D2	8,000	Z	1-Nov-15	31-Oct-19	1-Nov-10	<i>* ONE YEAR RENEWAL TO 10/31/2019</i>

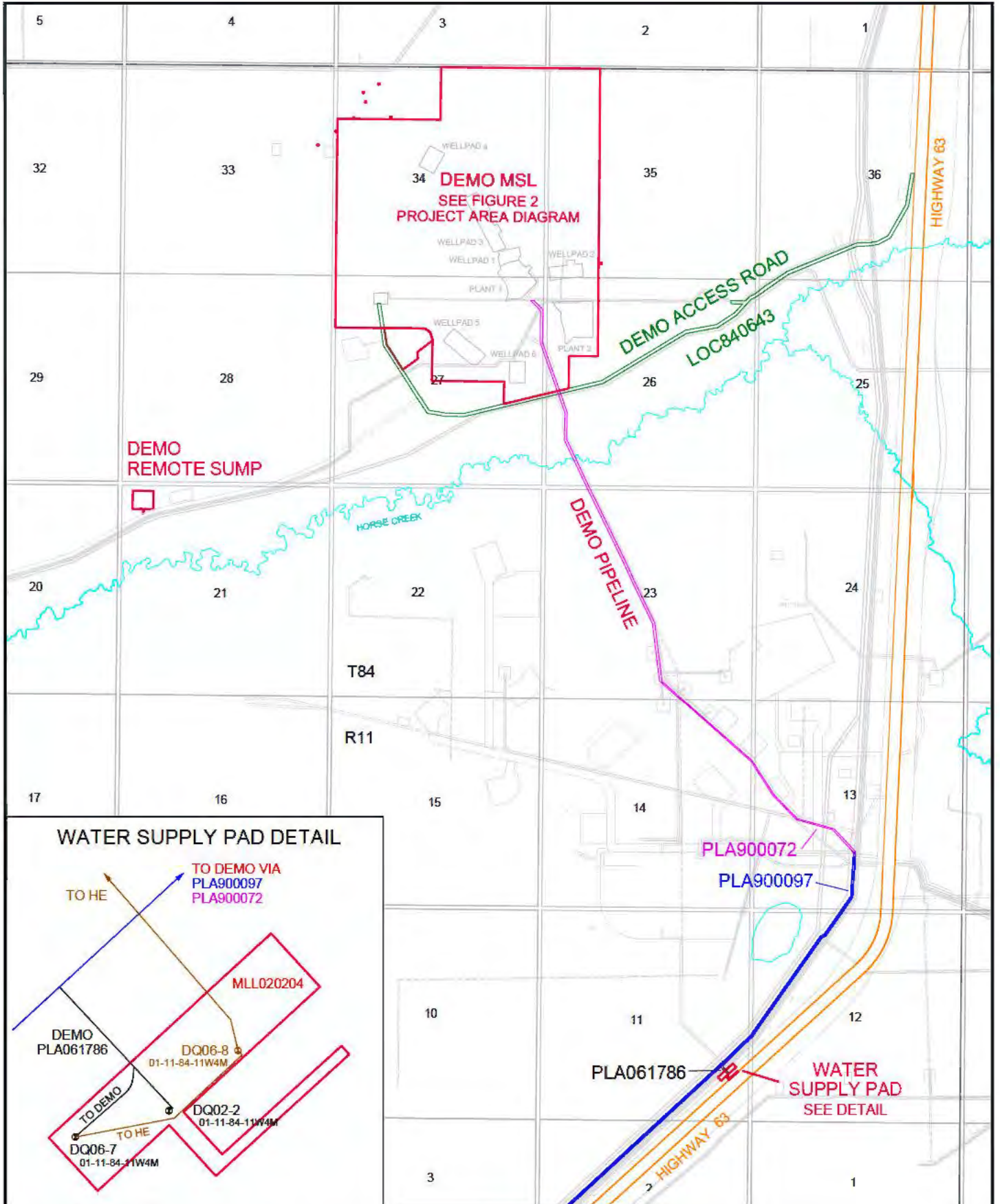
5. **Master Road Use Agreement** dated July 31, 2018 between Greenfire Hangingstone Operating Corporation and JACOS
6. **Non Convertible Gross Overriding Royalty Agreement** dated August 3, 2018 between Greenfire Hangingstone Operating Corporation and JACOS

000524

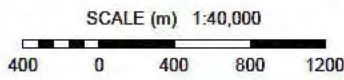
7. **Master Road Use Agreement** dated January 1, 2019 between Greenfire Hangingstone Operating Corporation and Pembina Pipeline Corporation
8. **Water Sale Agreement** dated July 1, 2019 between JACOS Greenfire Hangingstone Operating Corporation
9. **Master Road Use Agreement** dated July 1, 2019 between Greenfire Hangingstone Operating Corporation and Northland Forest Products Ltd.
10. **Master Road Use Agreement** dated May 13, 2020 between Greenfire Hangingstone Operating Corporation and NOVA Gas Transmission Ltd.

SCHEDULE "E"
PROJECT AREA DIAGRAM

See attached.



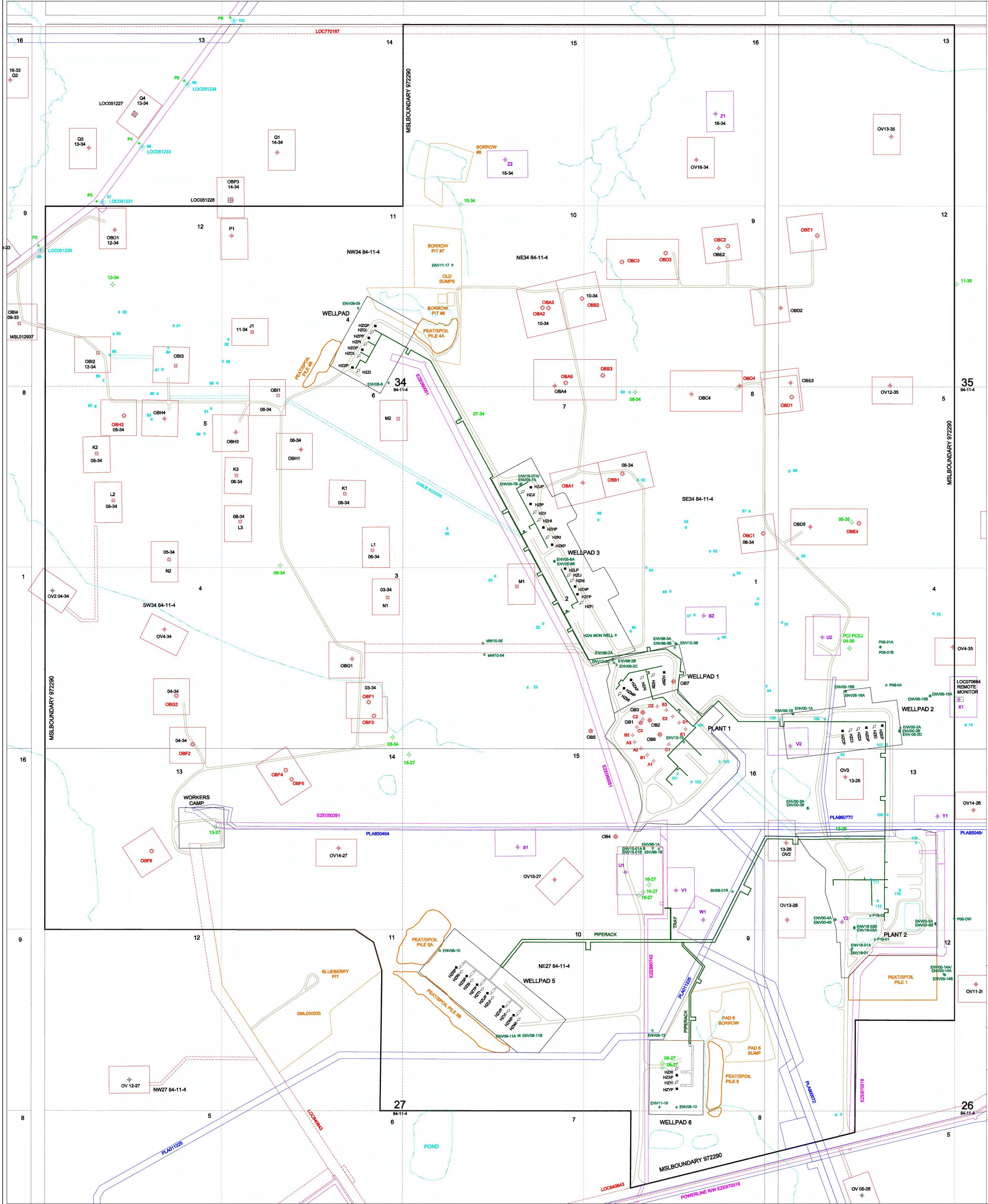
Drawn By:
RWC
Date:
2018-03-15



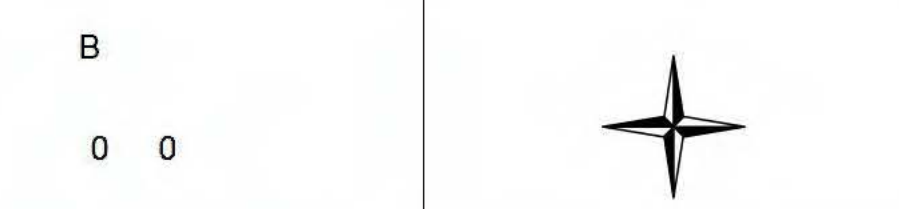
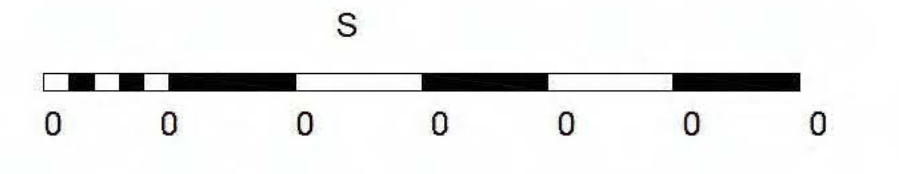
JACOS
Japan Canada Oil Sands Limited
DEMOPOTENTIAL SALES/OVERVIEW MAP

FIGURE 1
OVERVIEW MAP

000527



- Y
- S
- S
- S
- S
- S
- V
- 00 00
- Y B
- BS V
- BS V
- BS V
- B
- S









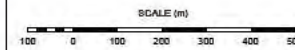
JACOS
Japan Canada Oil Sands Limited

**GURE 2
SCHEDULE "E"
RO EC AREA
DIAGRAM**

SCHEDULE "F"
ACCESS ROAD DIAGRAM

See attached.

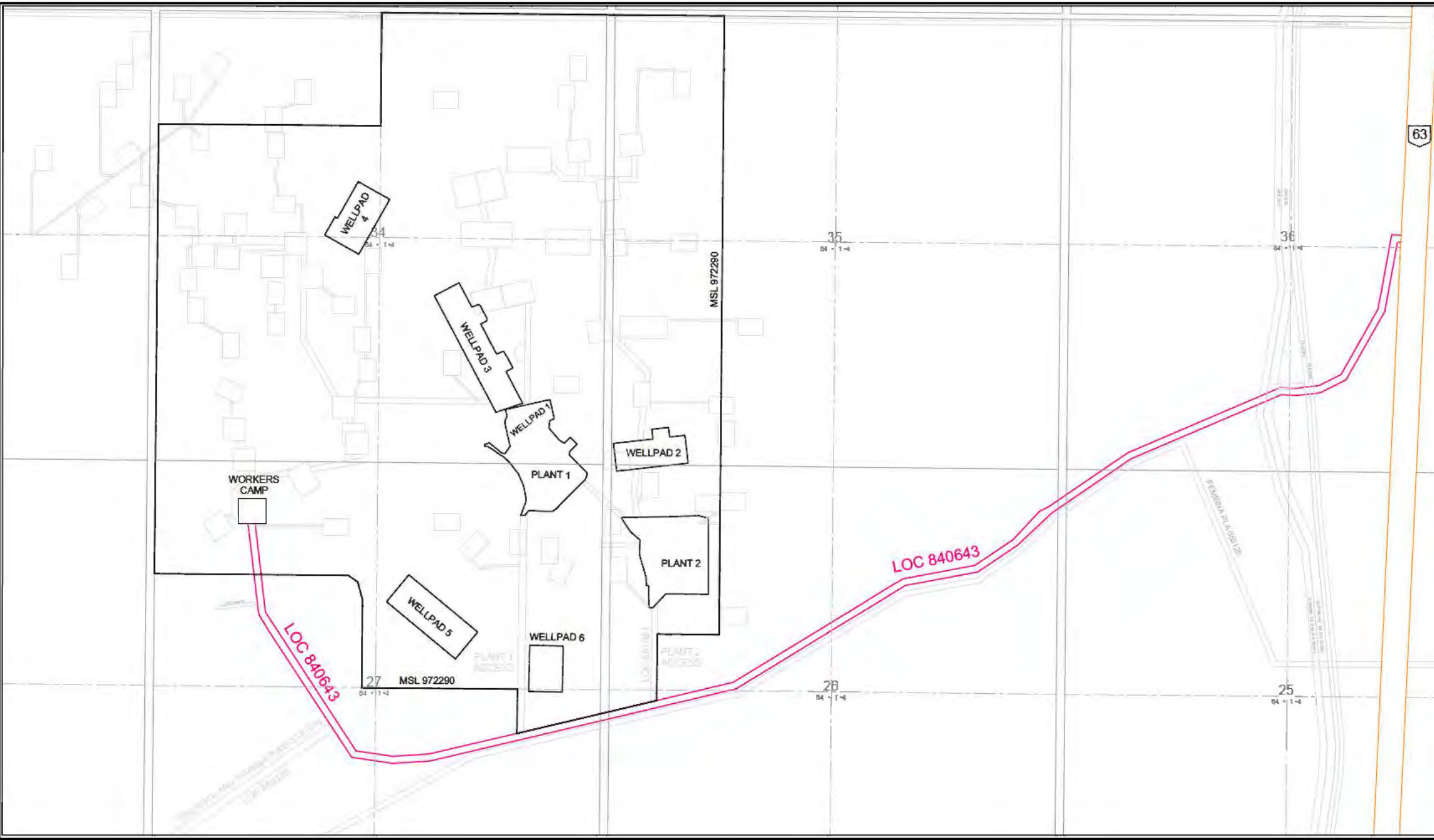
- LEGEND**
-  HIGHWAY
 -  ACCESS ROAD
 -  OTHER ROAD
 -  SECTION LINE
 -  QUARTER SECTION LINE
 -  JACOS WELL SITE



Drawn By: RWC
 Checked By:
 Date: 2010-03-08



**SCHEDULE "F"
 ACCESS ROAD
 DIAGRAM**
 000530



SCHEDULE "G"

FORM OF CERTIFICATE FOR VENDOR

TO: Greenfire Acquisition Corporation ("Purchaser")

RE: Asset Sale Agreement made as of December _____, 2020 between Greenfire Hangingstone Operating Corporation as Vendor and Greenfire Acquisition Corporation as Purchaser. (the "**Sale Agreement**")

The undersigned, [●], being the [Title] of Vendor hereby certifies, for and on behalf of Vendor and not in their personal capacity, as follows:

1. The undersigned is personally familiar, in their capacity as an officer of Vendor, with the matters hereinafter certified.
2. This certificate is made and delivered pursuant to Section 4.01(b)(ii)(A) of the Sale Agreement.
3. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
4. Each of Vendor's representations and warranties set forth in Section 7.01 of the Sale Agreement:
 - (a) was true and correct in all material respects as of the date of the Sale Agreement; and
 - (b) is true and correct in all material respects as of the date of this Certificate;or, in each case, was true and correct in all material respects as of such other date or dates as specified therein (disregarding all qualifications in Vendor's representations and warranties as to "material", "material adverse effect" or similar references to materiality).
5. All obligations and covenants of Vendor to be performed or complied with prior to or at Escrow Closing (other than in respect to the agreements, certificates and other instruments and documents to be delivered at Escrow Closing by Vendor pursuant to Section 4.01(a) of the Sale Agreement) have been performed or complied with in all material respects.
6. No Material Adverse Effect has occurred from the date of the Sale Agreement to the Escrow Closing Time.
7. Each of Vendor's conditions set forth in Section 3.01 of the Sale Agreement has been satisfied or waived as of the Escrow Closing Time.

DATED at Calgary, Alberta, as of the _____ day of _____, 2020.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per: _____
Name:
Title:

000531

FORM OF CERTIFICATE FOR PURCHASER

TO: Greenfire Hangingstone Operating Corporation ("Vendor")

RE: Asset Sale Agreement made as of December _____, 2020 between Greenfire Hangingstone Operating Corporation as Vendor and Greenfire Acquisition Corporation as Purchaser. (the "**Sale Agreement**")

The undersigned, [•], being the [Title] Purchaser, hereby certifies, for and on behalf of Purchaser and not in their personal capacity, as follows:

1. The undersigned is personally familiar, in their capacity as an officer of Purchaser, with the matters hereinafter mentioned.
2. This certificate is made and delivered pursuant to Section 4.01(b)(ii)(A) of the Sale Agreement.
3. The definitions contained in the Sale Agreement are adopted and in this Certificate wherever used shall have the meanings ascribed to them in the Sale Agreement.
4. Each of Purchaser's representations and warranties set forth in Section 7.02 of the Sale Agreement:
 - (a) was true and correct in all material respects as of the date of the Sale Agreement; and
 - (b) is true and correct in all material respects as of the date of this Certificate;or, in each case, was true and correct in all material respects as of such other date or dates as specified therein (disregarding all qualifications in Purchaser's representations and warranties as to "material", "material adverse effect" or similar references to materiality).
5. All obligations and covenants of Purchaser to be performed or complied with prior to or at Escrow Closing (other than in respect to the agreements, certificates and other instruments and documents to be delivered at Escrow Closing by Purchaser pursuant to Section 4.01(b) of the Sale Agreement) have been performed or complied with, in all material respects.
6. Each of Purchaser's conditions set forth in Section 3.02 of the Sale Agreement has been be satisfied or waived as of the Escrow Closing Time.

DATED at Calgary, Alberta, as of the _____ day of _____, 2020.

GREENFIRE ACQUISITION CORPORATION

Per: _____
Name:
Title:

000532

SCHEDULE "H"
DISCLOSURE SCHEDULE

Bankruptcy Proceedings

- On October 8, 2020, each of On October 8, 2020, each of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and collectively, "**Greenfire**") filed a Notice of Intention to Make a Proposal (collectively, the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) with the Office of the Superintendent of Bankruptcy. Alvarez & Marsal Canada Inc. is the Proposal Trustee of both GOGL and GHOPCO.
- On October 16, 2020, Greenfire applied to the Alberta Court of Queen's Bench (the "**Court**") for an Order, among other things, consolidating, for procedural purposes only, the Alberta Court of Queen's Bench in Bankruptcy and Insolvency Estate Nos. 25-2679073 and 25-2679074 into Estate No. 25-2679073 (the "**Consolidated Proposal Proceeding**"). Accordingly, pursuant to the October 16, 2020 Order, any pleadings or other documents served or filed in the Consolidated proposal Proceeding by any party shall be deemed to have been served or filed in each of the proceedings comprising the Consolidated Proposal Proceeding.
- Greenfire continues to be subject to the Consolidated Proposal Proceeding and Greenfire remains subject to the *Bankruptcy and Insolvency Act* (Canada) and the supervision of the Court.

Warner Litigation

- Vendor issued a notice to Warner Petroleum Corporation ("**Warner**") on November 6, 2020 to disclaim the April 15, 2019 Marketing Agreement entered into between GHOPCO, GOGL and Warner (defined in this Agreement as the "**Warner Contract**") (the "**Disclaimer Notice**").
- On November 17, 2020 Greenfire obtained an Order from the Court, declaring, among other things:
 - the Disclaimer Notice was valid and effective;
 - pursuant to s.65.11(6)(b) of the *Bankruptcy and Insolvency Act* (Canada), the Warner Contract is disclaimed or resiliated on December 6, 2020;
 - the Warner Cotntract is not an "eligible financial contract" within the meaning of the *Bankruptcy and Insolvency Act* (Canada); and
 - the Marketing Agreement does not grant Warner an "interest in land" in any of Greenfire's property.
- On November 27, 2020, Warner filed a Civil Notice of Appeal in Court of Appeal File No. 2001-0228AC. Warner has both filed its appeal as of right under ss.193(a),(b) and (c) of the *Bankruptcy and Insolvency Act* (Canada) as well as filing an Application for leave to appeal pursuant to s.193(e), scheduled for January 19, 2021.

AER Order

- See attached:
 - Order RCAM 2020-001 issued by the AER and dated November 17, 2020
 - AER Response Letter dated November 25, 2020 re RCAM 2020-001 Extension

000533

Made at Bonnyville AB, in the
Province of Alberta, on

November 17, 2020

ALBERTA ENERGY REGULATOR

Under section 26.2 of the *Oil and Gas Conservation Act (OCGA)* and section 22.1 of the *Pipeline Act*

Greenfire Hangingstone Operating Corporation (A7P4)

Suite 1650, 444 – 5 AVE SW
Calgary, AB T2P 2T8

WHEREAS Greenfire Hangingstone Operating Corporation (Greenfire) is the holder of the Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A (the Sites);

WHEREAS on October 8, 2020, Greenfire filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS on November 6, 2020, Greenfire obtained an extension to November 20, 2020, to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS Greenfire has an Active status in the Alberta Corporate Registry as of November 17, 2020.

WHEREAS Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures;

WHEREAS freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;

WHEREAS Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020;

WHEREAS Colin Woods, Manager, Compliance & Liability Management Field Operations East (Director) has authority for the purpose of issuing Orders under the *OCGA* and *Pipeline Act*;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at the Sites;

Therefore, I, Colin Woods, Manager, Compliance & Liability Management Field Operations East, under section 26.2 of the *OCGA*, and section 22.1 of the *Pipeline Act*, DO HEREBY ORDER the following:

Action Items

1. Greenfire shall **immediately** report in writing that Greenfire's posted emergency number 000534 will remain active and will initiate an immediate response when called.

2. By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

Action Plan

3. On or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

4. On or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment.

5. Implement the above Action Plans as authorized until otherwise directed by the AER in writing.

Reporting

6. All Plans and Reports to be submitted to the Director under this order shall be submitted to fieldoperationseast@aer.ca

General

7. In carrying out the requirements of this Order, Greenfire shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt.

8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Bonnyville in the Province of Alberta, the 17th day of November, 2020.



Colin Woods

Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA* or *Pipeline Act* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliance's from occurring.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix A

Table 1: Well Licences

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0483436	F1/01-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424893	10/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424892	09/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424838	07/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424837	06/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0419253	AA/13-26-084-11W4/2	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0375428	W0/13-35-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0375327	00/13-35-084-11W4/2 00/13-35-084-11W4/4 00/15-34-084-11W4/3 00/16-34-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0370910	02/03-35-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370909	02/14-26-084-11W4/0 02/14-26-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370903	00/03-35-084-11W4/0 00/03-35-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370901	00/14-26-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370727	03/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370726	18/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370725	21/01-34-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0370724	03/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0367690	AF/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0367479	AC/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0366965	09/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366964	03/03-35-084-11W4/0	03-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366963	AE/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366962	AB/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366961	10/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366691	02/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366690	16/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366688	W2/04-35-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366687	02/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366675	AB/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0324493	03/13-34-084-11W4/0	13-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0323896	AC/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0319542	00/14-34-084-11W4/0	14-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318834	03/12-34-084-11W4/0	12-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318503	02/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318502	04/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318485	03/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318484	00/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314411	02/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314410	00/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0297267	06/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0296876	09/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296875	08/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296874	05/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296872	04/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296871	07/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281690	00/11-34-084-11W4/0 05/09-33-084-11W4/2	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281688	04/09-33-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281687	06/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281685	05/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259728	03/09-33-084-11W4/0	09-33-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0259095	02/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259094	02/05-34-084-11W4/0	05-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259093	03/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259092	04/13-27-084-11W4/0	13-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259091	02/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259090	00/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259088	03/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242489	02/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242488	04/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242486	03/13-27-084-11W4/0	02-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242483	00/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0242482	03/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242480	02/13-27-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240026	02/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240025	02/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240024	00/05-34-084-11W4/0	05-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240023	00/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240022	02/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240021	00/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240020	00/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0239728	00/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219033	04/08-34-084-11W4/0	08-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219032	AF/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219031	AE/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219030	AC/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219028	07/10-34-084-11W4/0	10-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219027	AA/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219024	AD/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219023	00/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219022	07/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219021	00/05-35-084-11W4/0	05-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219020	08/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0219019	AB/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0214840	06/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214839	05/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214838	04/09-34-084-11W4/0 04/09-34-084-11W4/2	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214837	03/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214836	02/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214835	00/09-34-084-11W4/0	04-35-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0213618	02/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0213579	AA/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213576	AB/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213575	AB/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213532	AB/12-35-084-11W4/0	12-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212103	06/10-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212100	05/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0212096	04/10-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0212095	F1/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0207219	02/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207217	02/07-34-084-11W4/0	07-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207216	00/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207213	00/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0140078	03/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0131674	00/01-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

Table 2: Facility Licences

Licence Number	Surface Location	Responsible Party	Percent Interest
F21408	16-27-084-11W4	Greenfire Hangingstone Operating Corporation	100%

Table 3: Pipeline Licences

Licence Number	From Location	To Location	Line Number
P53137	01-34-084-11W4	13-26-084-11W4	S-1
P53137	01-34-084-11W4	01-34-084-11W4	S-2
P53137	01-34-084-11W4	16-27-084-11W4	S-3
P53137	07-34-084-11W4	01-34-084-11W4	S-4
P53137	11-34-084-11W4	07-34-084-11W4	S-5
P53137	10-27-084-11W4	13-26-084-11W4	S-6
P53137	09-27-084-11W4	09-27-084-11W4	S-7
P53137	01-34-084-11W4	13-26-084-11W4	S-8
P53137	01-34-084-11W4	16-27-084-11W4	S-9
P53137	07-34-084-11W4	01-34-084-11W4	S-10
P53137	11-34-084-11W4	07-34-084-11W4	S-11
P53137	10-27-084-11W4	13-26-084-11W4	S-12
P53137	09-27-084-11W4	09-27-084-11W4	S-13
P53112	13-26-084-11W4	04-35-084-11W4	S-1
P53112	01-34-084-11W4	04-35-084-11W4	S-2
P53112	01-34-084-11W4	07-34-084-11W4	S-3
P53112	01-34-084-11W4	01-34-084-11W4	S-4
P53112	16-27-084-11W4	16-27-084-11W4	S-5
P53112	07-34-084-11W4	11-34-084-11W4	S-6
P53112	13-26-084-11W4	10-27-084-11W4	S-7
P53112	09-27-084-11W4	09-27-084-11W4	S-8
P53112	16-27-084-11W4	16-27-084-11W4	S-9
P53112	01-34-084-11W4	01-34-084-11W4	S-10
P53112	13-26-084-11W4	01-34-084-11W4	S-11
P53111	01-34-084-11W4	01-34-084-11W4	S-1
P53111	01-34-084-11W4	01-34-084-11W4	S-2
P53110	16-27-084-11W4	01-34-084-11W4	000542-1

Licence Number	From Location	To Location	Line Number
P53110	01-34-084-11W4	16-27-084-11W4	S-2
P53110	01-34-084-11W4	04-35-084-11W4	S-3
P53110	01-34-084-11W4	07-34-084-11W4	S-4
P53110	07-34-084-11W4	11-34-084-11W4	S-5
P53110	13-26-084-11W4	10-27-084-11W4	S-6
P53110	09-27-084-11W4	09-27-084-11W4	S-7
P53109	04-35-084-11W4	01-34-084-11W4	S-1
P53109	04-35-084-11W4	13-26-084-11W4	S-2
P53109	07-34-084-11W4	01-34-084-11W4	S-3
P53094	16-27-084-11W4	01-34-084-11W4	S-1
P53094	13-26-084-11W4	01-34-084-11W4	S-2
P53094	01-34-084-11W4	01-34-084-11W4	S-3
P53094	01-34-084-11W4	07-34-084-11W4	S-4
P53094	07-34-084-11W4	11-34-084-11W4	S-5
P53094	13-26-084-11W4	10-27-084-11W4	S-6
P53094	09-27-084-11W4	09-27-084-11W4	S-7
P53094	11-34-084-11W4	07-34-084-11W4	S-8
P53094	11-34-084-11W4	07-34-084-11W4	S-9
P53094	10-27-084-11W4	13-26-084-11W4	S-10
P53094	10-27-084-11W4	13-26-084-11W4	S-11
P53094	01-34-084-11W4	13-26-084-11W4	S-12
P53093	13-26-084-11W4	04-35-084-11W4	S-1
P53093	01-34-084-11W4	04-35-084-11W4	S-2
P53093	01-34-084-11W4	16-27-084-11W4	S-3
P53093	01-34-084-11W4	01-34-084-11W4	S-4
P53093	01-34-084-11W4	07-34-084-11W4	S-5
P53093	07-34-084-11W4	11-34-084-11W4	S-6
P53093	13-26-084-11W4	10-27-084-11W4	S-7
P53093	09-27-084-11W4	09-27-084-11W4	S-8
P24616	05-34-083-11W4	01-34-084-11W4	S-1
P24616	15-34-083-11W4	15-34-083-11W4	S-2
P24616	01-11-084-11W4	13-26-084-11W4	S-3
P24616	16-27-084-11W4	16-27-084-11W4	S-4
P24616	12-13-084-11W4	12-13-084-11W4	S-5
P21792	02-36-084-11W4	13-26-084-11W4	S-5
P21792	13-26-084-11W4	01-34-084-11W4	S-6

File No. 4005
November 25, 2020

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

By email only

tel 780-826-5352
fax 780-826-2366

Mr. Robert B. Logan, Chairman
Greenfire Hangingstone Operating Corporation (A7P4)

www.aer.ca

Email: rlogan@greenfireoilandgas.com

**RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001**

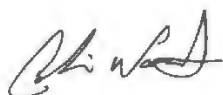
Mr. Logan:

The Alberta Energy Regulator (AER) acknowledges receipt of Greenfire Hangingstone Operating Corporation (Greenfire) Surface Action Plan, received November 23, 2020 (enclosed), as per *Order RCAM 2020-01*. The AER has reviewed and hereby accepts the plan as presented, contingent on Greenfire's anticipated debtor in possession financing, to be confirmed in court on December 8, 2020. Greenfire must update the AER on the outcome of this court proceeding by end of business day December 9, 2020, through the established Order communication process. Dependent on the outcome of these proceedings, the AER may require Greenfire to update its Surface Action Plan accordingly.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Should you have any questions or concerns, please don't hesitate to contact me at 780-826-8334 (office) or alternate contact at 780-201-1737 (cell).

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

CW/cla

000544

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension
cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)
David Phung, Greenfire (dphung@greenfireoilandgas.com)



November 22, 2020

Manager, Compliance & Liability Management, Field Operations East

Alberta Energy Regulator

Suite 1000, 250 5 Street SW

Calgary, Alberta T2P 0R4

Email: fieldoperationseast@aer.ca

RE: Order RCAM 2020-001 – Surface Action Plan

On or before November 23, 2020, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

To whom it may concern,

Greenfire Hangingstone Operation Corporation ("**Greenfire**"), as the current holder of Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A of Order RCAM 2020-001

Greenfire's plan is to restart the Hangingstone site including making any repairs necessary to ensure the safety, integrity and operability of the SAGD plant and wells.

Greenfire has the majority of its former employees ready to restart operations and to protect the facility from further damages due to freezing. Restarting operations is contingent upon receiving debtor in possession (DIP) financing, which is currently expected to be on or about December 8th, 2020, subject to court approval.

During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored.

Action Item #2 from Order RCAM 2020-001 states:

*By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.*

As such, Greenfire is requesting an extension to Action Item #2 from **to December 15, 2020**, from **December 1, 2020**, to allow for time for Greenfire to obtain funds from the aforementioned DIP financing and begin implementation of the restart.

If you require any further information pertaining to the subject request, please contact the undersigned.

Best regards,

A handwritten signature in blue ink, appearing to read "Robert B. Logan".

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Hangingstone Operating Corporation

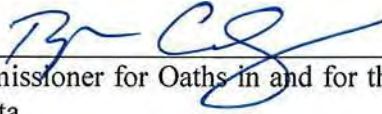
403-465-2321 (cell)

rlogan@greenfireoilandgas.com

000546

THIS IS **EXHIBIT "K"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

Action No.: B201-679073
E-File Name: EVQ20GREENFIRE
Appeal No.: _____

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF EDMONTON

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

Action No.: B201-679074

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL & GAS LTD.

P R O C E E D I N G S
(Excerpt)

Edmonton, Alberta
November 17, 2020

Transcript Management Services
Suite 1901-N, 601-5th Street SW
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Phone: (403) 297-7392
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3 November 17, 2020

Afternoon Session

4
5 The Honourable
6 Mr. Justice Little

Court of Queen's Bench
of Alberta

7
8 D. LeGeyt (remote appearance)

For Greenfire Hangingstone

9 J. Murphy (remote appearance)

For Greenfire Hangingstone

10 R. Algar (remote appearance)

For Greenfire Hangingstone

11 N. Wood (remote appearance)

For Greenfire Hangingstone

12 G. Body (remote appearance)

For Canada Revenue Agency

13 K. Kashuba (remote appearance)

For MacIntyre Group

14 A. Maerov (remote appearance)

For Alvarez & Marsel - the Trustee

15 K. Rylands (remote appearance)

For Alvarez & Marsel - the Proposed Trustee

16 K. Meyer (remote appearance)

For Warner Co Border Petroleum

17 D. Gibbs (remote appearance)

For Warner Co Border Petroleum

18 J. Maslowski (remote appearance)

For Trafigura Canada General Partnership

19 K. Cameron (remote appearance)

Japan Canada Oil Sands Ltd.

20 K. Ward (remote appearance)

Athabasca Workforce Solutions Inc. and Excel
Oil & Water Hauling Inc.

21
22 C. Bastiaanssen

Court Clerk

23
24
25 (PORTION OF PROCEEDINGS OMITTED BY REQUEST)

26
27 **Decision**

28
29 THE COURT:

I will refer to the two Greenfire equities collectively as Greenfire. Greenfire filed an NOI under section 50.4(1) of the *BIA* on October 8th of 2020. On November 6th, 2020, this Court extended the time for filing a proposal November 20th. Greenfire now seeks direction respecting a marketing agreement with the respondent Warner Petroleum Corporation claiming that Greenfire's disclaimer of that agreement is essential to the success of any proposal. Sorry with the applicant Greenfire.

30
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36
37 The respondent Warner denies that the marketing agreement was validly terminated, it
38 cannot be disclaimed, and if it was or can be, it seeks a declaration that Greenfire remains
39 bound to post-termination obligations including a noncompetition clause.

40
41 By way of background, Greenfire is a petroleum producer; Warner for lack of a better term,

1 is a petroleum marketer. I think there might be other aspects to that role, and I didn't mean
2 to simplify it. The two entered into the agreement April 15 of 2019, and the terms of that
3 agreement include Greenfire gives Warner the exclusive rights to market its products
4 produced from a defined area of dedication. Greenfire is to use its best efforts to produce
5 at least nine barrels a year from that area. Warner is to market and sell that product at
6 competitive prices based on market postings for West Texas Intermediate, as mutually
7 agreed by the parties for transaction. Warner then deducts certain of its costs and the net
8 proceeds are split 75 percent to Greenfire and 25 percent to Warner. And there's a cap on
9 those costs.

10
11 The agreement was for a five year term subject to cancellation rights set out in section 6.
12 And the gist is that either party can terminate on 30 days written notice for financial default
13 or insolvency, or 10 days following the notice of a nonfinancial default which can't be
14 cured, or 30 days following notice of a nonfinancial default not cured within the cure
15 period.

16
17 The event of default which Greenfire relied upon to serve a notice of termination was that
18 after agreeing to sell 80,000 barrels of product to a third party in November of 2019,
19 Warner failed to deliver, and that sale fell through. Warner then stored the product without
20 making efforts to find another buyer: see allegation. Apparently Warner still has 20,000
21 of those 80,000 barrels, and not having received payment on September 3rd, Greenfire
22 served a 30 day notice of termination for financial default.

23
24 The issues for determination today originally were first whether this application can be
25 brought and heard in Alberta, but section 12.8 of the agreement obligates the parties to
26 attorn to the exclusive jurisdiction of the Courts of Detroit, Michigan, if Greenfire starts a
27 legal proceeding under the agreement. As I referred to earlier, so that we didn't go all day
28 before this issue was resolved, I take the position that this is not a legal proceeding being
29 started by Greenfire under the agreement. (INDISCERNIBLE) is a legal proceeding under
30 Canadian statute which while it clearly has an impact on the agreement, is not about the
31 agreement.

32
33 The second issue was to be whether the September 3rd termination notice given was valid.
34 The parties have agreed that that issue will be determined another day.

35
36 And then the third issue is whether if the termination notice wasn't valid, the agreement
37 nevertheless was properly disclaimed by virtue of the section 65.11 notice being served on
38 Warner, with the support of Greenfire's proposal trustee. And that in turn involves a
39 determination as to whether the disclaimer is invalid because Warner has an interest in
40 land, by virtue essentially being granted rights of exclusivity of product from the dedication
41 area, and whether the disclaimer is invalid or whether it's invalid because the agreement is

1 an eligible financial contract, and section 65.11 does not permit disclaimer of an EFC.

2
3 I will deal then first as did the parties, with the interests in land. The Supreme Court in
4 *Dynex* tells us that we are not to be married to the common law ideas of what constitute
5 interests in land. Warner argues that by virtue of a description of a dedicated area, and an
6 obligation not to transfer that land without obtaining an assumption agreement from a
7 purchaser, the marketing agreement creates an interest in land akin to an overriding royalty.
8 By virtue of Greenfire clearly having an interest in the land, it is able to carve out secondary
9 interests including those which capture product only after it is produced, of which the
10 marketing agreement is one.

11
12 Greenfire argues that when it's not clear whether an interest is an interest in land, the
13 intention of the parties is paramount, and that Greenfire in the negotiation of the agreement
14 was adamant that it could not grant an interest in land without being in breach of its lending
15 covenants. And Mr. Logan (phonetic) in his affidavit filed, includes an email trail to that
16 effect.

17
18 Counsel for Warner argues that I cannot use anything outside the four corner of the
19 agreement and cites Hall (INDISCERNIBLE) contract interpretation, but my read of the
20 relevant sections of that text is that I can go outside the agreement and look to the parties'
21 intentions where there is ambiguity.

22
23 I find that the email trail shows that Greenfire did not intend to create an interest in land,
24 though I am not entirely certain of the negative covenant cited in the affidavit prohibits it,
25 rather it prohibits a creation of debt, and pledges in assignments and guarantees. It doesn't
26 specifically prevent (INDISCERNIBLE) interest in land, presumably because its primary
27 lender would have a first charge of those lands which in turn would encumber any carved
28 out interest in any event.

29
30 What militates against this being an interest in land, includes first that the state of intention
31 of one party not to create that interest, even though the stated basis for that intention might
32 have been itself based on a misinterpretation of a negative covenant. Number 2) the fact
33 that an earlier draft of the agreement had the interest in land language, and that it was
34 intentionally removed. Number 3) section 3.2(a) of the marketing agreement has title,
35 custody, and possession of product passing only after delivery to Warner. Recognizing
36 Warner's argument that an interest in land can still exist even if it doesn't exist until the
37 product is produced, it would be unnecessary to refer to all of title, custody, and possession
38 of product passing on delivery, if the interest was created by virtue of the production area
39 being dedicated to Warner. Instead, title, custody, and possession of the underlying asset
40 would be shared 25/75 initially, with only payment determine postproduction together with
41 cost (INDISCERNIBLE).

1
2 Counsel for Wagner (sic) argues that the title transfer is only necessary in order to give
3 Warner the right to subsequently transfer with title, and I accept that that is a valid concern.
4 But the section could then have been drafted to state that title passes from Greenfield (sic)
5 and Warner, to Warner alone. Or notwithstanding that we're not to be married to the old
6 terms, there is no use of the term such as all of its rights have one interest, and to have and
7 to hold, or unto Warner (INDISCERNIBLE) forever. I don't accept Greenfire's argument
8 that these are magic words necessary to create an interest in land, since temporary interests
9 such as an assignment of rents can be interest in lands, but that kind of language would
10 assist in Warner's argument.

11
12 Warner didn't register a caveat or other instrument against title to the dedicated area, and
13 in fact there is no evidence that the dedicated area itself is an area defined by legal
14 description, but instead what looks to be a geological area. Though counsel for Warner
15 points out that the Greenfire leases are described from which the legal description likely
16 could be determined. While registration does not determine whether it's an interest in land,
17 it is the other way around, I note that registration was an important criteria for the
18 determination of an interest in land in both Thynor (phonetic) and Manatoc (phonetic). I
19 find that the marketing agreement did not create an interest in land.

20
21 So next is an eligible financial contract; there's no issue that it's a contract, but does it fit in
22 the definition of an eligible financial contract? It is not itself a derivatives agreement
23 because it is not traded on the market, recognized market. Counsel for Warner made a
24 persuasive argument that the agreement was a master agreement for the purposes of (f) or
25 (g), but it does still have to be a master agreement in respect of a derivatives agreement.
26 And the fact that it may have given rise to derivative agreements entered into downstream
27 by Warner, with its customers and (INDISCERNIBLE) too far removed to fit into (f) or
28 (g). So I find that it is not an eligible financial contract, and it is therefore incapable of
29 being disclaimed.

30
31 The tougher issue in my view, is whether it should be. Under section 65.11, I need to
32 satisfy myself respecting three conditions. First is whether the Trustee approved the
33 proposed disclaimer. In here, it has. Counsel for Warner again made a persuasive pitch
34 that the Trustee was relying on information given it by Greenfire without proper
35 independent verification. In particular, the claims by Greenfire that it could find a
36 replacement marketer around 1/6th the price, were not substantiated. But I do not propose
37 to second-guess the financial expertise of the Trustee. Trustee's counsel point out that the
38 comparisons may not have been perfect, but the range between the alternatives and the
39 marketing agreement were insurmountable.

40
41 My suspicion is that Warner under the marketing agreement, did far more than just ship, it

1 would have sourced buyers and negotiated with them among other functions, and that
2 people that Greenfire may have talked to might be pure shippers and provide no other
3 services. But I think the greatest (INDISCERNIBLE) we may not be comparing apples
4 with oranges, but we're at least comparing fruit with fruit.
5

6 Secondly, whether the disclaimer would have enhanced the prospects of a viable proposal.
7 And the evidence we have here is the submission from counsel for a prospective purchaser
8 that without a disclaimer, it will not proceed. That is not strong evidence since we do not
9 know the terms of the purchase or how truly vested the purchaser might be, but it is the
10 only evidence before the Court.
11

12 And lastly whether the disclaimer would likely cause significant financial hardship to a
13 party to the agreement. That party of course is Warner. There is debate about whether
14 Warner was so large that it would not suffer significant financial hardship. But I prefer to
15 base my decision instead - because those are pretty subjective things when you are talking
16 big numbers - I propose to base my decision instead on the current situation. The other
17 party, Greenfire, is not operating. The revenue Warner has earned under the agreement
18 since the plant shut down in May is zero. It claims to be owed about \$2 million. Greenfire
19 is unlikely to come out of insolvency to produce oil just to pay its debt to Greenfire (sic)
20 and then to in its mind, pay too much for marketing. If a proposal cannot be made because
21 of the marketing agreement, Warner still makes zero in the future from the marketing
22 agreement. The marketing agreement apparently was part of a larger deal which saw
23 Warner get what might have been exorbitant fees, in exchange for an equity investment in
24 Greenfire, but if so, that equity investment is already gone because of Greenfire's
25 insolvency.
26

27 So weighing these factors, I allow the disclaimer. As a Court, we are not to look too closely
28 at the economics on a microscale, but instead to look at the bigger picture. The statute is
29 designed to give an insolvent debtor one last kick at the can if it looks to be even marginally
30 better than the alternative, and that is what I am doing here.
31

32 So subject to comments from counsel, what I will do is, in terms of the actual remedy
33 sought, I will abridge the time for service, I think that is clear that everyone had service.
34 The time for filing of the NOI, I heard should be extended to December 8th; is that
35 accurate?
36

37 UNIDENTIFIED SPEAKER: That is the application which was made, yes,
38 correct, My Lord.
39

40 THE COURT: Okay. So I think what we will do that. As I
41 alluded to in the course of our debates today, I like to think that there's still room for

1 negotiation; if Warner legitimately wants to recoup some of its investment in Greenfire, it
2 can participate in a proposal whether it is with Greenfire or another purchaser. I made
3 reference today to what might appear to be a producer which is Greenfire so anxious to get
4 an equity investment that it made a somewhat imprudent non arm's length deal to pay
5 excess fees, which when the price of oil crashed, it could no longer pay, so it really just
6 jettisons what was almost a partner. But that is an area that really plays in a sense, both
7 ways. But for the crash in oil prices, Warner might have continued to get overpaid if it was
8 getting overpaid, for marketing, and thereby recouped its investment. All of which of
9 course is obiter.

10
11 I sincerely thank all counsel for their active participation today. Clearly both parties got
12 the kind of representation they deserve. I wish that I could have taken more time to get more
13 expansive, and perhaps written reasons, but my (INDISCERNIBLE) dealt with all of your
14 arguments in cases where I have given my somewhat summary conclusion, but I think the
15 parties need to get on with resolving this issue more than they need expansive written
16 reasons. Am I missing anything?

17
18 MS. MEYER: Thank you, My Lord. One remaining issue from
19 my perspective is the sealing order with respect to certain of the confidential documents.
20 In fact, the application for a sealing order that was provided to you, My Lord, deals solely
21 with confidential exhibit 3 to Mr. Warner's second affidavit, but since then there have been
22 additional documents over which we seek a sealing order, including the confidential
23 portion of the questioning of Mr. Logan on his affidavits, and the undertaking responded
24 to as a result of that confidential portion. In addition to that, I understand that Greenfire
25 also seeks a sealing order over certain other documents, although it hasn't yet applied for
26 one.

27
28 THE COURT: On the basis of your earlier representations, Ms.
29 Meyer, I'm happy to grant that order. I wonder though if I can have counsel get -- do you
30 want to do it just in one order, the two of you, and cover all of the documents? I think you
31 have sent in a draft form of order but as you said, it's likely to be deficient because there
32 have been documents delivered after that.

33
34 MS. MEYER: That sounds fine, Sir, we can certainly work that
35 out.

36
37 THE COURT: Okay.

38
39 MR. MURPHY: That works for us as well. We have not formally
40 brought our application, but I understand you are granting (INDISCERNIBLE) all of the
41 confidential documents of this proceedings should be sealed.

1
2 THE COURT: I am, Mr. Murphy, on the same basis. I am
3 assuming you are representing that you complied with the rules that we have on the
4 commercial matters for that, or that you will do before I sign the order.
5
6 MR. MURPHY: I undertake to do that before we sign it.
7
8 THE COURT: Thank you.
9
10 UNIDENTIFIED SPEAKER: Thank you, My Lord. And perhaps a
11 housekeeping item, given that there are many counsel on the line, might you direct that the
12 form of order be -- to be approved only by Ms. Meyer, Ms. Meyer's firm that is, and Mr.
13 Maerov's firm?
14
15 THE COURT: That is fine by me, I think that makes sense.
16
17 MR. MURPHY: Thank you, we'll put that in our order.
18
19 THE COURT: And that order should come to me. You can
20 either send it through Ms. Rowbelle (phonetic); probably better to send it through the
21 commercial coordinator, that way the draft gets posted to the file.
22
23 MR. MURPHY: Thank you, we'll -- we'll do the drafting with
24 counsel and provide it to you that way.
25
26 THE COURT: Okay, well thank you very much, that was a long
27 day, but I hope that it was productive although not everybody is happy, but I think we had
28 a productive day, and I thank madam clerk for staying late.
29
30 MS. MEYER: Thank you, Sir.
31
32 MR. MURPHY: Thank you, My Lord.
33
34 UNIDENTIFIED SPEAKER: Thank you, My Lord.
35
36 THE COURT: Okay (INDISCERNIBLE).
37
38 MS. MEYER: And thank you, madam clerk. Goodnight, thank
39 you.
40
41

1
2 PROCEEDINGS CONCLUDED

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Certificate of Record

I, Corinne Bastiaanssen, certify that this recording is the record made of the evidence in the proceedings in the Court of Queen’s Bench, held in courtroom 516, at Edmonton, Alberta, on the 17th day of November, 2020, and that I was the court official in charge of the sound-recording machine during the proceedings.

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1 **Certificate of Transcript**

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3 I, Shari Lynch, certify that

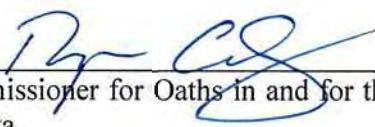
4
5 (a) I transcribed the record, which was recorded by a sound-recording machine, to the best
6 of my skill and ability and the foregoing pages are a complete and accurate transcript
7 of the contents of the record, and

8
9 (b) the Certificate of Record for these proceedings was included orally on the record and is
10 transcribed in this transcript.

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17 Shari Lynch, Transcriber
18 Order Number: AL5408
19 Date: December 1, 2020

THIS IS **EXHIBIT "L"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 2ND DAY OF
DECEMBER, 2020.


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor

Ryan Algar

From: [REDACTED]
Sent: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Subject: [EXT] FW: Marketing Agreement
Attachments: WSComparison_22046098v10_Greenfire and Warner Petroleum Marketing Agreement [BJ Draft April 4, 2019] - 22046098v11_Greenfire and Warn~1.PDF; Greenfire and Warner Petroleum Marketing Agreement [BJ Draft April 5, 2019].DOCX

From: Albert Luong <aluong@greenfireoilandgas.com>
Sent: April 6, 2019 5:21 PM
To: Al Stark <astark@greenfireoilandgas.com>; Robert Logan <rlogan@greenfireoilandgas.com>
Subject: Fwd: Marketing Agreement

Begin forwarded message:

From: "Vivek Warriar" <WarriarV@bennettjones.com>
To: "Howard, Kerri" <kerrihoward@mccarthy.ca>, "Albert Luong" <aluong@greenfireoilandgas.com>
Cc: "Megan Ollivier" <OllivierM@bennettjones.com>, "Wesley Novotny" <NovotnyW@bennettjones.com>, "Jay Winters" <WintersJ@bennettjones.com>, "Byron Thomas" <bthomas@wpcgroup.us>, "Harry Warner" <hwarner@wpcgroup.us>, "Diane Ritchie" <dritchier@wpcgroup.us>
Subject: Marketing Agreement

Albert and Kerri,

Please find attached hereto a revised draft of the Marketing Agreement, incorporating comments from our discussions with Warner yesterday (including the deletion of the "interest in land" language), tax comments & other clean-up. Please note in the interests of time this is being circulated to yourselves and Warner concurrently and therefore remains subject to Warner's further comment.

Please let me know if you have any questions or comments.

Best regards,
Vivek

The contents of this message may contain confidential and/or privileged subject matter. If this message has been received in error, please contact the sender and delete all copies. Like other forms of communication, e-mail communications may be vulnerable to interception by unauthorized parties. If you do not wish us to communicate with you by e-mail, please notify us at your earliest convenience.

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<http://www.bennettjones.com/unsubscribe>

**GREENFIRE DRAFT DATED APRIL 4, 2019
FOR DISCUSSION PURPOSES ONLY**

MARKETING AGREEMENT

THIS AGREEMENT made this ____ day of _____, 2019 (the "Effective Date").

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION,
a body corporate with offices in the City of Calgary, in the Province of
Alberta ("**GHOC**")

and

GREENFIRE OIL AND GAS LTD., a body corporate with offices in
the City of Calgary, in the Province of Alberta ("**GOGL**")

(GHOC and GOGL are collectively referred to herein as "**Greenfire**")

and

WARNER PETROLEUM CORPORATION, a body corporate with
offices in the City of Detroit, in the State of Michigan ("**Warner
Petroleum**")

WHEREAS Greenfire desires to enter into an agreement with Warner Petroleum for the purposes of marketing all of its Product (as defined herein) produced by Greenfire within the Area of Dedication (as defined herein) as further set out and described in this Agreement and in accordance with the terms and conditions of this Agreement;

AND WHEREAS Warner Petroleum is willing to enter into an agreement with Greenfire in accordance with the terms and conditions described in this Agreement;

AND WHEREAS concurrently with the execution of this Agreement, the Parties or their Affiliates (each as defined herein) will have entered into the Subscription Agreement (as defined herein);

NOW THEREFORE, THIS AGREEMENT WITNESSES THAT in consideration of the premises and provisions herein stated, Greenfire and Warner Petroleum mutually covenant and agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

- (a) "**Affiliate**" means, in relation to any Person, any entity Controlled, directly or indirectly, by such Person, any entity that Controls, directly or indirectly, such Person, or any entity directly or indirectly under common Control with such Person. For purposes of this definition, "**Control**" means, when used with respect to any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.
- (b) "**Agreement**" means this Marketing Agreement, including the Schedules attached hereto, executed by the Parties.

- (c) "**Alternative Options**" has the meaning set forth in Section 4.2(a)(i).
- (d) "**Altex Lynton**" means the Transloading Facility owned and operated by Altex Energy Ltd. located at Lynton, Alberta.
- (e) "**Annual Production Volume**" has the meaning set forth in Section 7.1.
- (f) "**API**" has the meaning set forth in Section 3.2(b).
- (g) "**Applicable Laws**" means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, instruments, policies, by-laws, ordinances, rules, regulations, official directives, published guidelines, protocols, standards, codes of practice and orders of, and the terms of all judgments, orders, ratings, awards and decrees issued by, any Governmental Authority by which such Person is bound or having application to the transaction or event in question.
- (h) "**Applicable Limitations Period**" means the statute of limitations or time bar for filing of claims under Applicable Law applicable to a particular claim.
- (i) "**Area of Dedication**" means those lands within the areas set out in the map attached hereto as Schedule "A".
- (j) "**Bank of Canada**" has the meaning set forth in Section 8.1(c).
- (k) "**Business Day**" means a Day on which banks are generally open for the transaction of commercial business in Calgary, Alberta, and Detroit, Michigan, but does not in any event include a Saturday or a Sunday or statutory holiday in Calgary, Alberta or Detroit, Michigan.
- (l) "**Claim**" means any cause of action, action, account, lien of any kind whatsoever, claim, demand, obligation, lawsuit, audit, proceeding, suit or arbitration, including any proceeding or investigation by a Governmental Authority.
- (m) "**CNR**" means Canada National Railway Company or its affiliates.
- (n) "**Consequential Damages Losses**" means, in respect of a Party, any and all loss of product, production, revenue, profits (actual or anticipated), use, business opportunity consequential loss, and incidental, punitive, special, exemplary or indirect damage of any similar kind of such Party, arising out of or in connection with a breach of this Agreement by the other Party hereto.
- (o) "**Deductions**" has the meaning set forth in Section 4.2.
- (p) "**Defaulting Party**" has the meaning set forth in Section 6.1.
- (q) "**Effective Date**" has the meaning set forth in the recitals hereto.
- (r) "**Event of Default**" has the meaning set forth in Section 6.1.
- (s) "**Extended Force Majeure Event**" has the meaning set forth in Section 11.1(e).

- (t) **"Force Majeure"** means an event or circumstance which prevents the claiming Party from performing its obligations under one or more transactions, which event or circumstance was not anticipated as of the date the transaction was agreed to, which is not within the reasonable control of the claiming Party, and which, by the exercise of due diligence, the claiming Party was unable to overcome or avoid or cause to be avoided. For example purposes only, Force Majeure may include: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms, or storm warnings such as hurricanes, resulting in evacuation of the affected area, floods, washouts, explosions, breakage, accident, or necessity of repairs to machinery, equipment, or lines of pipe; (ii) weather-related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption or curtailment of transportation or storage by transporters or storage operators; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, terrorist acts, insurrections or wars; or (v) compliance with any court order, law, statute, ordinance, or regulation promulgated by a Governmental Authority having jurisdiction.
- (u) **"Governmental Authority"** means any federal, state, provincial, regional, local or municipal governmental, quasi-governmental or self-regulatory body, agency, instrumentality, authority or entity established or controlled by any government or subdivision thereof (whether U.S., Canadian, or otherwise), including any legislative, administrative, regulatory or judicial body, or any Person purporting to act therefore.
- (v) **"Greenfire"** has the meaning set forth in the recitals hereto.
- (w) **"Greenfire Product"** means Product produced by Greenfire or an Affiliate from within the Area of Dedication, whether produced by steam assisted gravity drainage, HHF or other method of production.
- (x) **"Greenfire Third Party Claim"** has the meaning set forth in Section 10.1(a).
- (y) **"Gross Negligence"** means a marked and flagrant departure from good industry practice at the time of the alleged misconduct, or such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences. Gross Negligence does not include:
- (i) an individual act or omission of a Representative of a Person that constitutes or results from an error in judgment or an honest mistake unless such act or omission in the context of the relevant facts and circumstances amounts to conduct of the nature described above;
 - (ii) an act or omission of ordinary negligence; or
 - (iii) an act or omission of a Party that was done or was omitted to be done at the direction or with the approval of, or in accordance with the instruction of, the other Party.
- (z) **"HHF"** means Greenfire's proprietary Hygrade Horizontal Fireflood technology.
- (aa) **"Initial Term"** has the meaning set forth in Section 5.1(a).

- (bb) **"Insolvency Event"** means, in relation to any Person, the occurrence of one or more of the following:
- (i) if such Person institutes, seeks relief under or has instituted against it a proceeding (including an interim proceeding) seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law, any companies or corporations legislation or other similar law affecting creditors' rights: (i) for any relief from creditors; (ii) to make a proposal to or other compromise with its creditors; (iii) to become a voluntary bankrupt; (iv) seeking reorganization, readjustment, arrangement, composition or similar relief, in each case pursuant to any insolvency law;
 - (ii) if such Person is dissolved (other than pursuant to a consolidation, reorganization, reincorporation, reconstitution, amalgamation or merger);
 - (iii) if such Person has a receiver, administrator, trustee or legal authority appointed over its assets, becomes insolvent or makes a general assignment of its property for the benefit of its creditors;
 - (iv) such Person authorizes, commences or acquiesces in or consents to the authorization or commencement of or otherwise becomes the subject of an arrangement or composition, any notice, petition, filing or other proceeding (in this definition, collectively, a "**proceeding**"), an effective resolution is passed, or an order is made for the winding-up, liquidation, dissolution or other termination of such Person or all or a substantial portion of its business and affairs (in this definition, collectively, a "**liquidation**");
 - (v) a court or other board or tribunal having jurisdiction enters a decree or order (including an interim decree or order) pursuant to any insolvency law, security agreement or other instrument: (i) for any stay or other relief from creditors; (ii) adjudging such Person a bankrupt or insolvent; (iii) approving any reorganization, readjustment, arrangement, composition or similar relief; (iv) for the appointment of a receiver, liquidator, trustee or assignee of all or a substantial part of its undertaking or property; (v) its liquidation;
 - (vi) as a result of a default by such Person under any security instrument or other contract or commitment, any other Person has the right to appoint or to institute a proceeding for the appointment of a receiver, liquidator, trustee or assignee of all or a substantial part of the undertaking or property of such first mentioned Person and that other Person has exercised that right;
 - (vii) all or substantially all of such Person's assets are seized (including by way of execution, attachment, garnishment or distraint) or are subject to distress, execution, attachment, sequestration or other legal process; and/or
 - (viii) such Person:
 - (A) does or fails to do any act which contravenes any insolvency law;

- (B) initiates, or is subject to the appointment of a receiver, liquidator or trustee of all or a substantial part of its undertaking or property;
 - (C) makes an assignment for the benefit of creditors;
 - (D) becomes insolvent, is unable to pay its debts, fails or admits in any manner its inability to pay its debts generally as they come due or ceases to meet its liabilities generally as they become due;
 - (E) gives notice to any of its creditors that it has suspended or is about to suspend payment of its debts;
 - (F) commits any other act of bankruptcy or insolvency;
 - (G) suspends or threatens to suspend transaction of its usual business, or
 - (H) takes any action in furtherance of any of the aforesaid.
- (cc) **"Keyera South Cheecham"** means the Transloading Facility owned and operated by Keyera Energy Inc. located 75 km southeast of Fort McMurray, Alberta.
- (dd) **"Lands"** means the lands located within the Area of Dedication, including any lands pooled or unitized therewith or any additional lands acquired by Greenfire that are incorporated within the Area of Dedication, and includes the Product within, upon or under those Lands, together with the right to explore for and recover Product to the extent those rights are granted by the Leases.
- (ee) **"Leases"** means the leases, reservations, permits, licenses or other documents of title pertaining to the Lands in which Greenfire holds any interest and any document of title issued in substitution for, amendment of or in addition to any of them.
- (ff) **"Losses"** mean all losses, costs, charges, penalties, fines, interest, liabilities, expenses and damages (whether contractual or tortious), of any kind or type whatsoever including reasonable legal fees on a solicitor and his own client basis and expenses.
- (gg) **"Margins"** means the delivered price of Product minus the Deductions.
- (hh) **"Marketing Services"** has the meaning set forth in Section 2.2.
- (ii) **"Minimum Annual Volume"** has the meaning set forth in Section 7.1.
- (jj) **"Monthly Volume"** has the meaning set forth in Section 7.2(a).
- (kk) **"NDA"** has the meaning set forth in Section 9.5(a).
- (ll) **"Party"** means either Greenfire or Warner Petroleum as the context requires and **"Parties"** shall mean both parties collectively.
- (mm) **"Performance Assurance"** means collateral in the form of cash, letter(s) of credit, guarantee or other security acceptable to Greenfire, acting reasonably.

- (nn) **"Person"** means any individual, firm, corporation, partnership or other legal entity.
- (oo) **"Product"** means any one or more of crude oil, synthetic crude oil, condensate or bitumen blend consisting of a mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities.
- (pp) **"Put Option Agreement"** means the Put Option Agreement dated [redacted] as of the date hereof, between the Parties and Liberator Crude Trading, LLC.
- (qq) **"Records"** has the meaning set forth in Section 8.1(g).
- (rr) **"Renewal Term"** has the meaning set forth in Section 5.1(b).
- (ss) **"Representatives"** means the directors, officers, employees, contractors, consultants, agents and advisors of a Party, as applicable.
- (tt) **"Sales"** has the meaning set forth in Section 8.1(a)(i).
- (uu) **"Shortfall Production Volume"** has the meaning set forth in Section 7.3(a).
- (vv) **"Subscription Agreement"** means the Subscription Agreement for Common Shares dated as of the date hereof, between the Parties or their Affiliates, as applicable.
- (ww) **"Term"** has the meaning set forth in Section 5.1(b).
- (xx) **"Third Party"** means a Person other than a Party or an Affiliate of a Party.
- (yy) **"Third Party Claim"** means a claim and any associated Losses brought or asserted against a Party by a Third Party relating to a matter hereunder.
- (zz) **"Title Documents"** means collectively, the Leases, any and all certificates of title, reservations, permits, licenses, assignments, trust declarations, operating agreements, royalty agreements, unit agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Product; (ii) share in the production of Product; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Product which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only to the extent the foregoing pertains to Product within, upon or under the Lands.
- (aaa) **"Transloading Facilities"** means Product terminalling facilities and railcar transloading terminals and related facilities, including facilities for storing, trim blending, loading and unloading Product with whom Warner Petroleum contracts for transloading and related services during the Term.
- (bbb) "Unrecoverable Taxes or Fees" means any taxes or fees, including GST/HST, which are not subject to refund, credit, input tax credit, offset or other like mechanism and which result in such taxes or fees being unrecoverable as a cost to the pavor.**

- (ccc) ~~(bbb)~~ "US Banks" has the meaning set forth in Section 8.1(d).
- (ddd) ~~(eee)~~ "Warner Petroleum" has the meaning set forth in the recitals hereto.
- (eee) ~~(ddd)~~ "Wilful Default" means a breach of a material provision of this Agreement that results from a deliberate action in violation of the terms of this Agreement or from a deliberate failure to act in accordance with the terms of this Agreement. For greater certainty, Wilful Default does not include:
- (i) an individual act or omission of a Representative of a Person that constitutes or results from an error in judgment or an honest mistake unless such act or omission in the context of the relevant facts and circumstances amounts to conduct of the nature described above;
 - (ii) an act or omission of ordinary negligence; or
 - (iii) an act or omission of a Party that was done or was omitted to be done at the direction or with the approval of, or in accordance with the instruction of, the other Party.
- (fff) ~~(eee)~~ "Wind Down Costs" means, if applicable, all costs incurred in connection with the wind down of Marketing Services, including termination and end of contract activities; railcar cleaning, storage and return logistics.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

- (a) words imparting the singular number include the plural and vice versa;
- (b) reference to any Party includes any successor or assign of such Party that is permitted under this agreement;
- (c) if a term is defined in this agreement, a derivative of that term shall have the corresponding meaning;
- (d) unless otherwise provided herein, reference to any agreement, document or instrument means such agreement, document or instrument as amended, restated or modified and in effect pursuant to the terms thereof;
- (e) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect, including rules and Applicable Law promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;
- (f) "including" means including without limiting the generality of any description preceding or succeeding such term and for purposes hereof the rule of *ejusdem generis* shall not be

applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned;

- (g) payments and transfers of funds are to be made in immediately available funds;
- (h) references to time of day or date means the local time or date in Calgary, Alberta;
- (i) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "**from**" means "**from and including**" and the words "**to**" and "**until**" each mean "**to but excluding**";
- (j) Persons are deemed not to be dealing "at arm's length" with one another if they would not be dealing at arm's length with one another for the purposes of the *Income Tax Act* (Canada), as in effect on the date hereof; and
- (k) where any payment or calculation is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, that payment or calculation is to be made, or that other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next month in which event the payment or calculation is to be made, or that other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

1.3 Schedules

The following Schedules are incorporated herein and made part of this Agreement:

Schedule "A" –	Area of Dedication
Schedule "B" –	Product Specifications
Schedule "C" –	Wire Instructions

If there is any conflict or inconsistency between the body of this Agreement and any Schedule, the body of this Agreement shall prevail. If any provision in this Agreement conflicts with Applicable Laws this Agreement shall be conclusively deemed to be amended to the extent required to eliminate any such conflict.

ARTICLE 2 **COVENANTS**

2.1 Greenfire Covenants

Greenfire covenants and agrees to:

- (a) dedicate all Greenfire Product produced in the Area of Dedication during the Term to Warner Petroleum to market in accordance with the terms hereof;
- (b) use best efforts to produce at least one million (1,000,000) barrels of Product per calendar year from the Area of Dedication;

- (c) maintain all of the Leases ~~and~~, related Title Documents and regulatory approvals in good standing (including making payments such as annual rentals, continuation fees, extension fees, penalty payments or compensatory royalties);
- (d) conduct all operations on the Lands or in respect of the Leases diligently, in accordance with good oilfield practices, and in compliance with Applicable Laws; ~~and~~
- (e) provided that, at the relevant time Warner Petroleum (or its Affiliate) holds at least one million (1,000,000) ~~common~~ shares in the capital of Greenfire, take all necessary actions to cause, the appointment of Harry Warner (or an alternate nominee of Harry Warner) to the board of directors of Greenfire in accordance with the Letter Agreement dated as of the date hereof, between the Parties or their Affiliates, as applicable;
- (f) be, at all times during the Term, registered under subdivision d of Division V of Part IX of the Excise Tax Act (Canada) with registration number [x]. [NTD: Applicability of fuel and carbon taxes to be determined]

2.2 Warner Petroleum Covenants

Warner Petroleum covenants and agrees to:

- (a) market and sell the Greenfire Product during the Term dedicated by Greenfire to Warner Petroleum in furtherance of the following activities:
 - (i) subject to Section 4.2(a)(i), ensure that Greenfire has access to either the Altex Lynton or Keyera South Cheecham terminals, or other reasonable alternative Transloading Facilities;
 - (ii) source and manage a fleet of rail cars to transport Product to Third Party customers and use reasonable commercial efforts to ensure it has sufficient rail cars to transport all the Greenfire Product at all times;
 - (iii) coordinated and efficient movement of Greenfire Product;
 - (iv) perform market analysis in support of wholesale pricing; and
 - (v) all activities that are generally associated with the foregoing.

(collectively, the "Marketing Services")

2.3 Area of Dedication

~~(a)~~ Greenfire hereby dedicates exclusively, for marketing and sale under this Agreement, all Greenfire Product for the Term of this Agreement. Greenfire shall not sell, assign or otherwise convey its interest, or any portion thereof, in the Lands, Leases and reserves related thereto, unless the purchaser or assignee of such interest agrees to be bound by the provisions of this Agreement.

~~(b)~~ ~~[It is the express intention of the Parties that the Area of Dedication contemplated herein constitutes, and is to be construed as, an interest in land in the Lands subject~~

~~to the Area of Dedication and that all terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the Lands subject to the Area of Dedication]. [NTD: Subject to further commercial discussions between the Parties]~~

ARTICLE 3 PRICING AND DELIVERY

3.1 Pricing

- (a) Warner Petroleum shall use reasonable commercial efforts to obtain competitive pricing for Greenfire Product.
- (b) For pricing purposes only, Greenfire Product delivered during any given month hereunder shall be deemed to have been delivered in equal daily quantities during such month, unless otherwise specified in any transaction documentation.
- (c) Greenfire acknowledges that the markets for Greenfire Product are highly volatile and depend on a variety of global and local market, economic, political, geopolitical, weather, legal, labor, competition and other factors. In providing the Marketing Services, Warner Petroleum will rely upon information developed, assembled, or compiled by Warner Petroleum in the ordinary course of Warner Petroleum's business, for its own internal due diligence and evaluation purposes and information from Third Party sources which Warner Petroleum in good faith believes to be reliable.

3.2 Delivery and Title

- (a) Title, custody and possession to all Product delivered to Warner Petroleum under this Agreement shall pass from Greenfire to Warner Petroleum when the Product passes from Greenfire's delivery truck last connection flange into the designated ~~delivery~~ Transloading ~~Facility~~ facility's first hard receiving manifold flange.
- (b) All Product quantities received or delivered shall be determined by calibrated - custody transfer grade meters and/or by gauging and computations from certified tank tables and/or by weighing rail cars or trucks on certified weigh scales adjusted to a temperature of 15.0 degrees Celsius (60 degrees Fahrenheit) and a pressure of one standard atmosphere (14.7 PSIA) in accordance with the latest revision of American Petroleum Institute ("API") MPMS Chapter 11 Table 54A. All measurements sampling, equipment, procedures, calculations and tests shall be performed in accordance with the latest applicable API or ASTM published methods and Applicable Laws. Either Party shall have the right to have a representative witness all gauges, tests and measurements. In the absence of the other Party's representative, such gauges, tests and measurements shall be deemed to be correct.
- (c) The Product delivered hereunder shall be in accordance with the specifications set out in Schedule "B". In the event pipeline transportation (origins or destinations) is involved, all Product delivered under the Agreement must also meet the quality requirements of the applicable transporting pipeline as set out in the applicable tariff/rules and regulations.
- (d) Greenfire warrants that the Product delivered hereunder shall not be contaminated by chemicals foreign to virgin Product including, chlorinated and/or oxygenated

hydrocarbons and lead. Warner Petroleum may refuse to accept delivery of any quantities of Product which do not conform to the specifications set forth in Schedule "B", even after delivery to Warner Petroleum. If Warner Petroleum rejects and returns any quantities of Product which do not conform to the specifications set forth in Schedule "B", Greenfire shall reimburse Warner Petroleum for all expenses incurred for the return thereof; including to full market value of the Product, transportation and handling fees, tariff fees, quality testing, etc.

- (e) Greenfire represents that it is sophisticated and knowledgeable in the storage, handling, transportation and use of Product. Greenfire shall provide Warner Petroleum with a Material Safety Data on a timely basis which details up to date properties and safe handling procedures for the Product. Warner Petroleum acknowledges that the Product is a hazardous material.

ARTICLE 4 **MARGIN SHARING**

4.1 Allocation

Margins shall be allocated between Greenfire and Warner Petroleum as follows:

- (a) seventy five percent (75%) to Greenfire; and
- (b) twenty five percent (25%) to Warner Petroleum.

Notwithstanding the foregoing, Warner Petroleum shall receive a minimum of three dollars (USD \$3.00) and a maximum of ten dollars (USD \$10.00) per barrel of oil sold under the terms of this Agreement. If Warner Petroleum exercises the put option pursuant to the terms of the Put Option Agreement during the Term (as defined herein), then notwithstanding the foregoing, Warner Petroleum shall receive a minimum of three dollars (USD \$3.00) and a maximum of seven dollars (USD \$7.00) per barrel of oil sold under the terms of this Agreement.

4.2 Deductions

- (a) Deductions shall be defined as the aggregate of:
 - (i) the actual freight charges to move the Product from the rail car loading terminal facilities to a customer's final destination. Only rail costs from CNR, which may include any CNR Affiliates, shall be used in calculating the Deductions. Other transportation options ("**Alternative Options**") may be utilized if first approved by the Parties. If Alternative Options are utilized, then only the actual charges would be included in the Deductions;
 - (ii) the actual monthly rail car rental cost for the total number of railcars required to market Greenfire Product. The Parties acknowledge that the transportation of the monthly production volume requires having spare railcars in the fleet to accommodate transportation ratability, availability, schedules, etc., and that all committed and contracted spares will be included in the actual monthly railcar rental charges. The total number of rail tank cars required may be adjusted from time to time if first approved by the Parties;

- (iii) the actual cost of empty car moves charged by the rail carriers to position rail cars at loading terminal(s) for their first move;
 - (iv) if the Altex Lynton and Keyera South Cheecham Transloading Facilities are not available, the difference between the actual cost of transportation from Greenfire to the available railhead and the quoted cost of delivery to Altex Lynton or Keyera South Cheecham shall be included in the Deductions; and
 - (v) the actual costs incurred in respect of throughput fees and transloading fees, including load and unloading fees.
- (b) Warner Petroleum covenants that the Deductions referred in Section 4.2(a)(ii) and 4.2(a)(v) shall not in the aggregate exceed USD \$8.00 per barrel for rail car rental costs, transloading and throughput, unless otherwise agreed by the Parties.
 - (c) Greenfire shall be solely responsible for rail car demurrage or storage costs incurred as a direct result of any production supply related issues. Warner Petroleum shall be responsible for any demurrage or storage costs related to transportation, car or market related issues.
 - (d) Should a Governmental Authority assess or institute unrecoverable taxes or fees that pertains to the sale of the Product, then the actual cost of these charges will be included as a deduction including any amounts referred to in Section 9.3(c) that are unrecoverable taxes and fees.

ARTICLE 5

TERM

5.1 Term

- (a) This Agreement shall commence as of the Effective Date and, subject to earlier termination pursuant to Section 6.2, shall continue in effect until five (5) years following the Effective Date (the "**Initial Term**").
- (b) Subject to earlier termination pursuant to Sections 6.2, 11.1(e) or 11.2(b), this Agreement shall be automatically extended for successive one (1) year extension periods (each a "**Renewal Term**" and collectively with the Initial Term, the "**Term**") absent written notice by either Party delivered at least six (6) months prior to the relevant extension period communicating an election not to extend the term.

5.2 Wind Down and Wind Down Costs

- (a) In the event this Agreement is terminated early pursuant to Section 6.2, 11.1(e) or 11.2(b), the Parties will cooperate to orderly wind down all Marketing Services, including, if elected by Warner Petroleum within thirty (30) days following the date of such early termination, to terminate all existing terminalling contracts and other agreements related to or connected with the Marketing Services.
- (b) If this Agreement is terminated early by either Party pursuant to Section 6.2, 11.1(e) or 11.2(b), and provided Warner Petroleum has elected to terminate the existing contracts in

accordance with Section 5.2(a), all Wind Down Costs shall be ~~payable by Greenfire~~the sole and exclusive responsibility of Greenfire and further, Greenfire shall indemnify and hold Warner Petroleum and its Affiliates harmless from and against all Claims relating to Wind Down Costs.

ARTICLE 6 EVENTS OF DEFAULT

6.1 Occurrence of Event of Default

A party (a "**Defaulting Party**") shall be in default (each an "**Event of Default**") hereunder if:

- (a) a Party fails to pay any amount to the other Party when such payment is due and payable hereunder and such Party does not pay such amount with thirty (30) days a receipt of written notice of such default;
- (b) either Party breaches a non-financial obligation under this Agreement, which is reasonably capable of being cured and:
 - (i) if the breach is capable of being cured in thirty (30) days, such Party does not cure the breach within thirty (30) days of its receipt of written notice of the breach; or
 - (ii) if the breach is not capable of being cured within thirty (30) days, such Party does not:
 - (A) commence to cure the breach within thirty (30) days of its receipt of written notice of the breach; and
 - (B) thereafter diligently and continuously prosecute the cure of the breach;
- (c) a Party breaches a non-financial obligation under this Agreement which materially and adversely affects the other Party and which is not capable of being cured;
- (d) Party is subject to an Insolvency Event and such Insolvency Event is continuing in respect of such Party; or

If at any time during the term of this Agreement, Greenfire believes, acting reasonably, that Warner Petroleum: (i) may not be able to perform the Marketing Services in accordance with the terms and on the conditions contemplated in this Agreement; (ii) has failed to pay any amount when due, or will not be able to pay future amounts when due, or (iii) has suffered an Event of Default hereunder, Greenfire has the right to (A) require performance assurance in an amount equal to Greenfire's exposure to Warner Petroleum under this Agreement for up to seventy (70) days of volume of Product delivered or to be delivered hereunder, as determined by Greenfire in a commercially reasonable manner, or (B) in respect of (i) above or (iii) above to the extent the Event of Default prevents performance of the Marketing Services contemplated herein on the part of Warner Petroleum, source alternative marketing arrangements for its Product and Greenfire will be relieved hereunder from any obligation to dedicate all Greenfire Product to Warner Petroleum in accordance herewith. **[Performance under this Agreement by Greenfire**

may be withheld until Greenfire receives the required Performance Assurance from Warner Petroleum.]

6.2 Rights in Respect of an Event of Default

The non-Defaulting Party may, without limitation to any other rights or remedies at law it may have:

- (a) if the Event of Default is a failure to pay pursuant to Section 6.1(a), elect to terminate this Agreement upon the provision of written notice;
- (b) if the Event of Default is of the type described in Section 6.1(b) and either: (i) the cure period described in Section 6.1(b)(i) has expired without the Event of Default being cured by the Defaulting Party; or (ii) the Event of Default is not capable of being cured in 30 consecutive days and the Defaulting Party has ceased to diligently and continuously prosecute the cure of the breach, then the non-Defaulting Party may elect to terminate this Agreement on providing an additional 10 days written notice to the Defaulting Party, to terminate this Agreement;
- (c) if the Event of Default is an Insolvency Event pursuant to Section 6.1(d), the non-Defaulting Party may elect to terminate this Agreement upon provision of written notice to the Defaulting Party; and
- (d) if the Event of Default is of the type described in Section 6.1(c), the non-Defaulting Party may elect to terminate this Agreement on providing an additional ten (10) days written notice to the Defaulting Party, to terminate this Agreement.

6.3 Remedies Not Exclusive and Limitation of Remedies

Each of the rights and remedies of a Party not in default under this Agreement in respect of the breach by any other Party under this Agreement are in addition to and not in substitution for any other rights or remedies in respect of such breach, whether under contract, under Applicable Law, or in equity. An exercise of one or more of such rights or remedies shall not bar or prejudice in any way the exercise of any other rights or remedies, subject to the limitations otherwise expressly set forth herein.

6.4 No Release

The exercise by a Party of any of the rights and remedies specified in this Article 6 inclusive shall not release the other Party from any of its liabilities and obligations under this Agreement. For certainty, the failure of a Party to perform its obligations hereunder shall not release the other Party from the performance of its obligations.

ARTICLE 7

PRODUCTION FORECAST

7.1 Annual Volume Forecast

At least sixty (60) days before the beginning of each contract year, Greenfire will provide Warner Petroleum with an estimate of volume of Product it will tender for Marketing Services

herein for each month in such contract year (the "**Annual Production Volume**"), which, in any event, shall be no less than one million (1,000,000) barrels of Product per calendar year (the "**Minimum Annual Volume**"). Notwithstanding the foregoing, within thirty (30) days of the execution of this Agreement by the Parties, Greenfire will provide Warner Petroleum with its estimate of volume of Production it will tender for Marketing Services for each month remaining in the 2019 calendar year ("**2019 Calendar Year**"). For purposes hereof, the Minimum Annual Volume will be pro-rated for the balance of the 2019 Calendar Year.

7.2 Nomination Process

- (a) For planning purposes, at least ~~five (5) days~~ before the beginning of each calendar month, Greenfire shall nominate the amount of volume that will be delivered to Warner Petroleum in such calendar month (the "**Monthly Volume**").
- (b) Greenfire shall use reasonable commercial efforts to ensure Monthly Volumes are delivered to Warner Petroleum on a ratable basis.

7.3 Shortfall Amount

- (a) If during any calendar year, Greenfire tenders to Warner Petroleum a volume of Product that is less than the Annual Production Volume, for any reason other than Force Majeure (the "**Shortfall Production Volume**"), then Greenfire shall compensate Warner Petroleum for contract breakage costs and other Losses sustained as a result of the shortage as follows, in Warner Petroleum's sole discretion, acting reasonably:
 - (i) through the issuance of ~~common~~-shares by Greenfire to Warner Petroleum (such ~~common~~-shares to be valued based on the most recent issuance of ~~common~~-shares by Greenfire) in an amount of ~~common~~-shares equal to the value of the difference between the Annual Production Volume for such calendar year and the Shortfall Production Volume delivered in such calendar year;
 - (ii) through payment by Greenfire to Warner Petroleum in cash, of an amount equal to the average Margin per barrel over the preceding calendar year per barrels of Greenfire Product equal to the value of the difference between the Annual Production Volume for such calendar year and the Shortfall Production Volume delivered in such calendar year;
 - (iii) through payment by Greenfire to Warner Petroleum in Greenfire Product, in a volume equal to the difference between the Annual Production Volume for such calendar year and the Shortfall Production Volume delivered in such calendar year.

ARTICLE 8 **COMPENSATION**

8.1 Payment and Invoices

- (a) Within ten (10) days following the beginning of each calendar month during the Term, Warner Petroleum shall provide Greenfire with a sales report (the "**Report**") that outlines in reasonable detail the following:

- (i) each sale and supporting details, including the volume delivered and the price of the Product sold (the "Sales");
 - (ii) a calculation of the Deductions;
 - (iii) a calculation of the Margins;
 - (iv) subject to Section 4.1 hereof, Greenfire's share of the Margin calculated at seventy five percent (75%);
 - (v) subject to Section 4.1 hereof, Warner Petroleum's share of the Margin calculated at twenty five percent (25%); ~~and~~
 - (vi) a total of any payments Warner Petroleum has received for Sales included in the Report. ~~(vii) — [NTD: Do reports need to include GST/other tax amounts. Tax to confirm]; and~~
 - (vii) all applicable GST/HST required to be charged by Greenfire to Warner Petroleum, including any documentation necessary in order to zero-rate any supplies under this Agreement. [NTD: Applicability of fuel and carbon taxes and reporting thereof to be determined]
- (b) Concurrently with the delivery of the Report, Warner Petroleum shall pay to Greenfire by wire transfer Greenfire's applicable share of payments received for Sales included in the applicable Report. With respect to any other payments Warner Petroleum receives with respect to a Report after the date the applicable Report has been issued, Warner Petroleum shall pay to Greenfire by wire transfer, Greenfire's applicable share of payments received for Sales included in the applicable Report within forty eight (48) hours of receipt of funds.
- (c) For payments in CAD: If the relevant payment date under the Agreement falls on a Saturday or on a bank holiday other than a Monday during which the Bank of Canada ("**Bank of Canada**") is closed for business, then payment shall be due on the first previous day on which the Bank of Canada is open for business. If the relevant payment date falls on a Sunday or a Monday bank holiday, then payment shall be due on the next day which the Bank of Canada is open for business. Any payment hereunder not paid when due shall bear interest from the due date until the date payment is received at an annual rate (based on a 360-day year) equal to the rate of two (2) percentage points above the prime rate for Canadian dollar loans made in Canada by the Bank of Canada effective for the payment due date, but not more than the maximum rate of interest permitted under Applicable Law.
- (d) For payments in USD: If the relevant payment date under the Agreement falls on a Saturday or on a bank holiday other than a Monday during which U.S. Federal Reserve member banks in New York City ("**US Banks**") are closed for normal business transactions, then payment shall be due on the first previous day on which US Banks are open for normal business transactions. If the relevant payment date falls on a Sunday or a Monday bank holiday, then payment shall be due on the next day which US Banks are open for normal business transactions. Any payment hereunder not paid when due shall bear interest from the due date until the date payment is received at an annual rate (based

on a 360-day year) equal to the rate of two (2) percentage points above the prime rate of interest effective for the payment due date as published in the *Wall Street Journal*, but not more than the maximum rate of interest permitted under Applicable Law.

- (e) Remittance of payments hereunder will be made to Greenfire by wire transfer in accordance with the wire instructions attached hereto as Schedule "C". Acceptance of payment made after relevant payment date shall not constitute a waiver of rights to interest and shall in no circumstance be considered as an agreement to provide extended credit.
- (f) In respect of any month where amounts are due and owing, or past due and owing, under two or more agreements entered into by the Parties for the purchase, sale or exchange of Product, the Parties may net Reports for such amounts. In that case, prior to the due date, the Parties shall confirm (telephone acceptable) the Report amounts and the amount remaining, if any, after net out. Any remaining balance shall be paid by the Party owing such amount to the other Party on the date the gross amounts were due. Any such net out shall be effective upon receipt of such balance due after net out to the Party owed such balance. Notwithstanding the above, payments for any quantity, quality or other claims shall not be included in such netting of Reports.
- (g) Warner Petroleum shall maintain books, accounts and records in reasonable detail that describe performance under this Agreement and relate to the Marketing Services hereunder (the "**Records**"), including, books, accounts and records relating to the calculation of the Deductions. Greenfire shall have the right, upon reasonable notice, to audit the Records. Each audit shall be conducted so as to cause minimum inconvenience to Warner Petroleum, be completed during normal business hours and be at the sole cost, risk and expense of Greenfire. This audit right shall extend from the date hereof until twelve (12) months following the Term or earlier termination of this Agreement.
- (h) Warner Petroleum shall provide reasonable assistance to Greenfire for such audits. Greenfire or its ~~authorized representative~~ Representative, shall have access to all Records, and shall be provided adequate and appropriate workspace, in order to conduct inspections in compliance with this Agreement. Greenfire shall promptly notify Warner Petroleum of any discrepancies uncovered as a result of conducting any inspection in accordance herewith.
- (i) In the event that the Parties cannot resolve a dispute of an Report through good faith negotiations, subject to the terms herein, at any time up to (but not after) twenty-four (24) months following the month to which the Report relates, and upon thirty (30) days prior written notice, either Party shall have the right at its sole cost and expense to have a Third Party auditor, audit on that Party's behalf the relevant books, accounts and records of the other Party to verify the accuracy of any such Report. All information which an auditor acquires shall be kept strictly confidential. If, as a result of any audit, any adjustment to a payment is deemed necessary, then the Party against whom the adjustment was made shall promptly pay to the other Party the required amount.

ARTICLE 9 TAXES, DUTIES AND FEES

~~[NTD: Subject to further review by BJ tax]~~

9.1 General

The Party that is the exporter of record of the Product received/delivered under the Agreement agrees to fulfill all requirements applicable to the exporter of record, including those of the US and Canadian Customs and shall pay any applicable import or export duty or any other applicable fees and fines, penalties or costs. The other Party shall provide all information necessary for such importation/exportation in a timely manner.

9.2 Warner Petroleum's Responsibilities

- (a) Warner Petroleum shall bear no responsibility for any income, franchise or other type of direct tax that may inure to Greenfire as a result of any transaction.
- (b) Greenfire will invoice Warner Petroleum for all applicable taxes for which Warner Petroleum is responsible and Warner Petroleum will pay Greenfire the invoiced amount for all such applicable taxes.
- (c) Warner Petroleum is responsible for the maintenance of all applicable documentation necessary to assure the appropriate ~~g~~Governmental ~~bodies~~ Authority of Warner Petroleum's compliance with export or import requirements.
- (d) ~~If~~ Greenfire is required under Applicable Law to collect and remit Warner Petroleum's taxes, Warner Petroleum agrees to make a payment to Greenfire in respect of such taxes that Greenfire is obligated to pay on behalf of Warner Petroleum, including those taxes of Warner Petroleum which Greenfire discovers subsequent to the time of sale to have been payable at the time of sale, including taxes that are discovered to have been payable as a result of an audit by any taxing authority, but for greater certainty such amounts shall not include any amounts in respect of interest or penalties. If Greenfire receives a rebate on any taxes pursuant to this Section 9.2(d), then Greenfire shall promptly remit such rebate to Warner Petroleum. ~~NTD: Subject to further review by BJ tax~~
- ~~(e) [If Warner Petroleum is required under Applicable Law to collect and remit Greenfire's taxes, Greenfire agrees to make payment to Warner Petroleum in respect of such taxes that Warner Petroleum is obligated to pay on behalf of Greenfire, including those taxes of Greenfire which Warner Petroleum discovers subsequent to the time of sale to have been payable at the time of sale, including taxes that are discovered to have been payable as a result of an audit by any taxing authority. If Warner Petroleum receives a rebate on any taxes pursuant to this subsection, then Warner Petroleum shall promptly remit such rebate to Greenfire.]~~
~~NTD: Subject to further review by BJ tax~~

9.3 Greenfire's Responsibilities

- (a) Greenfire shall bear no responsibility for any income, franchise or other type of direct tax that may inure to Warner Petroleum as a result of any transaction.
- (b) The amount of any taxes, duties, imposts, fees, charges and dues of every description imposed or levied by any Governmental Authority on the Product supplied hereunder, or on its export, delivery, transportation, ownership, sale or use, in respect of any stage

prior to ~~risk~~title in such Product passing to Warner Petroleum shall be for Greenfire's account.

- (c) Except where Greenfire, in its sole discretion, provides a NAFTA Certificate of Origin or equivalent: (a) Greenfire makes no representations or warranties for favourable treatment under NAFTA (or a replacement agreement); and (b) If Greenfire faces additional duties as a result of the Product not being considered eligible for NAFTA (or a replacement agreement) preferential duty treatment such costs shall be included in the Deductions.
- (d) **If Warner Petroleum is required under Applicable Law to collect and remit Greenfire's taxes, Greenfire agrees to make payment to Warner Petroleum in respect of such taxes that Warner Petroleum is obligated to pay on behalf of Greenfire, including those taxes of Greenfire which Warner Petroleum discovers subsequent to the time of sale to have been payable at the time of sale, including taxes that are discovered to have been payable as a result of an audit by any taxing authority, but for greater certainty such amounts shall not include any amounts in respect of interest or penalties. If Warner Petroleum receives a rebate on any taxes pursuant to this subsection, then Warner Petroleum shall promptly remit such rebate to Greenfire.** ~~[NTD: Subject to further review by BJ tax]~~

9.4 Warranty of Title

Greenfire warrants that it has good, valid and marketable title to sell and deliver the Product to Warner Petroleum, and that it has the exclusive right to receive payment for all Product sold hereunder. Greenfire additionally warrants that all Product delivered hereunder is free from all royalties, charges, mortgages, liens, applicable taxes and other encumbrances of any kind. Greenfire agrees to notify Warner Petroleum promptly if any charge, mortgage, lien, applicable tax or other encumbrance of any kind is incurred or created which encumbers or has priority over Greenfire's interest in the Product delivered hereunder. Warner Petroleum may pay or discharge the whole or any portion of any charge, mortgage, lien, applicable taxes or other encumbrance of any kind (unless there is a bona fide dispute as the validity thereof) that encumbers or has priority over Greenfire's interest in the Product delivered hereunder. In such an event, Warner Petroleum may reimburse itself by applying against the amount so paid by Warner Petroleum the sums accruing to Greenfire under the terms of this Agreement. ~~[NTD: BJs reviewing potential additional requirements]~~

9.5 Confidential Information, Property and Ownership of Documentation

- (a) The non-disclosure agreement between Greenfire and Warner Petroleum made as of the 13th day of December, 2018 (the "NDA") remains in full force and effect, without limitation, and shall apply to any confidential information exchanged between Greenfire and Warner Petroleum in connection with or contemplated by this Agreement. Notwithstanding anything to the contrary in the NDA, the obligations of the NDA shall continue during the term of this Agreement.
- (b) Greenfire hereby covenants and agrees with Warner Petroleum that, commencing on the date the Term expires or terminates in accordance with the terms of this Agreement and ending on a date that is two (2) years from the date of termination or expiry, it will not, and it will not permit any of its Affiliates to, directly or indirectly, without the prior

written consent of Warner Petroleum, solicit or entice, or attempt to solicit or entice any of the customers, buyers or suppliers of Warner Petroleum or any of their Affiliates that are known to Greenfire to be customers, buyers or suppliers of Warner Petroleum or any of their Affiliates, to cease doing any business with Warner Petroleum and do business with Greenfire instead.

- (c) Subject to Section 9.5(a), if a Party wishes to make any press release or other public disclosure, in either such case, related to this Agreement, then it shall first provide the other Party with a draft thereof in sufficient time prior to the release thereof so that the other Party may review the proposed press release disclosure to be released and advise the Party that proposes to make such release of any comments that the other Party may have in respect thereto. The foregoing shall not apply when the release or disclosure of any information that relates to this Agreement is required by Applicable Laws, provided that, in each such case, except where prohibited under Applicable Laws, the Party who is required to make such disclosure shall provide the other Party with details of the nature and substance of such release or disclosure as soon as practicable, but in all cases, prior to any public release thereof.

ARTICLE 10

INDEMNITY

10.1 Indemnity Obligations

Subject to the limitations of liability set forth in Section 10.3 or elsewhere in this Agreement, Greenfire shall be liable to Warner Petroleum, and as a separate covenant, shall indemnify and hold harmless Warner Petroleum and its Representatives and each of them, from and against:

- (a) all Third Party Claims that may be brought or asserted against Warner Petroleum or any its Representatives, where such Third Party Claim is the result of or is based upon allegations of:
- (i) delivering Product that does not conform to the specifications set forth in Section 3.2(c);
 - (ii) relating to the ownership of or entitlement to the Product;
 - (iii) a breach by Greenfire and its Representatives, or any of them, of Greenfire's obligations under this Agreement; or
 - (iv) the negligence or wilful misconduct of Greenfire and its Representatives, or any of them, in the performance of its obligations under this Agreement,

(in each case, an "**Greenfire Third Party Claim**") except to the extent resulting from, arising out of, relating or attributable to, caused by or connected with the Gross Negligence or Wilful Default of Warner Petroleum and its Representatives, or any of them; and

- (b) any Losses that Warner Petroleum or any of its Representatives may suffer, sustain, pay or incur in connection with the performance, negligent performance or non-performance by Greenfire of its obligations under this Agreement, other than as a result of a Third

Party Claim against Warner Petroleum and its Representatives, but only to the extent resulting from, arising out of, relating or attributable to, caused by or connected with the Gross Negligence or Wilful Default of Greenfire and its Representatives, or any of them.

10.2 Indemnity Obligations of Warner Petroleum

Subject to the limitations of liability set forth in Section 10.3 or elsewhere in this Agreement, Warner Petroleum shall be liable to Greenfire, and as a separate covenant, shall indemnify and hold harmless Greenfire and its Representatives and each of them, from and against:

- (a) any and all Third Party Claims that may be made or asserted against Greenfire or any of its Representatives in connection with any Greenfire Third Party Claims, but only to the extent resulting from, arising out of, relating or attributable to, caused by or connected with the Gross Negligence or Wilful Default of Warner Petroleum and its Representatives, or any of them;
- (b) any and all Third Party Claims, other than Greenfire Third Party Claims that may be made or asserted against Greenfire or any of its Representatives, to the extent resulting from, arising out of, relating or attributable to, caused by or connected with, (i) a breach by Warner Petroleum and its Representatives, or any of them, of Warner Petroleum's obligations under this Agreement, or (ii) the negligence or wilful misconduct of Warner Petroleum and its Representatives, or any of them, in the performance of the Marketing Services, except to the extent resulting from, arising out of, relating or attributable to, caused by or connected with the Gross Negligence or Wilful Default of Greenfire and its Representatives, or any of them; and
- (c) any Losses that Greenfire or any of its Representatives may suffer, sustain, pay or incur, in connection with the performance, negligent performance or non-performance by Warner Petroleum of its obligations under this Agreement, other than as a result of a Third Party Claim against Greenfire and its Representatives, but only to the extent resulting from, arising out of, relating or attributable to, caused by or connected with the Gross Negligence or Wilful Default of Warner Petroleum and its Representatives, or any of them, in the performance of Warner Petroleum's obligations under this Agreement.

10.3 Limitations of Liability

- (a) Each Party acknowledges and agrees that in no event shall either Party's liability to the other Party for any and all Losses, Third Party Claims or claims of any kind under this Agreement, including economic loss, or any amounts payable as a result of a Warner Petroleum Event of Default or Greenfire Event of Default under Article 6, as applicable, exceed Five Million dollars (\$5,000,000).
- (b) Each Party acknowledges and agrees that the other Party shall have no liability under this Agreement to the other Party or the other Party's Representatives, for in respect of any claim made against the other Party arising out of or relating to this Agreement that is brought or filed by it after the expiry of the Applicable Limitations Period.
- (c) Notwithstanding any other provision of this Agreement, neither Party shall be liable to the other Party hereunder for any Consequential Losses which may be suffered or incurred by such other Party and which arise out of or in connection with this

Agreement; provided that this Section 10.3(c) shall not apply in respect of claims made by Third Parties or Consequential Losses that are suffered or incurred by a Party in connection with a breach by the other Party of its confidentiality obligations under Section 9.5 of this Agreement.

ARTICLE 11

FORCE MAJEURE AND CHANGE IN LAW

11.1 Force Majeure

- (a) Except with regard to a Party's obligation to make payment due under this Agreement, neither Party shall be liable to the other for failure to perform to the extent such performance is prevented by Force Majeure.
- (b) Neither Party shall be entitled to claim Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the claiming Party having failed to mitigate its effect by the exercise of all commercially reasonably due diligence and commercially reasonable foresight; (ii) economic hardship, including, lack of finances, Greenfire's ability to sell the Product at a higher or more advantageous price than the agreement price, Warner Petroleum's ability to purchase Product at a lower or more advantageous price than the agreement price; (iii) scheduled maintenance by a transporter or storage operator, provided that notice of such scheduled maintenance has been provided by such transporter or storage operator at or prior to the time the Parties entered into the transaction; or (iv) a declaration of force majeure by a Third Party. The claiming Party shall make commercially reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event once it has occurred in order to resume performance; provided that the Parties agree that nothing contained herein shall require: (i) the settlement of strikes, lockouts or other industrial disturbances except in the sole discretion of the Party experiencing such disturbance; (ii) the extension of the delivery period of any transaction; (iii) the Parties to make up any quantity of Product they would otherwise have been obligated to sell and purchase during any period when Force Majeure was validly claimed; (iv) Greenfire to deliver, or Warner Petroleum to receive, the Product at a point other than the agreed upon delivery point; or (v) Greenfire to purchase replacement Product at a price greater than the agreement price.
- (c) Any Party claiming Force Majeure and seeking the benefit of this Section 11.1 shall give written notice containing full particulars of such Force Majeure to the other Party forthwith. Failure to deliver or receive Product by reason of Force Majeure will not extend the term of this Agreement and the quantities of Product to be delivered under this Agreement will be reduced by the quantities affected by the Force Majeure event.
- (d) The Party claiming Force Majeure shall give notice to the other Party, as soon as reasonably possible after the Force Majeure condition has been remedied or ceased to apply, to the effect that the same has been remedied or ceased to apply and that such Party has resumed or is in a position to resume performance of the applicable covenants and obligations under this Agreement.
- (e) A Party may, on ~~one (1) month's~~ prior notice, immediately terminate this Agreement if this Agreement is suspended or materially adversely affected as a result of the occurrence of an event of Force Majeure and the length of such interruption exceeds ~~six~~

(6) months ("Extended Force Majeure Event"). Unless a Party has terminated this Agreement pursuant to this Section 11.1(e), the Parties' obligations hereunder will reconvene upon termination of the Force Majeure.

11.2 Change in Law

- (a) In the event of a change in Applicable Laws of general application, which, for certainty, shall not include the adoption, enactment, promulgation, modification, amendment, or revocation of any Applicable Law:
- (i) the effect or effects of which are principally directed at or principally borne by transporters of Product by railcar in Alberta; or
 - (ii) that is otherwise reasonably anticipated as of the Effective Date, as evidenced by the public availability of any related documents issued by a Governmental Authority that propose such change along with details which are reasonably sufficient to enable the Parties to assess the impact thereof,

that, after the Effective Date:

- (iii) results in any material obligation of a Party becoming unlawful or unenforceable; or
- (iv) requires, directs or mandates that any material term of this Agreement be amended or deleted,

Greenfire and Warner Petroleum shall, acting reasonably and in good faith, negotiate such amendments to this Agreement, including the Deductions and Margins, as may be required to comply with such general change in Applicable Law and mitigate the impact or effect of such change.

- (b) If such general amendment precludes the delivery of all or substantially all of the Marketing Services, or notwithstanding such reasonable and good faith negotiations the Parties are unable to agree on an amendment to this Agreement, then, either Party shall, in its sole discretion, have the right to give notice of termination of this Agreement effective ~~sixty~~ (60) days from the date of such notice.

ARTICLE 12

MISCELLANEOUS

12.1 Apportionment or Curtailment

Should either Party, at any time during the term of this Agreement be required by governmental regulations or orders or by a shortage of transportation facilities to apportion or curtail the use of its facilities or acceptances and/or deliveries of Product, the quantity of Product required to be purchased or delivered under the terms of this Agreement shall be proportionately reduced, including the Annual Production Volume and the corresponding Shortfall Production Volume. The Party subject to the governmental regulations or orders or shortage of transportation facilities shall have the right to apportion or curtail its available transportation facilities and/or Product supplies in any manner it deems reasonable. Each Party shall use commercially

reasonable efforts to notify the other Party of any potential or actual apportionment or curtailment.

12.2 Inspection

If the Parties agree that an independent inspector should be used to determine quantity of the Product, the Parties shall jointly appoint an independent inspector who is acceptable to both Parties, acting reasonably and the cost of the independent inspector shall be shared equally. The independent inspector's report shall be made available to both Parties. The independent inspector's determination will be conclusive and binding for all purposes, absent manifest error or fraud.

12.3 Notices

Notices and any other communications permitted or required under this Agreement shall be in writing or e-mail to:

TO GREENFIRE:

Greenfire Hangingstone Operating Corporation
Suite 1650, 444 5th Avenue SW
Calgary, Alberta, T2P 2T8
Attention: Albert Luong
Email: aluong@greenfireoilandgas.com

TO WARNER PETROLEUM:

Warner Petroleum Corporation
[Street Address]
[City, State, Postal Code]
[Attention:]
[Email:]

Any notice or other communication given personally or by courier shall be deemed to have been given on the date delivered, any delivery by e-mail shall be deemed to be given at the commencement of the next following ~~b~~Business ~~d~~Day, and any notice or other communication given by prepaid mail shall be deemed to have been given on the fifth (5th) ~~b~~Business ~~d~~Day following deposit in the mail. In times of labour strikes or slow-downs affecting the mail delivery, notice shall be effective only if delivered. Any Party may change its address for service by notice served as set out above

12.4 Amendment

This Agreement and the NDA constitute the entire agreement between the Parties relating to the subject matter of this Agreement and this Agreement can only be amended by written agreement executed by both Parties.

12.5 Severance

If any part of this Agreement is held by a Court of competent jurisdiction to be invalid or unenforceable, then such ruling shall in no way affect the validity or enforceability of the balance of the Agreement, it being the intent of the Parties that the invalid or unenforceable portions are severable.

12.6 Waiver

No previous waiver or course of dealing shall affect either Party's right to restrict performance of other future obligations.

12.7 Assignment

Neither Party may assign this Agreement, or any part thereof, without the written consent of the other Party, which consent may not be unreasonably withheld. This Agreement and everything contained herein shall inure to the benefit of and be binding upon the Parties and their respective permitted successors and assigns.

12.8 Governing Law

This Agreement shall be interpreted and construed in accordance with the laws of Alberta, Canada.

If Greenfire starts a legal proceeding under this Agreement, then the Parties agree to attorn to the exclusive jurisdiction of the courts in Detroit, Michigan and the applicable courts of appeal. If Warner Petroleum starts a legal proceeding under this Agreement, then the Parties agree to attorn to the exclusive jurisdiction of the court in Calgary, Alberta and the applicable courts of appeal.

12.9 Prior Agreements

This Agreement supersedes and replaces any and all prior representations, proposals, negotiations, letters of understanding, agreements, contracts, or amendments thereto or any other communications, verbal or written between the Parties relating to the subject matter of this Agreement.

12.10 Survivorship

Upon termination of this Agreement, neither Party shall be relieved of its respective obligations and liabilities arising hereunder prior to termination and Sections 1.1, 8.1, 9.1, 9.3, 9.5, Article 10, 12.2, 12.3 and 12.8 shall survive termination, suspension or expiry of this Agreement.

12.11 Expenses

Each Party to this Agreement shall pay its respective legal and other professional advisory fees, costs and expenses incurred in connection with the negotiation, preparation and execution of this Agreement and all documents and instruments executed or delivered pursuant to this Agreement.

12.12 Index and Headings

The division of this Agreement into articles, paragraphs, clauses or other subdivisions, and the insertion of headings are for convenience of reference only.

12.13 Time of the Essence

Time shall be of the essence of all provisions of this Agreement.

12.14 Counterpart and Facsimile Execution

This Agreement may be executed in counterpart with the same effect as if both Parties had signed the same document. Both counterparts shall be construed together and shall constitute one and the same original Agreement as applicable. Each of the Parties understands and agrees that any counterpart execution of this Agreement may be delivered in the form of a copy of the executed original sent by facsimile (or email) transmission, and such copy shall have the same force and effect as the delivery of a hard copy original of such.

[Signature Page Follows – Remainder of Page Left Intentionally Blank]

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

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

WARNER PETROLEUM CORPORATION

(Signature) (Date)

(Signature) (Date)

(Name and Title)

(Name and Title)

GREENFIRE OIL AND GAS LTD.

(Signature) (Date)

(Name and Title)

Document comparison by Workshare 9.5 on 05 April 2019 6:03:31 PM

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Document 2 ID	interwovenSite://bjdocs/WSLegal/22046098/11
Description	#22046098v11<WSLegal> - Greenfire and Warner Petroleum Marketing Agreement [BJ Draft April 5, 2019]
Rendering set	Standard

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Moved deletion	
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Statistics:	
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Style change	0
Format changed	0
Total changes	98

THIS IS **EXHIBIT "11"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's Stamp:

ESTATE NUMBER 25-2679073
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL AND GAS. LTD.

DOCUMENT **AFFIDAVIT NO.7 OF ROBERT B. LOGAN**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Burnet, Duckworth & Palmer LLP
2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 077186-00004

AFFIDAVIT NO. 7 OF ROBERT B. LOGAN

Sworn December 11, 2020

I, Robert B. Logan of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and Chairman of the Applicants, Greenfire Hangingstone Operating Corporation ("GHOPCO") and Greenfire Oil and Gas Ltd. ("GOGL" and collectively, "Greenfire" or the "Company"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. This is my seventh affidavit sworn in these proceedings (my "**Seventh Affidavit**"). Capitalized terms not otherwise defined herein have the meaning set forth in my six prior Affidavits (my "**Prior Affidavits**") including, but not limited to my affidavit sworn December 2, 2020 (my "**Sixth Affidavit**").

3. I make this affidavit in support of Greenfire's Application scheduled for December 14, 2020 (the "**Application**") and for the following purposes:

- (a) supporting an Order extending the Proposal Period to January 28, 2021 (the "**Fourth Stay Extension**");
- (b) in the event the Stay Extension is approved but the APA and the Interim Financing Facility are not, increasing the Administration Charge in favour of the Administrative Professionals (as defined below) from \$500,000 to \$1,000,000; and
- (c) responding to certain opposition to the relief Greenfire is seeking, including but not limited to allegations set forth in the Supplemental Affidavit of Meer Taher Shabani-Rad sworn December 9, 2020 (the "**Shabani-Rad Affidavit**").

II. STAY EXTENSION AND RESTRUCTURING EFFORTS

4. On December 8, 2020, this Honourable Court granted an Order extending the time within which Greenfire is required to file a proposal under section 50.4 of the BIA to December 15, 2020 (the "**Third Stay Extension**"). The Third Stay Extension was originally sought for a 45-day period and was intended to be heard together with Greenfire's Application for, among other things, a Sale Approval and Vesting Order in connection with the APA and approval of the Interim Financing Facility (the "**SAVO Application**").

5. Ultimately, the Third Stay Extension was granted for the limited time period sufficient to enable the SAVO Application to proceed in light of an adjournment and Greenfire now seeks the Fourth Stay Extension largely for the reasons originally set forth in support of the Third Stay Extension detailed in my Sixth Affidavit.

6. However, in the brief time since the swearing of my Sixth Affidavit, Greenfire has, among others things:

- (a) worked with the Proposal Trustee and legal advisors generally, and in particular with respect to:

- (i) finalizing the Interim Financing Facility with the Interim Lender;
 - (ii) negotiating the terms of a Marketing Agreement with Trafigura for the transport of Greenfire's Product once the Hangingstone Facility is operational in order for Greenfire to generate revenue;
 - (iii) preparing and revising cash flow projections and identifying issues with respect to Greenfire's financial condition;
 - (iv) having one additional party execute a Non-Disclosure Agreement and granting that party access to the data room; and
 - (v) reviewing an additional revised Non-Disclosure Agreement in order to grant another party access to the data room, which is currently under review by Greenfire's counsel; and
- (b) communicating with various stakeholders, including communicating with the Alberta Energy Regulator (the "AER") with respect to the adjournment of the SAVO Application and the impact on Greenfire's Surface Action Plan.

7. Greenfire requires the Fourth Stay Extension of the Proposal Period up to and including January 28, 2021, which will allow Greenfire to, among other things:

- (a) continue the restructuring of its business and affairs;
- (b) restart the Hangingstone Facility, thereby avoiding (i) damage to the Plant which will result from prolonged cold weather if the Plant is not restarted, and (ii) the increased costs associated with restarting the Hangingstone Facility at a later date;
- (c) resume operations and generate revenue;
- (d) preserve and enhance the value of Greenfire's business, for the benefit of all of Greenfire's stakeholders; and
- (e) take steps to effect the APA and obtain the benefits of the Interim Financing Facility.

8. Greenfire's creditors will not be prejudiced by the Fourth Stay Extension. Rather, the Fourth Stay Extension is critical to ensure that the APA can be effected, maximizing the value of Greenfire's assets, which will benefit its Proposal or restructuring to the benefit of Greenfire and all its stakeholders.

III. INTERIM FINANCING TERM SHEET

9. Today, December 11, 2020, Greenfire received an executed copy of the Term Sheet executed by the Interim Lender. A fully executed copy of the Term Sheet is attached hereto as **Exhibit "A"**.

IV. RESPONSE TO THE SHABANI-RAD AFFIDAVIT

10. I have reviewed the Shabani-Rad Affidavit and I have responded to certain allegations made therein. However, I have not responded to every statement with which I disagree. The fact that I do not specifically address any particular allegation made in the Shabani Rad Affidavit does not mean that I agree with it.

11. The Investor Group (as defined in the Shabani-Rad Affidavit) are a group of un-secured debenture holders in GOGL, the parent company of GHOPCO.

A. Consultation with the Investor Group

12. In specific response to the statement at paragraph 4 that "*Despite our offers to meet, all we were ever provided was a draft term sheet to use in the event we wished to provide DIP financing.*" [*The Investor Group*] were never meaningfully consulted", I have summarized various instances between April and October of 2020 detailing meetings, offers of financing, updates between Greenfire and Mr. Shabani-Rad, frequently with multiple members the Investor Group presents:

- (a) on April 2, 2020, Mr. Shabani-Rad thanked Allan Bezanson of Greenfire for the updates and recent meeting on Greenfire's status. A copy of this email chain is attached hereto as **Exhibit "B"**;
- (b) on April 16, 2020 Mr. Shabani-Rad and the Investor Group participated in a Zoom meeting with Greenfire regarding updates and potential financing by the Investor Group;
- (c) on July 23, 2020, the Investor Group was approached by Allan Bezanson of Greenfire and John Richardson from BEST Funds (a debenture holder with Greenfire) about providing a financing for Greenfire in combination with BEST Funds and provided a

Confidential Investment Memorandum (a "**CIM**") The Investor Group declined to participate. A copy of the email evidencing this discussion, excluding the CIM, is attached hereto **Exhibit "C"**.

- (d) on August 5, 2020, the Investor Group participated in a meeting with BEST Funds and Allan Bezanson with respect to a potential financing for Greenfire;
- (e) on September 15, 2020, Mr. Shabani-Rad sent Mr. Bezanson an email following up on a meeting and requested, among other things, the following in connection with any future funds advanced by the Investor Group: (i) security from Greenfire (ii) a clear date for repayment and (iii) an equity interest in Greenfire. A copy Mr. Shabani-Rad's email is attached hereto as Exhibit "**D**"; and
- (f) on October 19, 2020, I sent an email to, among others Mr. Shabani-Rad and copied the Investor Group's counsel whereby Greenfire outlined its requirement for interim financing (as it then was) and provided a draft term sheet. In that email I also offered to engage in a discussion after Mr. Shabani-Rad had the chance to review materials to answer any questions he may have.

Subsequently, on October 21, 2020, I requested a call with Mr. Shabani-Rad to discuss the term sheet, which was rejected, and Mr. Shabani-Rad advised that all future decision would be communicated through the Investor Group's counsel. A copy of that email chain is attached hereto as **Exhibit "E"**.

13. Additionally, I am informed and do verily believe that, since the NOI Proceedings have commenced, to Greenfire's counsel has corresponded with counsel to the Investor Group, including but not limited to on the following occasions

- (a) On November 5, 2020, the Investor Group's counsel wrote to counsel for Greenfire stating, among other things:

Thank you for this notice. My clients will support an extension, whereas they would have been opposed to a sale.

My clients wish to schedule a meeting with interested parties regarding potentially participating in DIP and/or sale of the project. We have spoken with another investor who may also be

interested, and Summit's participation and/or at least input would also be necessary.

I suggest that you coordinate such a meeting asap, so that the immediate financing needs can potentially be addressed.

- (b) Greenfire's counsel responded on the same day, stating "Sorry Doug. I have been tied up all day on calls. How is your afternoon?" to which the Investor Group's counsel responded, "I'm tied up today". A copy of this email correspondence is attached hereto as **Exhibit "F"**.

- (c) On November 6, 2020, an exchange of emails occurred between the Investor Group's counsel and Greenfire's counsel to which the Investor Group's counsel ultimately stated:

I would be satisfied with a commitment to request a meeting form such interested parties, particularly the lenders and investors. My suggestion is simply that a letter be sent to those parties suggesting a group session on how to save the company and satisfy all parties. Purchasers are optional.

A copy of this email chain is attached hereto as **Exhibit "G"**.

- (d) On November 9, 2020, counsel for Greenfire wrote to, among others, counsel to the Investor Group stating:

At the request of Mr. Nishimura for a meeting of interested parties, particularly investors and lenders, Greenfire is seeking the availability of you or your clients. BD&P and the Proposal Trustee are available to answer any questions you may have. Please let us know if you have availability in the coming days or next week to discuss.

To which the Investor Group's counsel responded on November 10, 2002: "I am generally available, however, I would like at least one of my clients to be present. They are also generally available each day but in the late afternoon."

- (e) On November 24, 2020, Greenfire's counsel wrote to counsel to the Investor Group and others, stating:

All, As you may be aware, on November 17, 2020, Greenfire obtained an extension to its stay of proceedings until December 8, 2020 as well as an Order granting it relief with respect to a Marketing Agreement previously entered into with Warner

Petroleum Corporation. Please advice of your schedules for the balance of the week and Greenfire and the Proposal Trustee will endeavour to pick a time that works for all parties. Please note that Mr. Oliver's clients (BEST) and Mr. Reid's (Summit) have declined the invitation to participate."

On Friday November 27, 2020, counsel to the Investor Group responded, "I haven't heard of any meeting date – can we please set something asap?"

The same day, Greenfire's counsel responded:

Hi Doug, Further to my email, I have requested everyone's availability. To date, I heard only from Sean Morgan of Werklund and no one else. If you would like to provide availability for next week, we will do our best to find a time that works for all parties."

The Investor Group's counsel responded, "I'm sorry, I thought I responded. I will make any time work". A copy of the email chain referenced in paragraphs 13(d) and (e) is attached hereto as **Exhibit "H"**.

14. Ultimately, on December 2, 2020, Greenfire, its counsel, the Proposal Trustee and the Proposal Trustee's counsel, certain members of the Investor Group and its counsel and others participated in a conference call where Greenfire advised that it would be serving materials in connection with the APA and the Transaction but that Greenfire had not closed any doors with respect to potential interim financing and that Greenfire continued to allow parties access to the data room.

B. The McKay Facility

15. In specific response to paragraphs 7 and 8 and the comments with respect to use of the McKay Facility as a comparison:

- (a) Mr. Shabani-Rad references the Hangingstone Facility's production of 5,200 bbl/d with only 11 of 24 well pairs in operation. However, the previous operator of the Hangingstone Facility produced only 4,500 bbl/day with all 24 well pairs in operation, which Greenfire was able to exceed due to the skillset of its employees, consultants and management team; and
- (b) as stated in my Sixth Affidavit, the fact remains that the McKay Facility is a 12,000 bbl/d facility whereas the Hangingstone Facility is a 10,000 bbl/d Facility (which, in its current

state, is limited to 8,000 bbl/day) and the original bitumen in place at the McKay Facility is in excess of three times that of the Hangingstone Facility.

C. Costs to Dry the Hangingstone Facility

16. With respect to Mr. Shabani-Rad's reference to my First Affidavit, in which I swore that it would cost approximately USD \$750,000-\$1,000,000 to "dry" the Hangingstone Facility:

- (a) that estimate, while accurate, was temporal and was based on the plant not freezing (i.e. prior to October 15th). Prior to the temperatures cooling, pipelines could be drained of liquid water;
- (b) in its current state, the pipelines contain significant amounts of solid ice, as the water has frozen and cannot be drained. The only way to "dry" the Hangingstone Facility is to turn it "on" and use heat to melt the ice back into liquid water. This is further complicated by the fact that some of the pipes and lines also contain bitumen, which can harden and plug lines, preventing the effective removal of water. Additionally, many of the pipes and lines in the facility have suffered breaks and/or leaks, usually at the connections. These breaks and leaks must be fixed, otherwise the pipes and lines cannot be efficiently or effectively drained, nor heat brought into the system;
- (c) any interim financing that is less than the cost to complete the required repairs and to also operate the Hangingstone Facility, in order to prevent catastrophic damage in the existing and worsening winter weather, would be insufficient to rectify the risks presented to Greenfire and its stakeholders; and
- (d) I estimate the minimum amount required to address these risks and damage to be approximately CAD \$2.7 million in the first month and approximately CAD \$510,000 per month thereafter. Over a 13-week period, the total cash required is approximately \$3.9 million. For clarity, this cost estimate allows the Hangingstone Facility to operate with utilities and prevents further damage, but is insufficient to attain production, revenue and cash flow. These costs do not include any professional or administrative costs required to continue these proceedings or fund a sales process.

A copy of a sample cash flow detailing costs exclusively associated with repairing, stabilizing and preventing further damage to the Hangingstone Facility is attached hereto as **Exhibit "I"**.

D. Management Bonuses

17. In specific response to paragraph 15 and the statement that Mr. Shabani-Rad has "been advised that the funds may have been used to pay management bonuses, and not to fund operations", Greenfire has not, since inception, paid any bonuses to management. Moreover, I believe that the salaries paid to Greenfire's management are below market, they have been subject to pay cuts and the management team waived the pay in lieu of notice when their contracts were terminated.

V. RESPONSE TO WARNER PETROLEUM

18. On November 27, 2020, Greenfire received a letter from Warner Petroleum Corporation ("**Warner**") alleging that Greenfire had certain obligations, including in connection with a non-competition clause, in respect of the Marketing Agreement (the "**Marketing Agreement**") entered into between Greenfire and Warner ("**Non-Compete Notice**"). Greenfire disagreed with the contents of the Non-Compete Notice and, on December 10, 2020, Greenfire's counsel responded to Warner's counsel. A copy of the letter from Greenfire's counsel is attached hereto as **Exhibit "J"**.

VI. VERIFICATION OF THE HANGINGSTONE FACILITY DAMAGE ESTIMATES

19. In response to a request from Proposal Trustee for additional evidence to that sworn in my First Affidavit with respect to the additional costs associated with freezing as the temperatures approached and dropped below -30C, Greenfire engaged a third party consultant, Adrian Ilincuta, to review and comment on the reasonableness of the costs and time delay associated with freezing, which could be as high as USD \$20,000,000 and six to nine months of additional start-up time (the "**Verification Report**").

20. A copy of the Verification Report together with Mr. Ilincuta's curriculum vitae are attached hereto as **Exhibit "K"**.

21. In the interests of providing full disclosure to this Honourable Court, Mr. Ilincuta:

- (a) has previously consulted for Greenfire and has a fulsome knowledge of the Hangingstone Facility and Greenfire's operations;

- (b) is a shareholder of GOGL with ownership of less than one half of one percent;
- (c) has extensive knowledge and background in SAGD operation, construction, repair, turn around and commissioning and start-up, including over 30 years of experience and has informed me, and I verily believe, that he has been an expert witness and subject matter expert in a SAGD related case before the courts in Calgary.

22. The Damage Report states, among other things:

- (a) I conclude that, if nothing is done in terms of winterization, the asset integrity for the overall plant will be significantly compromised throughout the winter season; and
- (b) the costs and schedule delay used in the table in my First Affidavit are acceptable.

VII. INCREASE TO ADMINISTRATION CHARGE

23. On October 16, 2020, by Order of Justice D.R. Mah, this Honourable Court approved an Administration Charge in favour of the Administration Professionals over all of Greenfire's Property (as defined therein) in the amount of \$500,000.

24. Since that time, Greenfire has relied upon the Administration Professionals, who have been integral to Greenfire's NOI proceedings, including but not limited to:

- (a) preparing materials in connection with appearances before this Honourable Court in connection with
- (b) obtaining three stay extensions; and
- (c) litigation and obtaining an Order with respect to the disclaimer of the Marketing Agreement; and
- (d) conducting and assisting in negotiations with respect to, among other things,
 - (i) potential interim lenders, including but not limited to, the BEST Group and Rev Midstream;
 - (ii) McIntyre Partners and GAC with respect to the APA;

- (iii) the AER; and
- (iv) the Interim Lender in connection with the Interim Financing Facility.

25. Should this Honourable Court exercise its discretion to grant the Fourth Stay Extension but not Approve the APA and the Interim Financing Facility, the services of the Administrative Professionals will continue to be necessary to Greenfire in these proceedings, which to date, have remained unfunded, including with respect to:

- (a) the marketing of Greenfire's assets and effecting any agreements with any other interim lender or purchaser;
- (b) responding to the Notice of Appeal filed by Warner; and
- (c) working to restructure Greenfire generally.

VIII. RELIEF SOUGHT

26. Greenfire has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Greenfire will be materially prejudiced if this Honourable Court grants the relief sought.

27. I make this Affidavit in support of the Orders sought by Greenfire at the Application and for no improper purpose.

SWORN BEFORE ME at the City of Calgary,)
 in the Province of Alberta this 11th day of)
 December, 2020)
)

 A Commissioner for Oaths in and for the Province
 of Alberta

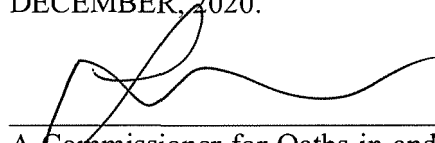


 ROBERT B. LOGAN

Natasha Dawn Wood
 A Commissioner for Oaths/Notary Public
 in and for the Province of Alberta

THIS IS **EXHIBIT "A"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

DIP FINANCING TERM SHEET

Dated as of December 1, 2020

WHEREAS Greenfire Hangingstone Operating Corporation (the "**Borrower**") has requested that the DIP Lender (as defined below) provide financing to the Borrower during the pendency of the Borrower's restructuring proceedings under Court of Queen's Bench of Alberta (the "**Court**") file nos. 25-2679073 and 25-2679074 (the "**BIA Proceedings**") commenced by way of a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), such financing to be provided in accordance with the terms and conditions set out herein;

AND WHEREAS, the DIP Lender has agreed to provide financing in order to fund certain obligations of the Borrower during the BIA Proceedings and for certain other purposes as hereinafter set forth;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWER:** Greenfire Hangingstone Operating Corporation
2. **GUARANTOR:** Greenfire Oil and Gas Ltd. (the "**Guarantor**" and, together with the Borrower, the "**Loan Parties**" and each a "**Loan Party**")
3. **DIP LENDER:** Trafigura Canada General Partnership (the "**DIP Lender**").
4. **DEFINED TERMS:** Unless otherwise defined herein, capitalized words and phrases used in this DIP Financing Term Sheet have the meanings given thereto in Schedule A hereto. Unless otherwise noted, all references to currency, "dollars" or "\$" shall be deemed to refer to Canadian dollars.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all present and after-acquired real and personal, tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document (including this DIP Financing Term Sheet and the other DIP Documents) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented, extended, amended and extended, renewed or otherwise modified (subject to any restrictions on such amendments, supplements, restatements, amendments and restatements, extensions, renewals or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended,

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supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this DIP Financing Term Sheet in its entirety and not to any particular provision hereof and (e) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this DIP Financing Term Sheet.

5. DIP FACILITY:

A senior secured superpriority debtor-in-possession, interim, credit facility (the "**DIP Facility**") in the aggregate principal amount of up to \$20,000,000 (the "**Facility Amount**"), which is comprised of two sub-facilities in the maximum amount of \$4,000,000 ("**Facility A**") and in the maximum amount of \$16,000,000 ("**Facility B**"), subject to the terms and conditions contained herein. For certainty, the maximum aggregate amount outstanding under Facility A and Facility B shall never exceed the Facility Amount.

Facility A is a non-revolving single draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions. Facility B is a revolving multiple draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions and the Additional Conditions Precedent.

6. INTEREST:

The Borrower shall pay interest on each advance made under the DIP Facility in Canadian Dollars, after, as well as before, maturity, default and judgment at a rate equal to LIBOR plus eight percent (8%) per annum. Such interest shall accrue daily, be calculated and compound monthly, and shall be payable in arrears on the first (1st) Business Day of each month for the period from and including the date each such advance is made to and including the day preceding interest payment date and shall be calculated on the principal amount of the DIP Facility outstanding during such period.

LIBOR shall be determined on the date of this DIP Financing Term Sheet and shall be redetermined and reset on the first (1st) Business Day on each calendar month thereafter. Each determination by the DIP Lender of LIBOR shall, in the absence of manifest error, be *prima facie* evidence thereof and, where applicable, may be computed using any reasonable averaging and attribution method. Changes made by the DIP Lender upon the redetermination of LIBOR under this paragraph shall cause an immediate adjustment of the interest rate applicable to all advances outstanding hereunder without the necessity of any notice to the Borrower.

All interest and fees payable under this DIP Financing Term Sheet shall be computed on the basis of a year of 365 days or

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366 days, as applicable. Whenever a rate of interest or other rate per annum hereunder or in any DIP Document is expressed or calculated on the basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation (such as LIBOR, which is calculated on the basis of a 360 day year), such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing the resulting figure by the number of days in the deemed year.

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this DIP Financing Term Sheet. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, after as well as before maturity, default and judgment. The rates of interest specified in this DIP Financing Term Sheet are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the DIP Lender and any provision of the *Interest Act* (Canada) or the *Judgment Interest Act* (Alberta) which restricts any rate of interest set forth herein shall be inapplicable to this DIP Financing Term Sheet and is hereby waived by the Borrower

If any provision of this DIP Financing Term Sheet or any ancillary document in connection with this DIP Financing Term Sheet would obligate the Borrower to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the DIP Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the DIP Lender of interest at a criminal rate and any such amounts actually paid by the Borrower in excess of the adjusted amount shall be forthwith refunded to the Borrower.

7. DEFAULT INTEREST:

Notwithstanding any other provision hereof, after the occurrence of any Event of Default, the applicable interest rate payable hereunder will increase by an additional two percent (2.0%) per annum on all amounts owing hereunder until all such amounts are indefeasibly paid on demand in full in cash, after as well as before maturity, default and judgment. All such interest shall accrue daily, be calculated and compounded

monthly and be payable on demand.

8. COSTS AND EXPENSES

The Borrower will reimburse, without duplication, the DIP Lender for all expenses (including legal and professional fees and expenses of the DIP Lender on a full indemnity basis), in connection with the negotiation and development of: (i) this DIP Financing Term Sheet, (ii) the BIA Proceedings and, (iii) the on-going monitoring, administration and enforcement of the DIP Facility, including due diligence, review and negotiation of filing materials, negotiation and documentation of the DIP Documents and related documentation and the on-going monitoring and administration of each and the enforcement of the DIP Lender Charge and any other security for the DIP Financing Obligations.

All such expenses (including legal and professional fees and expenses on a full indemnity basis) of the DIP Lender under paragraphs (ii) and (iii) above shall be included in the DIP Financing Obligations and secured by the DIP Lender Charge and may be deducted from any advance under Facility B.

9. PURPOSE OF FACILITY A:

The Borrower shall use proceeds of Facility A solely to pay a portion of the Purchase Price in accordance with the APA, the Escrow Agreement, the DIP Order and the DIP Budget.

For the purpose of this Section 9 and subject to the satisfaction or waiver of the conditions precedent in Section 12 and Section 13, the DIP Lender will advance on the Escrow Closing Date an amount equal to \$4,000,000 less the aggregate amount of all Repair Costs incurred by the Borrower between the date of the first advance under Facility B and the Escrow Closing (the "**Escrowed Funds**").

The Escrowed Funds will be deposited with the Escrow Agent under the Escrow Agreement on Escrow Closing and dealt with in accordance with the Escrow Agreement. The amount of the Escrowed Funds to be released to the Borrower on Final Closing is an amount equal to the Escrowed Funds less the aggregate amount of all Repair Costs incurred by the Borrower between the Escrow Closing Date and the Final Closing Date.

Any portion of the Escrowed Funds which is not paid to the Borrower on the Final Closing in accordance with the Escrow Agreement shall be immediately repaid to the DIP Lender to be credited against amounts advanced under Facility A.

10. PURPOSE OF FACILITY B:

The Borrower shall use proceeds of Facility B solely for the following purposes:

- (a) to pay the expenses of the DIP Lender in accordance with Section 8 hereof;
- (b) to pay the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel;

- (c) to pay the fees and interest owing to the DIP Lender under this DIP Financing Term Sheet and the other DIP Documents;
- (d) to pay an instalment on the Purchase Price in accordance with the APA in an amount equal to \$1,000,000; provided, however, that such funds shall be used by the Borrower to pay for the administration of the BIA Proceedings (including the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel) (the "**Deposit**"); and
- (e) to pay for Repair Costs and restarting the operation of the Facilities; provided, however, that such Repair Costs are certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

The advances made for the purpose set forth in Section 10(e) shall be subject to the prior approval of the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, based upon the DIP Budget. All such advances made for the purpose set forth in Section 10(e) shall be in amounts of not less than \$500,000.

Without limiting the other provisions of this Section 10, each advance under Facility B shall be made in accordance, and subject to compliance, with the DIP Order, the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

11. CONDITION PRECEDENT TO EFFECTIVENESS:

Notwithstanding anything to the contrary herein, or the date, or date of execution, hereof, the effectiveness of this DIP Financing Term Sheet (other than this Section 11) is subject to the Court Approval having been obtained with immediate effect. For certainty, other than this Section 11, this DIP Financing Term Sheet shall be of no force and effect and create no legal obligations on any party hereto until the Court Approval has been obtained with immediate effect.

To the extent such Court Approval has not been obtained with immediate effect on or before December 15, 2020, the DIP Lender's obligations pursuant to this Section 11 shall be of no further force and effect; provided that a later Court Approval and/or deferred application of such approval may, at the DIP Lender's sole and exclusive election, satisfy the condition precedent to effectiveness contemplated by this Section 11.

12. CONDITIONS PRECEDENT TO FIRST ADVANCE:

The DIP Lender's agreement to fund any advance under the DIP Facility to the Borrower in accordance with Section 14 is subject to the satisfaction or waiver of the following conditions precedent prior to the first such advance (the "**Initial Funding Conditions**"):

- (a) the DIP Lender shall be satisfied with the DIP Budget;

- (b) the Loan Parties shall have executed and delivered this DIP Financing Term Sheet and all other DIP Documents shall have been duly executed and delivered by all parties thereto;
- (c) the DIP Lender shall be satisfied that each of the Loan Parties is in compliance in all material respects with Applicable Law in relation to its business other than as may be permitted under a Court Order or as to which any enforcement in respect of non-compliance is stayed by a Court Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default;
- (d) the Court shall have issued and entered an immediately effective order (the "**DIP Order**") in a form acceptable to the DIP Lender (or its counsel), which shall include the grant by the Court of a super-priority charge in favour of the DIP Lender (the "**DIP Lender Charge**") on the Collateral, securing all indebtedness, obligations, covenants or liabilities owing by the Borrower to the DIP Lender under this DIP Financing Term Sheet and any other DIP Document including, without limitation, all principal, interest, fees, indemnities and expenses owing to the DIP Lender as set out herein (collectively, the "**DIP Financing Obligations**") and providing, among other things, that the DIP Lender Charge shall have priority on the Collateral over all other Liens, other than solely and exclusively the Permitted Priority Liens, and the DIP Order shall not have been stayed, vacated or otherwise amended, restated or modified in any manner, without the prior written consent of the DIP Lender;
- (e) the DIP Lender (or its counsel) shall be satisfied that (i) the entering into of this DIP Financing Term Sheet and the other DIP Documents, the granting of the DIP Lender Charge, the consummation of the transactions contemplated hereby has been approved by each Loan Party and (ii) service has been effected on a list of parties acceptable to the DIP Lender;
- (f) the DIP Lender shall have received a certificate of a senior officer of the Borrower attaching a complete executed copy of the APA, together with all amendments or modifications thereto;
- (g) the DIP Lender shall have valid and perfected super-priority Liens on the Collateral pursuant to the DIP Order and the DIP Lender Charge granted thereby, and there shall be no Liens (including, without limitation, any ranking in priority to the DIP Lender Charge) over the property and assets of the Borrower, other than the Permitted Priority Liens;

- (h) the DIP Lender has received evidence satisfactory to it that applicable Governmental Authorities including, without limitation, the Alberta Energy Regulator and the Orphan Well Association, acknowledge and agree that the DIP Lender Charge will have super-priority to any Lien or priority that such Governmental Authorities can claim;
- (i) the DIP Lender and the Borrower shall have entered into a marketing agreement in form and substance satisfactory to the DIP Lender, with respect to marketing of all production from the assets and property of the Borrower (the "**Marketing Agreement**"); and
- (j) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full or will be paid from the proceeds of the requested advance within such period of time as is acceptable to the DIP Lender in its discretion and as and to the extent required under Section 8.

13. CONDITIONS PRECEDENT TO EACH ADVANCE:

In addition to the Initial Funding Conditions, the DIP Lender's agreement to fund any advance under Facility A and/or Facility B to the Borrower in accordance with Section 14 (including, without limitation, the first advance under the DIP Facility but excluding the advance of that portion of Facility B which is comprised of the Deposit) is subject to the satisfaction or waiver of the following conditions precedent prior to each such advance (the "**Additional Conditions Precedent**"):

- (a) no Material Adverse Change shall have occurred since the date of the DIP Order, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (b) no Default or Event of Default shall have occurred, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (c) the representations and warranties of each of the Loan Parties herein and in any DIP Document shall be true and correct in all respects as of the date of such advance, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (d) the DIP Lender shall have received a Drawdown Request Certificate from the Borrower in accordance with the terms of this DIP Financing Term Sheet;
- (e) the requested advance shall not cause the aggregate amount of: (i) the outstanding advance under Facility A to exceed \$4,000,000, (ii) all outstanding advances

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under Facility B to exceed \$16,000,000, (iii) all outstanding advances under Facility A and Facility B collectively to exceed the Facility Amount, and (iv) all advances under Facility B to be greater than the amounts shown on the DIP Budget;

- (f) in respect of the advance under Facility A only, all conditions precedent to the Escrow Closing as contemplated by the APA, other than those which relate solely to the payment of the Escrowed Funds to the Escrow Agent in the manner contemplated by the APA and the Escrow Agreement, shall have been satisfied or waived, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (g) in respect of advances under Facility B only, the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, shall have approved each advance under Facility B and such advance shall be in accordance with the DIP Budget;
- (h) in respect of advances under Facility B only that relate to reimbursement for or the payment of Repair Costs, the DIP Lender shall: (A) have received a certificate in form and substance satisfactory to the DIP Lender from an independent engineering firm or such other party satisfactory to the DIP Lender which certifies the aggregate amount of the Repair Costs; and (B) be satisfied that the Repair Costs are consistent with the then current DIP Budget;
- (i) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full as and to the extent required under Section 8;
- (j) actual cash receipts received by the Borrower are not twenty percent (20%) or more below the cash receipt projections set out in the most recent Cash Flow Forecast or Revised Cash Flow Forecast delivered to the DIP Lender, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same; and
- (k) in respect of the advance under Facility A only, any claims, actions, suits, or proceedings (including any appeals thereof) by or on behalf of Warner Petroleum Corporation in relation to the Warner Contract shall be fully and finally dismissed, confirmed as terminated or disclaimed, abandoned or settled (and any and all appeal rights therefrom shall have expired without any such appeal having been initiated or shall have been fully determined).

14. DRAWDOWNS:

No portion of the DIP Facility shall be funded until the Initial Funding Conditions have been satisfied or waived by the DIP Lender. In addition, each advance under the DIP Facility shall be subject to the satisfaction or waiver by the DIP Lender of the Additional Conditions Precedent.

The Borrower may issue a Drawdown Request Certificate for an advance under Facility B no more than once each week with the amount of each drawdown to be in accordance with, and in amounts specified in, the DIP Budget (subject to the Permitted Variance), as requested by the Borrower from time to time and confirmed by the DIP Lender in writing (which may be by email).

For each advance under Facility A and Facility B, the DIP Lender shall have received from the Borrower a Drawdown Request Certificate at least three (3) Business Days prior to the date of such advance.

Each Drawdown Request Certificate shall certify: (i) that all representations and warranties of the Borrower contained herein and in each DIP Document are true and correct in all respects both before and after giving effect to such advance and the use of such proceeds, (ii) that no Default or Event of Default has occurred or would result from the making of such advance, and (iii) that the use of proceeds of such advance will comply with the provisions of this DIP Financing Term Sheet and the DIP Budget (subject to the Permitted Variance).

Advances under Facility B shall be in a minimum aggregate amount that is no less than \$500,000.

15. DIP FACILITY SECURITY:

All DIP Financing Obligations shall be secured by the DIP Lender Charge and, upon request of the DIP Lender, the Borrower shall enter into such additional security documentation as the DIP Lender shall request (initially consisting of a debenture made by the Borrower in favour of the DIP Lender granting a fixed charge on all real estate assets of the Borrower, a security interest in all present and after acquired personal property of the Borrower and a floating charge over any other property and assets of the Borrower). The DIP Lender may require or proceed with the execution, filing or recording of registrations or financing statements in respect of any such security.

In addition, all DIP Financing Obligations will be guaranteed by an unlimited guarantee granted by the Guarantor in favour of the DIP Lender in form and substance satisfactory to the DIP Lender.

16. EVIDENCE OF INDEBTEDNESS:

The DIP Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the obligations of the Borrower to the DIP Lender hereunder with respect to all advances made by the DIP Lender hereunder and all other amounts owing by the Borrower to the DIP Lender hereunder (including, without limitation, all interest payable

under this DIP Financing Term Sheet.

17. MANDATORY REPAYMENT:

The DIP Facility shall be repayable in full as follows:

- (a) at any time prior to the Final Closing on the earlier of:
 - (i) the occurrence of any Pre Final Closing Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower with a copy to the Trustee (and each of their respective counsel);
 - (ii) the implementation of a proposal within the BIA Proceedings (a "**Proposal**") or a plan of compromise or arrangement under the CCAA which has been approved by the requisite majorities of the Borrower's creditors (other than any Proposal, plan of compromise or arrangement which involves the completion of the sale pursuant to the APA);
 - (iii) the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order (other than the sale pursuant to the APA); or
 - (iv) the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA (the earliest of such dates being the "**Pre Final Closing Maturity Date**"); or

- (b) provided that no Pre Final Closing Maturity Date has then occurred, at any time following the Final Closing on the earlier of: (i) the occurrence of any Post Final Closing Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower (and its counsel); and (ii) the date which is six (6) months following the Final Closing (the earliest of such dates being the "**Post Final Closing Maturity Date**").

The Pre Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower, the DIP Lender and, in the case of any material amendments to the terms hereof, the Trustee, may agree. The Post Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower and the DIP Lender may agree.

In addition to, and without limiting the generality of, the foregoing, the Borrower shall within ten (10) Business Days of the end of each calendar month prior to the Maturity Date, pay to the DIP Lender all of the net income of the Borrower (as such net income is identified in the applicable Cash Flow Forecast) for such calendar month, determined on a consolidated basis in accordance with generally accepted accounting principles. All amounts paid by the Borrower pursuant to this paragraph shall be applied by the DIP Lender to amounts outstanding under Facility B as set forth in Section 18.

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

18. VOLUNTARY PREPAYMENTS:

The Borrower may, without notice, bonus, premium or penalty, prepay any amounts outstanding under the DIP Facility at any time prior to the Maturity Date upon one (1) Business Days' prior written notice to the DIP Lender.

Any amount repaid or prepaid under the DIP Facility shall be applied first towards accrued and unpaid interest, and second towards the principal of amounts outstanding.

19. DIP BUDGET AND CASH FLOW FORECAST:

Attached as Schedule B hereto is a copy of the agreed initial DIP Budget as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial DIP Budget**"). The DIP Budget shall contain a weekly line item budget covering the period of at least thirteen (13) calendar weeks following the date of the DIP Order. The DIP Budget shall set forth expected receipts and all of the operating and capital expenditures to be made during each calendar week and in the aggregate for the period of time covered by the DIP Budget. Such DIP Budget shall be the DIP Budget referenced in this DIP Financing Term Sheet until such time as a revised DIP Budget has been delivered to the DIP Lender in accordance with Section 19(b).

Attached as Schedule C hereto is a copy of the agreed initial Cash Flow Forecast as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial Cash Flow Forecast**"). The Cash Flow Forecast shall contain a projected statement of sources and uses of cash for the Borrower on a weekly basis for the thirteen (13) calendar weeks following the date of the DIP Order. Such Cash Flow Forecast shall be the Cash Flow Forecast referenced in this DIP Financing Term Sheet until such time as a Revised Cash Flow Forecast has been delivered to the DIP Lender in accordance with this Section 19(c).

On Thursday of each week by 5:00 p.m. (Calgary time), commencing on the Thursday of the calendar week following the date of this DIP Financing Term Sheet, the Borrower shall

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deliver to the DIP Lender:

- (a) a report showing actual cash receipts and actual expenditures for each line item in the DIP Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the DIP Budget for such line item during such one week period;
- (b) an update and extension to the DIP Budget for the period commencing from the end of the previous week through and including thirteen calendar weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial DIP Budget and subject to the approval of the DIP Lender and the Trustee; and
- (c) an update and extension to the Cash Flow Forecast for the period commencing from the end of the previous week through and including thirteen weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial Cash Flow Forecast and subject to the approval of the DIP Lender and the Trustee.

If the DIP Lender determines that the proposed revised DIP Budget or the proposed revised Cash Flow Forecast is not acceptable, it shall, within three (3) Business Days of receipt thereof, provide written notice to the Borrower and the Trustee stating that the proposed revised DIP Budget and/or the proposed revised Cash Flow Forecast, as applicable, is not acceptable and setting out the reasons why such revised DIP Budget and/or revised Cash Flow Forecast, as applicable, is not acceptable, and until the Borrower has delivered a revised DIP Budget and/or Cash Flow Forecast, as applicable, acceptable to the DIP Lender, the prior DIP Budget and/or prior Cash Flow Forecast, as applicable, shall remain in effect. In the event that the DIP Lender (or its counsel) does not deliver to the Borrower written notice within three (3) Business Days after receipt by the DIP Lender's counsel of a proposed revised DIP Budget or a revised proposed Cash Flow Forecast that such proposed revised DIP Budget or proposed revised Cash Flow Forecast, as applicable, is not acceptable to the DIP Lender, such proposed revised DIP Budget or proposed Cash Flow Forecast, as applicable, shall automatically and without further action be deemed to have been accepted by the DIP Lender and become the DIP Budget or Cash Flow Forecast, as applicable, for the purposes hereof.

The Borrower shall, and shall use commercially reasonable efforts, if requested by the DIP Lender, to cause its advisors to, participate on weekly conference calls with the DIP Lender, and its advisors, to discuss the revised DIP Budget, the revised Cash Flow Forecast, the Borrower's current and projected

operational performance, and any related financial matters.

The Borrower shall ensure that when measured as of each Variance Testing Date, the Borrower's cumulative expenditures (excluding the legal and professional fees incurred by the Trustee, the Trustee's counsel and counsel for the Borrower) shall not have exceeded one hundred and ten percent (110%) of the cumulative expenditures as set forth in the Initial DIP Budget or any revised DIP Budget, as applicable. Notwithstanding any other provision in this Section 19, the Borrower shall be permitted to incur extraordinary expenses not otherwise permitted under the cash flow test in this paragraph with the consent of the DIP Lender.

The Borrower shall provide detailed reconciliations (quantitative explanations of the budget-to-actual variances) for each variable line-item of the Initial DIP Budget (revenues, operating expenses and marketing costs) as well as for any other line item variances outside of the management's direct control (commodity prices, foreign exchange gains/losses) that impact the overall consolidated financial results (the "**Budget Variance Report**").

20. REPRESENTATIONS AND WARRANTIES:

Each Loan Party represents and warrants to the DIP Lender, upon which the DIP Lender is relying in entering into this DIP Financing Term Sheet, that:

- (a) Each Loan Party has been duly formed and is validly existing under the law of its jurisdiction of incorporation or amalgamation, as applicable.
- (b) Each Loan Party has all requisite corporate power and authority to own and operate its properties and assets and to develop, own and operate its business.
- (c) The execution, delivery by each Loan Party of, the performance by each Loan Party of its respective obligations under, and the transactions contemplated by, this DIP Financing Term Sheet and the other DIP Documents:
 - (i) are within the corporate power of each Loan Party;
 - (ii) have been duly executed and delivered by or on behalf of each Loan Party;
 - (iii) upon the granting of the DIP Order, shall constitute legal, valid and binding obligations of the Loan Parties party thereto, enforceable against them in accordance with their terms;
 - (iv) upon the granting of the DIP Order, do not require any material authorization from, the consent or approval of, registration or filing with, or any other

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action by, any Governmental Authority or any third party; and

- (v) will not violate the articles or by-laws of either Loan Party, any material contracts to which it is a party or any Applicable Law.
- (d) The Collateral is free and clear of all Liens other than Permitted Liens and, upon the granting of the DIP Order, the DIP Lender Charge.
- (e) None of the reports, financial statements, certificates or other written information furnished by or on behalf of either Loan Party to the DIP Lender or its advisors in connection with the negotiation of this DIP Financing Term Sheet or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading at such time; provided that to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, each Loan Party represents only that it has acted in good faith and utilized assumptions believed by it to be reasonable at the time made (it being understood that any such forecasts or projections are subject to significant uncertainties and contingencies, many of which are beyond the its control, that no assurance can be given that any such forecasts or projections will be realized and that actual results may differ from any such forecasts or projections and such differences may be material).
- (f) The business operations of each Loan Party have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which the business has been or is carried out.
- (g) Each Loan Party has obtained and is in material compliance with all material licences and permits required for the operation of its business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary, which licences and permits remain in full force and effect and no proceedings have been commenced or threatened to revoke or amend any of such licences or permits.
- (h) Each Loan Party owns, leases or has the lawful right to use all of the assets and properties necessary for the proper conduct of its business and (i) none of such assets or property is owned by a Related Party except as disclosed to the DIP Lender in writing prior to the

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effective date of this DIP Financing Term Sheet, (ii) such assets or property are located at the locations disclosed in writing to the DIP Lender and (iii) none of such assets or property has been sold, leased or otherwise disposed of.

- (i) Each Loan Party has, in respect of all prior fiscal periods (i) filed all tax returns, except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred and (ii) paid all taxes owing for all prior fiscal periods except for any taxes that are not yet due and payable or that are being diligently contested in good faith by the applicable Loan Party and for which sufficient reserves have been set aside.
- (j) Each Loan Party maintains adequate insurance coverage, as is customary with companies in the same or similar business (except with respect to directors' and officers' insurance in respect of which no representation is made regarding adequacy of coverage) of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (k) Each Loan Party has maintained and paid current its obligations for Crown royalty, payroll, source deductions, harmonized, goods and services and retail sales tax, and all other applicable taxes, and is not in arrears of its statutory obligations to pay or remit any amount in respect of these obligations.
- (l) No Loan Party has entered into any material transaction or other written contractual relationship with any party not dealing at arms-length with such Loan Party, except as publicly-disclosed by such Loan Party or disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.
- (m) No Loan Party has entered into any agreement with any Related Party (including any agreement involving the transfer of any assets or property of the Borrower to a Related Party or an option in favour of a Related Party to acquire any such assets or property) except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet and currently existing employment arrangements.
- (n) The commencement of the BIA Proceedings will not trigger any contractual provision that would entitle any officer or director of either Loan Party to claim additional compensation, bonus or severance.
- (o) Since the Filing Date, (i) there have been no extensions, supplements or amendments to the

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employment agreements of any senior officers or senior managers of either Loan Party earning \$200,000 (or its equivalent in an alternative currency) or more per annum, including all bonuses and other cash compensation, and (ii) there are no written employment agreements for any such senior officers or senior managers except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.

- (p) All material payments to shareholders, directors and senior executives of either Loan Party or any Related Party, whether under contract or otherwise, including bonus payments, transaction payments, change of control payments, management fees, consulting or advisory fees or amounts payable in respect of reimbursement, to the extent known and contemplated for future payments, have been included in the DIP Budget.
- (q) Other than as stayed pursuant to the BIA Proceedings, or as otherwise disclosed to the DIP Lender in respect of the Warner Contract, there is not now pending or, to the knowledge of any of the senior officers or directors of either Loan Party, threatened against a Loan Party, nor has either Loan Party received notice in respect of, any material claim, potential claim, litigation, action, suit, arbitration or other proceeding by or before any court or Governmental Authority.
- (r) All material contracts to which either Loan Party is a party are in full force and effect and are valid, binding and enforceable in accordance with their terms and no Loan Party has knowledge of any material default that has occurred and is continuing thereunder (other than those defaults arising as a result of the commencement of the BIA Proceedings).
- (s) As of the Filing Date, there are no agreements between any Loan Party and any other third party or any holder of debt or equity securities of such Loan Party with respect to the BIA Proceedings except for this DIP Financing Term Sheet.
- (t) No Loan Party has any defined benefit pension plans or similar plans.
- (u) Each Loan Party is and remains in compliance with the Court Orders.
- (v) No Loan Party is liable for any indebtedness for borrowed money, except as disclosed in the BIA Proceedings.

- (w) Each Loan Party has disclosed to the DIP Lender all liabilities in respect of its Liability Management Rating and such information is up to date and no further security deposit is required in connection therewith.
- (x) No Default or Event of Default has occurred and is continuing.

21. AFFIRMATIVE COVENANTS:

Each Loan Party agrees to do, or cause to be done, the following, unless otherwise consented to or waived in writing by the DIP Lender:

- (a) Make due and punctual payment to the DIP Lender of all amounts payable under this DIP Financing Term Sheet and all other DIP Documents when due.
- (b) In connection with matters reasonably related to the DIP Facility or compliance of each Loan Party with its obligations pursuant to this DIP Financing Term Sheet and the other DIP Documents, (i) provide a representative of the DIP Lender with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Borrower, (ii) allow the DIP Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Loan Party's assets and properties, and (iii) cause management, the financial advisor and legal counsel of each Loan Party, to cooperate with reasonable requests for information by the DIP Lender and its advisors, in each case subject to solicitor-client privilege, all Court Orders and applicable privacy laws and each Loan Party's confidentiality obligations to third parties.
- (c) Keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of each Loan Party and the BIA Proceedings.
- (d) Deliver to the DIP Lender's advisors the reporting and other information reasonably requested by them from time to time as set out in this DIP Financing Term Sheet including, without limitation, the Budget Variance Reports and other reports required pursuant to Section 19 at the times set out in Section 19.
- (e) Use the proceeds of the DIP Facility only in accordance with the requirements set forth in Section 9 and Section 10 and in accordance with the restrictions set out herein and pursuant to the DIP Budget and the Cash Flow Forecast.
- (f) Comply with the DIP Order and all other orders of the Court entered in connection with the BIA Proceedings (collectively, the "**Court Orders**" and each a "**Court**

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Order") and take all actions necessary or available to defend such Court Orders from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in writing in advance by the DIP Lender.

- (g) Preserve, renew and keep in full force its corporate existence.
- (h) Conduct its business in accordance in all material respects with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).
- (i) Promptly notify the DIP Lender of the occurrence of any Material Adverse Change, Default, Event of Default and any other event or circumstance that may negatively impact the DIP Budget or the Cash Flow Forecast, including any material change in its contractual arrangements or with relationships with third parties.
- (j) Comply in all material respects with Applicable Law, including, without limitation, payment on a timely basis of all municipal Taxes, utility charges or other amounts in relation to the Collateral charged by the DIP Lender Charge where the non-payment of same could give rise to a Lien and immediately notify the DIP Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of either Loan Party, threatened, against either Loan Party, before any court or Governmental Authority, except to the extent not required to do so pursuant to the DIP Order or any other Court Order.
- (k) Except where a stay of proceedings applies and subject to the terms of the DIP Order, pay when due all statutory Liens, trust and other Crown claims including employee source deductions, GST and workplace safety and insurance premiums.
- (l) Provide the DIP Lender's counsel with draft copies of all material motions, applications or proposed orders that either Loan Party intends to file in the BIA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the BIA Proceedings; provided that all such filings by a Loan Party shall be in form and substance acceptable to the DIP Lender and its counsel, acting reasonably and in good faith, to the extent that any such filings affect the rights and interests of the DIP Lender.
- (m) Take all actions necessary or available to defend the Court Orders from any appeal, reversal, modifications, amendment, stay or vacating to the extent that it would materially affect the rights and interests of the

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DIP Lender.

- (n) Comply with the DIP Budget, subject to the Permitted Variance.
- (o) Promptly provide notice to the DIP Lender and its counsel, and keep them otherwise apprised, of any material developments in respect of any material contract and of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender. In addition, to promptly provide the DIP Lender with regular status updates in respect of any Proposal, the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order, the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA, the closing of the transaction under the APA and the termination of the BIA Proceedings.
- (p) Provide the DIP Lender with draft copies of all material letters, submissions, notices, or other materials or correspondence that either Loan Party intends to file with or submit to any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender, at least two (2) Business Days prior to such submission or filing or, where it is not practically possible to do so within such time as soon as possible.
- (q) Upon request of the DIP Lender, complete all necessary Lien and other customary searches against each Loan Party, together with all registrations, filings and recordings wherever the DIP Lender, acting reasonably, deems appropriate to satisfy the DIP Lender that there are no Liens affecting the Collateral except Permitted Liens.
- (r) At all times maintain adequate insurance coverage as is customary in the same or similar business of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (s) At all times preserve, maintain and keep in full force its material contracts, 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 to in writing by the DIP Lender.

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- (t) Pay all DIP Lender costs and expenses pursuant to Section 8 no less frequently than every two (2) weeks following the delivery of a redacted invoice to the Borrower, provided that the DIP Lender shall provide reasonable estimates of such expenses for purposes of the DIP Budget.
- (u) Promptly upon becoming aware thereof, provide details of the following to the DIP Lender: (i) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against either Loan Party, by or before any court, tribunal, Governmental Authority or regulatory body, which would be reasonably likely to result, individually or in the aggregate, in a judgment in excess of \$200,000 to the extent not stayed by the Court Orders, and (ii) any default or dispute with respect to any of its material contracts, to the extent enforcement thereof is not stayed by the Court Orders.

22. NEGATIVE COVENANTS:

Each Loan Party covenants and agrees not to do, or cause not to be done, the following, other than with the prior written consent of the DIP Lender:

- (a) Transfer, lease or dispose of all or any part of its property, assets or undertaking, except such asset sales or dispositions as are permitted pursuant to the DIP Order.
- (b) Make any payment, including, without limitation, any payment of principal, interest or fees, in respect of pre-filing indebtedness, or in respect of any other pre-filing liabilities, other than such amounts as are permitted to be paid pursuant to the DIP Order and provided that the aggregate amount of all such pre-filing amounts shall not exceed the amount set out in the DIP Budget (subject to the Permitted Variance) and, other than in accordance with the DIP Budget and Cash Flow Forecast (subject to the Permitted Variance), make, incur or establish any retainer in respect of, any other payments (including with respect to the fees, expenses or disbursements of legal, financial or other advisor of any party) or other expenditures (including capital expenditures).
- (c) Create or permit to exist any indebtedness other than (A) the indebtedness existing as of the date hereof, (B) the DIP Financing Obligations, (C) indebtedness contemplated by this DIP Facility, and (D) post-filing trade payables or other unsecured obligations incurred in the ordinary course of business in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

- (d) Make any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise), or any retirement, redemption, purchase, repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon).
- (e) Make any investments or acquisitions of any kind, direct or indirect.
- (f) Other than in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance), (i) enter into, renew, amend or modify any transaction or contractual relationship with any Related Party or (ii) make any payment with respect to, or perform any obligation under, an agreement with a Related Party.
- (g) Make any loans, advances, financial assistance (including provision of a guarantee), capital contribution, investments or acquisitions whether direct or indirect.
- (h) Make any payment in respect of post-employment benefit payments.
- (i) Make any payment not consistent with the DIP Budget and Cash Flow Forecast.
- (j) Grant any royalties or overriding interests upon any lands of the Borrower.
- (k) Create or permit to exist any Liens on any of its properties or assets other than the Permitted Liens.
- (l) Take any steps to convert the BIA Proceedings to proceedings under the CCAA.
- (m) Challenge or fail to support the Liens and claims of the DIP Lender.
- (n) Terminate any material contract or amend any material contract in any material manner.
- (o) Amalgamate, consolidate with or merge into or sell all or substantially all of its assets to another entity, or change its corporate or capital structure (including its organizational documents) or enter into any agreement committing to such actions.
- (p) Seek, obtain, support, make or permit to be made any Court Order or any material change, amendment or modification to any Court Order affecting the DIP Lender. Without limiting the generality of the

foregoing, no Loan Party shall take any steps to advance or implement any transaction whether by way of a Proposal, Plan, BIA Sale, arrangement, reorganization or otherwise that would impair the Collateral, the DIP Facility, the DIP Documents or the DIP Lender Charge, or impair any amounts owing to the DIP Lender, or otherwise be materially adverse to the DIP Lender.

- (q) Without the approval of the Court, cease to carry on its business or activities or any material component thereof as currently being conducted or modify or alter in any material manner the nature and type of its operations or business.
- (r) Seek, or consent to the appointment of, a receiver or trustee in bankruptcy or any similar official in any jurisdiction, other than the Trustee.
- (s) Change any of its organizational documents, its name, fiscal year end or accounting standards.
- (t) Other than as consented to by the Trustee and approved by the Court on prior notice to the DIP Lender, (i) enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of either Loan Party or any Related Party, or make any payment to any such Person in respect of any bonus, change of control payment or severance package of any kind whatsoever, or (ii) implement any key employee retention program in any other manner.
- (u) Enter into any new agreements, transactions or arrangements with other parties that may result in a Material Adverse Change.
- (v) Seek, obtain or support any other restructuring transaction.

23. PRE FINAL CLOSING EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute a pre-Final Closing event of default (each a “**Pre Final Closing Event of Default**”) under this DIP Financing Term Sheet:

- (a) Failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor.

- (b) Failure by either Loan Party to (i) comply with the terms of any Court Order (including the DIP Order), (ii) deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (iii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in items (i) and (ii) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender.
- (c) Any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made.
- (d) Issuance of a Court Order: (i) dismissing the BIA Proceedings or lifting the stay in the BIA Proceedings to permit the enforcement of any security against either Loan Party or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order against or in respect of either Loan Party, in each case which order is not stayed pending appeal thereof, and other than in respect of a non-material asset not required for the operations of either Loan Party's business; (ii) granting any other Lien in respect of the Collateral that is in priority to or pari passu with the DIP Lender Charge other than for any Permitted Priority Liens, (iii) staying, reversing, vacating or otherwise modifying this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge, (iv) adversely impacting the rights and interests of the DIP Lender, as determined by the DIP Lender, or (v) directing either Loan Party to pay any post-employment benefits, in each case unless otherwise consented to by the DIP Lender.
- (e) Unless the DIP Lender has consented thereto in writing, the filing by either Loan Party of any motion, pleading or proceeding which (i) is not consistent with any provision of any of the DIP Documents or any Court Order, as applicable, (ii) could otherwise reasonably be expected to materially adversely affect the interests of the DIP Lender, (iii) seeks an order which, if granted, could reasonably be expected to result in a Material Adverse Change, (iv) seeks to continue the BIA Proceedings under the jurisdiction of a court other than the Court, (v) seeks to initiate any restructuring proceedings other than the BIA Proceedings in any court or jurisdiction, or (vi) relates to any matter set forth in Section 23(d).

- (f) any Proposal or other arrangement, compromise or restructuring is sanctioned by either Loan Party which is not consistent with or contravenes any provision of this DIP Financing Term Sheet or other DIP Document.
- (g) Except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities.
- (h) Unless consented to in writing by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the DIP Order.
- (i) As at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "**Permitted Variance**") since the most recent DIP Budget.
- (j) The DIP Lender Charge shall cease to be a valid, perfected and enforceable superpriority Lien senior to all other Liens other than Permitted Priority Liens.
- (k) The denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge.
- (l) The aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount.
- (m) Either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course.
- (n) The making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget.
- (o) Except as stayed by order of the Court, a default under, revocation or cancellation of, any material contract, or other material licence or permit.
- (p) Either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be

owing by the DIP Lender or any affiliate thereof to either Loan Party or any affiliate thereof.

- (q) Except as stayed by order of the Court, the entry of one or more final judgments, writs of execution, garnishment or attachment representing a claim in excess of \$200,000 against either Loan Party or the Collateral that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy.
- (r) Any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender.
- (s) The occurrence of a Material Adverse Change.
- (t) The APA is terminated for any reason at any time prior to Final Closing.

24. REMEDIES:

Upon the occurrence of an Event of Default, the DIP Lender may (i) immediately terminate its commitments hereunder, and (ii) without any further notice or demand, and otherwise subject to the provisions of the Court Orders, declare the DIP Financing Obligations to be immediately due and payable and may thereafter, exercise any and all of its rights and remedies against any Loan Party or the Collateral under or pursuant to this DIP Financing Term Sheet, the other DIP Documents and the DIP Lender Charge, including, without limitation:

- (a) apply to a court for appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against either Loan Party or for the appointment of a trustee in bankruptcy of either Loan Party;
- (b) set-off or consolidate any amounts then owing by the DIP Lender to either Loan Party against the obligations of such Loan Party to the DIP Lender (in its capacity as such) hereunder;
- (c) subject to obtaining prior approval from the Court, exercise all powers and rights of a secured party under the *Personal Property Security Act* (Alberta), the *Law of Property Act* (Alberta), the *Mines and Minerals Act* (Alberta) or any legislation relating to creditors' rights; and
- (d) exercise all such other rights and remedies available under Applicable Law, by statute or in equity.

25. INDEMNITY AND RELEASE:

Each Loan Party jointly and severally agrees to indemnify and hold harmless the DIP Lender and its 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 DIP Facility, this DIP Financing Term Sheet or any other DIP Document (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, neither Loan Party shall be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (x) 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 (y) 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 either Loan Party. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 25 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor. All such indemnified amounts, if not immediately paid by the Loan Parties upon demand, will be secured by the DIP Lender Charge.

The indemnities granted under DIP Financing Term Sheet shall survive any termination of the DIP Facility.

26. CURRENCY:

If any payment is received by the DIP Lender hereunder in a currency other than Canadian dollars, or, if for the purposes of obtaining judgment in any court it is necessary to convert a sum due in Canadian dollars (the “**Original Currency**”) into another currency (the “**Other Currency**”), the parties hereby agree, to the fullest extent permitted by Applicable Law, that the rate of exchange used shall be the rate at which the DIP Lender is able to purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which such payment is made or final judgment is given.

27. DIP LENDER’S APPROVALS:

Any consent, agreement, amendment, approval, waiver or instruction of the DIP Lender to be delivered hereunder, may be delivered by any written instrument, including by way of electronic mail, by counsel on behalf of the DIP Lender. Any approval, consent or other determination made by the DIP Lender hereunder may, unless the contrary is indicated, be

provided or made in the sole and absolute discretion of the DIP Lender.

28. FURTHER ASSURANCES:

Each Loan Party shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as the DIP Lender may reasonably request for the purpose of giving effect to this DIP Financing Term Sheet, any other DIP Document and the DIP Lender Charge.

**29. ENTIRE AGREEMENT;
CONFLICT:**

This DIP Financing Term Sheet together with the other DIP Documents, including any schedules thereto, constitute the entire agreement between the parties relating to the subject matter hereof.

To the extent that there is any inconsistency between this DIP Financing Term Sheet and any of the other DIP Document, this DIP Financing Term Sheet shall govern.

30. AMENDMENTS, WAIVERS, ETC.:

No amendment of any provision of the DIP Documents shall be effective unless agreed to by the Borrower, the Guarantor and the DIP Lender and, in the case of any material amendment, the Trustee.

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Document will operate as a waiver hereof or thereof unless made in writing by the DIP Lender and delivered in accordance with the terms of this DIP Financing Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

31. ASSIGNMENT:

The DIP Lender may, without notice or consent of the Borrower, assign this DIP Financing Term Sheet, the other DIP Documents and its rights and obligations hereunder or thereunder, in whole or in part, to any Person. Neither this DIP Financing Term Sheet, any other DIP Document nor any right or obligation hereunder or thereunder may be assigned by the Borrower or the Guarantor without the prior written consent of the DIP Lender, except for an assignment by the Borrower to Greenfire Acquisition Corporation on the Final Closing as specifically contemplated by the Escrow Agreement and on the terms contemplated by the APA and the Escrow Agreement (which include, for certainty, that Greenfire Acquisition Corporation agrees to be responsible for all Repair Costs advanced by the DIP Lender to the Borrower (whether such amounts for Repair Costs were advanced by the DIP Lender under this DIP Financing Term Sheet or were otherwise provided to the Borrower), and all such amounts shall comprise amounts owing by Greenfire Acquisition Corporation, as borrower, to the DIP Lender under this DIP Financing Term Sheet).

32. TAXES:

All payments by each Loan Party under the DIP Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an

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Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes (other than Excluded Taxes) are required by Applicable Law to be withheld ("**Withholding Taxes**") from any amount payable to the DIP Lender under the DIP Documents, the amount so payable to the DIP Lender shall be increased to the extent necessary so that after making all required deductions, including deductions applicable to amounts payable under this Section 32, the DIP Lender will receive an amount equal to the amount it would have received had no such deductions in respect of such Taxes been made, and the Loan Parties shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.

33. LIBOR REPLACEMENT:

If at any time the DIP Lender determines that the administrator of LIBOR or a governmental authority having jurisdiction over the DIP Lender has made a public statement identifying a specific date after which LIBOR will no longer be used for determining interest rates for loans, then the DIP Lender and the Borrower will promptly negotiate in good faith to establish an alternate rate of interest to LIBOR that is, at such time, broadly accepted as the prevailing recommended market practice for syndicated loans; provided that, if such alternate rate of interest will be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes hereof. Upon the Borrower and the DIP Lender agreeing on such a rate, the parties hereto shall enter into documentation to amend the provisions hereof to refer to such rate and make all other adjustments incidental thereto.

34. PRESS RELEASES:

No Loan Party shall issue any press releases naming the DIP Lender without the DIP Lender's prior approval.

35. SEVERABILITY:

Any provision in this DIP Financing Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

36. NO THIRD PARTY BENEFICIARY:

No person, other than the Borrower, the Guarantor, the DIP Lender and the Indemnified Persons, is entitled to rely upon this DIP Financing Term Sheet or the other DIP Document and the parties expressly agree that this DIP Financing Term Sheet and the other DIP Document does not confer rights upon any other party.

37. TRUSTEE:

The Trustee shall be authorized to communicate with the DIP Lender, and shall be entitled to share information, including confidential information with the DIP Lender as may be

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requested by the DIP Lender from time to time.

**38. COUNTERPARTS AND
FACSIMILE SIGNATURES:**

This DIP Financing Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission including "pdf email", each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

39. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the such Person at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Trustee and its counsel.

Any such notice shall be deemed to be given and received when received, unless received after 5:00 PM Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

40. GOVERNING LAW:

This DIP Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the ability of the DIP Lender to enforce this DIP Financing Term Sheet in any other proper jurisdiction, each Loan Party irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta, and further acknowledge and agree that any disputes arising in respect of the DIP Documents shall be heard by the Court.

[signature pages follow]

IN WITNESS HEREOF, the parties hereby execute this DIP Financing Term Sheet as at the date first above mentioned.

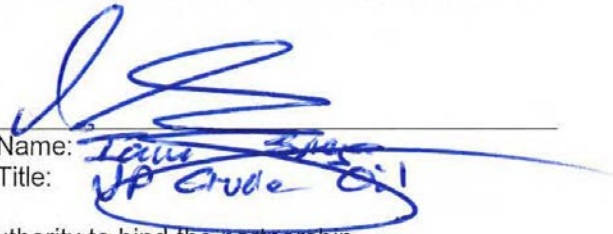
DIP LENDER:

TRAFIGURA CANADA GENERAL PARTNERSHIP

Per:

Name:

Title:



The signature is a stylized blue ink scribble. The title is handwritten in blue ink as "VP Crude Oil".

I have authority to bind the partnership.

Notice:

Trafigura Canada General Partnership

Attn:

Email:

BORROWER:

GREENFIRE HANGINGSTONE OPERATING CORPORATION

Per:



Name: Robert Logan

Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Hangingstone Operating Corporation

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8


Attn: Robert Logan, Director

Email: rlogan@greenfireoilandgas.com

GUARANTOR:

GREENFIRE OIL & GAS LTD.

Per: _____


Name: Robert Logan
Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Oil & Gas Ltd.

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attn: Robert Logan, Director
Email: rlogan@greenfireoilandgas.com

SCHEDULE A

DEFINED TERMS

“Administration Charge” means an administration charge in an aggregate amount not to exceed \$500,000 or such other amounts as agreed to by the DIP Lender which shall rank in priority to the DIP Lender Charge.

“Affiliate” has the meaning ascribed thereto in the *Canada Business Corporations Act*.

“APA” means the asset purchase agreement dated on or about the date hereof between the Borrower, as vendor and Greenfire Acquisition Corporation, as purchaser.

“Applicable Law” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations and all applicable official directives, orders, judgments and decrees of any Governmental Authority having the force of law and binding on such Person.

“BIA” has the meaning given thereto in the Recitals.

“BIA Proceedings” has the meaning given thereto in the Recitals.

“BIA Sale” means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court, including the transaction contemplated by the APA.

“Budget Variance Report” has the meaning given thereto in Section 19.

“Borrower” has the meaning given thereto in the Recitals.

“Business Day” means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta or Toronto, Ontario are not open for business.

“Cash Flow Forecast” means a projected statement of sources and uses of cash for the Borrower and the Guarantor on a weekly basis for the thirteen (13) calendar weeks following the date of this DIP Financing Term Sheet.

“Cash Flow Test” has the meaning given thereto in Section 19.

“CCAA” means the *Companies' Creditors Arrangement Act* (Canada).

“Claims” has the meaning given thereto in Section 25.

“Collateral” means all of the Borrower's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof.

“Court” has the meaning given thereto in the Recitals.

“Court Approval” has the meaning given thereto in the APA; *provided that* such Court Approval must also be in form and content satisfactory to the DIP Lender, acting reasonably, and include the DIP Order.

“Court Order” and **“Court Orders”** have the meanings given thereto in Section 21(f).

“Default” means any event or condition which, with the giving of notice or lapse of time (or any combination thereof), would constitute an Event of Default

“Deposit” has the meaning given thereto in Section 10(d).

“DIP Budget” means the financial projections prepared by the Borrower, which shall be in form and substance reasonably acceptable to the DIP Lender, which financial projections may be amended from time to time in accordance with Section 19.

“DIP Documents” means, this DIP Financing Term Sheet, and all other instruments, agreements and documents from time to time executed and delivered to the DIP Lender in connection with the DIP Financing Term Sheet.

“DIP Facility” has the meaning given thereto in Section 5.

“DIP Financing Obligations” has the meaning given thereto in Section 12(d).

“DIP Lender” has the meaning given thereto in Section 3.

“DIP Lender Charge” has the meaning given thereto in Section 12(d).

“DIP Order” has the meaning given thereto in Section 12(d).

“Drawdown Request Certificate” means a drawdown request certificate in a form satisfactory to the DIP Lender, acting reasonably.

“Energy Regulator” means (a) with respect to Alberta, the Alberta Energy Regulator, and (b) with respect to any other jurisdiction, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor agency, department, ministry or commission thereto.

“Escrow Agreement” has the meaning given thereto in the APA.

“Escrow Closing” has the meaning given thereto in the APA.

“Escrow Closing Date” has the meaning given thereto in the APA.

“Escrowed Funds” has the meaning given thereto in Section 9.

“Event of Default” means a Pre Final Closing Event of Default or a Post Final Closing Date Event of Default, as the case may be.

“Excluded Taxes” means any of the following Taxes, (A) any Tax on the Overall Net Income of the DIP Lender; (B) any Withholding Tax imposed under FATCA or Taxes imposed pursuant to Part XVIII of the ITA; (C) any Tax under the ITA that would not have been imposed but for a DIP Lender (i) not dealing at arm’s length for purposes of the ITA with the Loan Parties (other than as a result of the DIP Lender being a lender to the Borrower or any of its affiliated entities under this DIP Facility or under any other lending arrangement), or (ii) being a “specified shareholder” (as defined in subsection 18(5) of the ITA) of the Loan Parties or not dealing at arm’s length for purposes of the ITA with any such specified shareholder; (D) Taxes that would not have been imposed but for the failure of a DIP Lender to timely satisfy any certification, identification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the relevant taxing jurisdiction or otherwise establishing the right to the benefit of an exemption from, or reduction in the rate of, withholding or deduction, if such compliance is required by statute, treaty, regulation or administrative practice of a relevant taxing jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes, imposed by the relevant taxing jurisdiction.

“Facilities” has the meaning given thereto in the APA.

“Facility A” has the meaning given thereto in Section 5.

“Facility Amount” has the meaning given thereto in Section 5.

“Facility B” has the meaning given thereto in Section 5.

“Filing Date” means the date of commencement of the BIA Proceedings.

“Final Closing” has the meaning given thereto in the APA.

“Governmental Authority” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantor” has the meaning given thereto in Section 2.

“Indemnified Persons” has the meaning given thereto in Section 25.

“Initial Cash Flow Forecast” has the meaning given thereto in Section 19.

“Initial DIP Budget” has the meaning given thereto in Section 19.

“Initial Funding Conditions” has the meaning given thereto in Section 12.

“ITA” means the *Income Tax Act* (Canada), as amended.

“Liability Management Rating” means the environmental liability management rating (or equivalent) governing conventional upstream oil and gas wells, facilities, and pipelines for such jurisdiction, as determined in accordance with the rules and regulations of each applicable jurisdiction and its Energy Regulator for the then relevant period.

“LIBOR” means, for any day, the rate of interest per annum (expressed on the basis of a year of 360 days) determined by the DIP Lender by reference to the rate set by ICE Benchmark Administration Limited (or any successor thereto) for an interest period of one (1) month shown on the “LIBOR01 Page” of Reuters Limited (or any replacement page which displays such rate); provided that: (a) to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, “LIBOR” shall be the interest rate per annum determined by the DIP Lender to be the average of the rates per annum at which deposits in U.S. Dollars are offered for a one (1) month period to major banks in the London interbank market in London, England by such lender as is determined by the DIP Lender, in its sole discretion; and (b) if the rate determined as aforesaid shall ever be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes of this DIP Financing Term Sheet.

“Liens” means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever.

“Marketing Agreement” has the meaning given thereto in Section 12(i).

“Material Adverse Change” means any change, condition, event or occurrence, which, when considered individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to have a material adverse effect on: (i) the financial condition, business, performance, operation, assets or property of either Loan Party as a whole including, without limitation, (a) a material adverse qualification (other than a ‘going concern’ qualification resulting from the BIA Proceedings) to any of the financial statements of the Borrower, (b) a material adverse misstatement of the financial statements of either Loan Party, (c) after the effective date of this DIP Financing Term Sheet, it is determined by the Borrower, its auditors or accountants that a restatement of the Borrower’s financial statements is or is likely to be necessary, (d) there is a material adverse restatement of the Borrower’s financial statements or (e) either party to the APA breaches any of its covenants or obligations in the APA

up to and including Final Closing; (ii) the ability of either Loan Party to timely and fully perform any of its material obligations under any of the DIP Documents, or any Court Order; or (iii) the validity or enforceability of any of the DIP Documents or the Marketing Agreement, or the rights and remedies of the DIP Lender under any of the DIP Documents or the Marketing Agreement.

"Maturity Date" means the first to occur of either the Pre Final Closing Maturity Date or Post Final Closing Maturity Date occurs.

"Original Currency" has the meaning given thereto in Section 26.

"Other Currency" has the meaning given thereto in Section 26.

"Permitted Liens" means, prior to Final Closing (i) Permitted Priority Liens, (ii) the DIP Lender Charge, (iii) validly perfected Liens existing prior to the date hereof as in effect on the date hereof; and (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, subject to the obligation to pay all such amounts as and when due; provided, however, that at all times following Final Closing **"Permitted Liens"** shall only mean those Liens identified in paragraph (iv) in this definition.

"Permitted Priority Liens" means the (i) the Administration Charge, (ii) Liens in favour of secured parties that did not receive notice of the application for the DIP Order (to the extent the DIP Lender (or its counsel) agreed based on the service list that such secured parties would not be served), (iii) Liens in respect of claims that are individually and in the aggregate immaterial, solely to the extent such Liens are not registered under a personal property registry system, (iv) purchase money security interests, and (v) any amounts payable by the Borrower for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the Excise Tax Act (Canada) (net of input credits), income tax and workers compensation claims, in the case of this item (v) solely to the extent such amounts are given priority by Applicable Law and only to the extent that the priority of such amounts have not been subordinated to the DIP Lender Charge pursuant to the Court Orders.

"Permitted Variance" has the meaning given thereto in Section 23(i).

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, unlimited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Post Final Closing Event of Default" means the occurrence of any one or more of the following events:

- (a) failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor;
- (b) failure by either Loan Party to (i) deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (ii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in item (i) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender;
- (c) any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made;
- (d) any Loan Party:

- (i) admits in writing that it is insolvent or unable to pay its liabilities as they generally become due;
 - (ii) commits an act of bankruptcy under the BIA, files a voluntary assignment in bankruptcy under the BIA, makes a proposal (or files a notice of its intention to do so) under the BIA or seeks any other relieve in respect of itself under the BIA;
 - (iii) institutes any proceedings seeking relief in respect of itself under the CCAA;
 - (iv) institutes any proceeding seeking relief in respect of itself under the WURA;
 - (v) in addition to the forgoing, institutes any other proceeding seeking: (a) to adjudicate itself an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of itself under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides for plans or schemes of reorganization, plans or schemes of arrangement or plans or schemes of compromise, in respect of itself, to be submitted or presented to creditors (or any class of creditors);
 - (vi) applies for the appointment of, or has a receiver (either court or privately appointed), interim receiver, receiver/manager (either court or privately appointed), sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official appointed in respect of it, or any substantial part of its property; or
 - (vii) threatens to do any of the foregoing, or takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this paragraph (d);
- (e) any petition is filed, application made or other proceeding instituted against or in respect of any Loan Party:
- (i) seeking to adjudicate it an insolvent person;
 - (ii) seeking a bankruptcy order against it under the BIA;
 - (iii) seeking to institute proceedings against it under the CCAA;
 - (iv) seeking to institute proceedings against it under the WURA;
 - (v) seeking, in addition to the forgoing: (a) to adjudicate it an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of it under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt, or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides plans or schemes of reorganization, plans or schemes of arrangement or plans

or schemes of compromise in respect of it, to be submitted or presented to creditors (or any class of creditors); or

- (vi) seeking the issuance of an order for the appointment of a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official in respect of it or any substantial part of its property,

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that: (a) if the Loan Party fails to contest such petition, application or proceeding the 30 day grace period shall cease to apply; (b) if an order, decree or judgment is issued (whether or not entered or subject to appeal) against the Loan Party thereunder within the 30 day period, such grace period will cease to apply, and (c) if the Loan Party files an answer or other responding materials admitting the material allegations of a petition, application or other proceeding filed against it, such grace period will cease to apply;

- (f) any other event occurs which, under the Laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of paragraphs (d) and (e) of this definition;
- (g) except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities;
- (h) as at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "**Permitted Variance**") since the most recent DIP Budget;
- (i) the Liens granted by any Loan Party to the DIP Lender shall cease to be a valid, perfected and enforceable first priority Liens senior to all other Liens, or if at any time there shall be any Liens whatsoever ranking or purporting to rank in priority to the Liens granted to the DIP Lender over the property and assets of the Borrower,
- (j) the denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the Liens granted to the DIP Lender;
- (k) the aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount;
- (l) either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course;
- (m) the making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget;
- (n) a default under, revocation or cancellation of, any material contract, or other material licence or permit;
- (o) either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the DIP Lender or any affiliate thereof to either Loan Party or any affiliate thereof;
- (p) one or more final judgments, writs of execution, garnishment or attachment representing a claim or claims in excess of \$200,000 in the aggregate against either Loan Party or the Collateral that

are not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy;

- (q) any events or conditions occur that results in any indebtedness of a Loan Party in excess of \$200,000 in the aggregate becoming due prior to its scheduled maturity date or that enables or permits (with or without the giving of notice, lapse of time or both) the holder or holders of any such indebtedness or any trustee or agent on its or their behalf to cause any such indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;
- (r) any property of any Loan Party is seized (including by way of execution, attachment, garnishment, levy or distraint), or any Lien thereon is enforced, or such property has become subject to any charging order or equitable execution of a Governmental Authority, or any writ of execution or distress warrant exists in respect of any Loan Party or the property of any of them, or any sheriff or other person becomes lawfully entitled by operation of law or otherwise to seize or distraint upon such property;
- (s) this DIP Financing Term Sheet or any other DIP Document or any obligation or other provision hereof or thereof at any time for any reason terminates or ceases to be in full force and effect and a legally valid, binding and enforceable obligation of any Loan Party, is declared to be void or voidable or is repudiated, or at any time it is unlawful or impossible for any Loan Party to perform any of its material obligations hereunder or thereunder;
- (t) any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender; or
- (u) the occurrence of a Material Adverse Change.

“Post Final Closing Maturity Date” has the meaning given thereto in Section 17.

“Pre Final Closing Event of Default” has the meaning given thereto in Section 23.

“Pre Final Closing Maturity Date” has the meaning given thereto in Section 17.

“Proposal” has the meaning given thereto in Section 17.

“Purchase Price” means \$5,000,000.

“Related Party” means, with respect to any Person, such Person’s Affiliates as well as the directors, officers and shareholders of such Person and of such Person’s Affiliates.

“Repair Costs” means costs related to the damages caused to the assets of the Borrower, directly or indirectly, by cold temperatures and plant shut-down, as duly certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

“Tax on the Overall Net Income” of the DIP Lender means any Tax imposed on or measured by net income (however denominated), franchise Taxes, Canadian federal or provincial capital Taxes and branch profits Taxes (i) that is imposed as a result of the DIP Lender being organized under the laws of, or having its principal office located in, the applicable jurisdiction imposing such Tax (or any political subdivision thereof), or (ii) that is imposed as a result of a present or former connection between the DIP Lender and the jurisdiction imposing such Tax (other than connections arising solely from the DIP Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any DIP Documents or sold or assigned an interest in the DIP Facility or the advance of the Facility Amount).

"Taxes" has the meaning given thereto in Section 32.

"Trustee" means Alvarez & Marsal Canada Inc., in its capacity as trustee to the notice of intention to make a proposal of the Borrower under the BIA.

"Variance Testing Date" means, collectively, the first Thursday after the date of this DIP Financing Term Sheet and each Thursday thereafter.

"Warner Contract" has the meaning given thereto in the APA.

"Withholding Taxes" has the meaning given thereto in Section 32.

"WURA" means *Winding Up and Restructuring Act (Canada)*.

SCHEDULE B
INITIAL DIP BUDGET

See attached.

000646

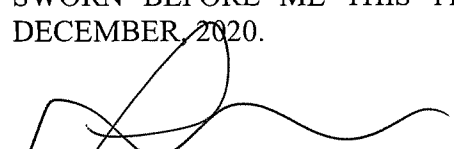
SCHEDULE C
INITIAL CASH FLOW FORECAST

See attached.

000647

THIS IS **EXHIBIT "B"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: Meer Taher Shabani Rad
To: [Allan Bezanson](#); [Robert Logan](#)
Cc: [Mehran Joozdani](#); [Michael Hibberd](#); [Mehran Pooladi-Darvish](#); [Firooz Abaszadeh](#); [Meysam Ovaici](#); [Homayoun Hodaie](#)
Subject: Re: GreenFire Update -April 2nd
Date: Thursday, April 02, 2020 10:44:35 PM

Dear Allan,

Thank you so much for the update. All of our team are very understanding of the impact of this universal financial storm and pre-occupation of GreenFire's leadership's by aftershocks and the fact, that you guys are working hard to cruise the company through this hardship.

Moreover, it will be prudent to communicate relatively precise information directly provided by GreenFire's leadership to the individuals who are presented by us. Therefore I appreciate if you kindly share a brief summary of GreenFire's total debt amount, the list of major lenders and their status/priority as discussed in our team's first meeting with you at GreenFire's office. This will help the members of our groups to understand their relative position among a lot of unknown factors.

I believe it is very important to continue this trustful relationship between GreenFire and the individual lenders by consistent and timely communication as both sides are boarded on the same ship during this unusual time.

Regards,

Taher

From: Allan Bezanson <abezanson@greenfireoilandgas.com>
Sent: April 2, 2020 1:34 PM
To: Homayoun Hodaie <homayounnyc@gmail.com>
Cc: Mehran Joozdani <mjoozdani1@gmail.com>; Michael Hibberd <mjhcanada@hotmail.com>; Meer Taher Shabani Rad <mtshrad@hotmail.com>; Mehran Pooladi-Darvish <mehran.pooladidarvish@gmail.com>; Firooz Abaszadeh <fabossab@gmail.com>; Meysam Ovaici <moaici@gmail.com>
Subject: RE: Contacts

Gents,

000650

I apologise in advance for the brevity of response, we have been on constant conference calls all week seeking solutions.

Our production of January and February averaged 5k barrels a day give or take (conservative).

We have walked our plant down to 2k barrels a day and are exploring getting it down to less than 1k (some technical plant issues to solve).

Depending on a number of factors we will decide on warm circulation over the coming weeks.

We are meeting with Enbridge early next week.

There are really no effective government measures announced that move the needle as of yet.

The only senior lender is Summit, their capital has been fully repaid it is only an interest component that is left roughly 2.5 million Usd, they have agreed to a covenant light amendment and are being quite gracious.

Hope you and your families remain safe in these trying times.

Best

Allan

From: Homayoun Hodaie <homayounyyc@gmail.com>

Sent: April 1, 2020 6:46 PM

To: Allan Bezanson <abezanson@greenfireoilandgas.com>

Cc: Mehran Joozdani <mjoozdani1@gmail.com>; Michael Hibberd <mjhcanada@hotmail.com>; Meer Taher Shabani Rad <mtshrad@hotmail.com>; Mehran Pooladi-Darvish <mehran.pooladidarvish@gmail.com>; Firooz Abaszadeh <fabossab@gmail.com>; Meysam Ovaici <movaici@gmail.com>

Subject: Re: Contacts

Hi Allan,

I hope this message finds you and your family and our friends and their families at GreenFire in good health. I would also like to thank you for all the information provided in the meeting last week about the company's current operations and financial situation.

As discussed in the meeting, communication is key in this global challenging environment, I am really glad that we have been given the opportunity to ask further questions that we have in our mind.

In this regard, I do appreciate it if my following questions/points would be addressed:

- Average monthly production of January and February 2020
- Average production of March 2020 (Most likely March production has not been reconciled with accounting system yet and production numbers based on the daily reports would be good enough to be able to compare month by month)

000651

Has the production reduced or planning to be reduced in April based on the fact that the majority of SAGD pairs are lifting the bitumen naturally?

- According to current historically low WTI price, is there any plan to stop SAGD production and convert the operation to warm circulation mode? In the meeting, it was mentioned that if this low price environment continues for another 1 to 1.5 months, the plan to start warm circulation would be considered. Is the planning for this initiative underway and is there any estimated time and schedule to implement it?
- The outcome of the negotiations with Enbridge and other Oil Sands producers to fill-up the required pipeline capacity.
- The outcome of the negotiation to take the benefit of COVID-19 economic response plan and economic relief measures announced by Federal and Provincial Governments.
- In the meeting, it was also mentioned that GreenFire has paid back the majority of the loan granted by SUMMIT (Senior Lender). The Subscription Agreement (Exhibit 6, Ranking Section) indicates that "The Debentures will be unsecured obligations of the Company until the Company's senior debt and outstanding debentures existing at Closing are repaid in full". A couple of questions to understand our position better with respect to current Senior Lender:

- Is SUMMIT (or SAF Foreman Inc.) the only Senior Lender?
- It seems that SUMMIT has less \$2MM to be repaid and they would hold the senior lender position until it is repaid in full. Just out of the curiosity, I am wondering whether SUMMIT asked to be re-paid in full and this could not happen because of the limitation in the hedge volume agreement and/or company financial resources or SUMMIT wanted to delay repayment of a small amount of their loan?

As a group, we totally understand the current tough situation GreenFire and many other Oil Sands producers are facing and we really appreciate all the hard work the company has accomplished so far in Hangingstone Asset. As you also mentioned several time in the meeting we are now on the same boat and we are trying to understand the position we are currently at and what the company's future plans will be to get through this challenging period. Hopefully this important initiative would happen by maintaining the ongoing communication.

Best
Homayoun

On Tue, Mar 24, 2020 at 1:10 PM Allan Bezanson <abezanson@greenfireoilandgas.com> wrote:

Gentlemen,

Thank you for taking the time out of a stressful week to meet. I appreciate your demeanour and thoughtfulness. We at Greenfire are working to stabilize the company and lower costs wherever possible. I will keep you posted on progress and developments as they occur.

Best

Allan

000652

From: Mehran Joozdani <mjoozdani1@gmail.com>

Sent: March 24, 2020 12:58 PM

To: Michael Hibberd <mjhcanada@hotmail.com>; Meer Taher Shabani Rad <mtshrad@hotmail.com>; Mehran Pooladi-Darvish <mehran.pooladidarvish@gmail.com>; Firooz Abaszadeh <fabossab@gmail.com>; Allan Bezanson <abezanson@greenfireoilandgas.com>; Homayoun Hodaie <homayounyvc@gmail.com>; Meysam Ovaici <moaici@gmail.com>


Subject: Contacts

Hello Everyone- Here is the contact list as requested.

Cheers,
MJ

THIS IS **EXHIBIT "C"** REFERRED TO IN THE
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SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From:
To:
Subject:
Date:
Attachments:

From: Allan Bezanson
Sent: July 23, 2020 3:38 PM
To: Michael J. Hibberd (mjhcanada@hotmail.com) <mjhcanada@hotmail.com>; Mehran Joozdani <mjoozdani1@gmail.com>
Subject: FW: CIM

Gents please see attached , feedback from John is this is going well , welcome participation.

From: John Richardson <jrichardson@bestfunds.ca>
Sent: July 23, 2020 6:28 AM
To: Allan Bezanson <abezanson@greenfireoilandgas.com>; Rob Duncan <RDuncan@newgenfunds.com>
Cc: John Richardson <jrichardson@bestfunds.ca>
Subject: RE: CIM

Gentlemen

Please find attached a copy of our Greenfire CIM.

We would appreciate your review comments and insights

John

From: Allan Bezanson <abezanson@greenfireoilandgas.com>

000655

Sent: July 22, 2020 10:28 AM

To: Rob Duncan <RDuncan@newgenfunds.com>; John Richardson <jrichardson@bestfunds.ca>

Subject: CIM

John

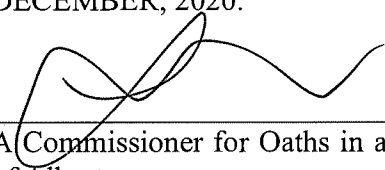
Please meet Rob via email , I believe we have all shared a glass before, Rob has kindly offered to bring forward the CIM to his fund and Hydra.

Best

Allan

THIS IS **EXHIBIT "D"** REFERRED TO IN THE
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SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: Allan Bezanson
To: [Robert Logan](#); [David Phung](#)
Subject: Fwd: Investor Group's Proposal for Green-Fire
Date: Wednesday, September 16, 2020 7:18:40 AM

Allan Bezanson
Vice Chair
Abezanson@greenfireoilandgas.com
416 427 4505
Sent from my iPhone please forgive typos

Begin forwarded message:

From: Meer Taher Shabani Rad <mtshrad@hotmail.com>
Date: September 15, 2020 at 8:39:46 PM MDT
To: Allan Bezanson <abezanson@greenfireoilandgas.com>
Subject: Investor Group's Proposal for Green-Fire

Dear Allan,

In follow-up to our recent meeting, I met with our investor group and shared the summary of our meeting with them and the fact that you have expressed genuine sympathy to our concerns and interested in hearing our group's proposals to reach a common ground about the recent issues which have been outlined in the letter sent to GF by our legal counsel.

The group decided to discuss this matter with our counsel and the following three requests are consensus in principal among the group members.

Despite the negative history, as set out in our counsel's letter, we remain open to assisting the company to move forward and avoid receivership and bankruptcy. However, given the delays, unmet promises and misrepresentations which have occurred, we will, as previously advised, require additional protections.

First, we will need some form of security for the investment. A security interest falls behind a trust interest, as claimed in our counsel's letter, so this is a concession on our part. It is also a commitment from the term sheet. The ranking of the security as between our group, Summit and the new lender can be discussed.

Second, we will want a clear and definite date for repayment. While a general timeframe has been discussed, that time frame is too long and, moreover, indefinite. We are open to discussion on the precise timetable.

000658

We additionally need to have an equity interest in the company, which would provide some upside in the event the company successfully turns itself around. We can discuss the form and level of equity interest.


All of the foregoing would be set forth in a binding forbearance agreement to be drafted by our respective legal counsel. Going forward, we believe it is crucial that any further discussions shall be done by both parties' respective counsels.

Regards,

Taher

THIS IS **EXHIBIT "E"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: Meer Taher Shabani Rad
To: [Robert Logan](#)
Cc: [Douglas Nishimura](#); [Mehran Joozdani](#); [Allan Bezanson](#); [David Phung](#)
Subject: RE: Interim/Bridge financing - Green Fire
Date: Wednesday, October 21, 2020 8:19:28 PM
Attachments: [Outlook-5b4uk05m.png](#)
[Outlook-5hocnkd.png](#)

Hello Robert,

Thank you for the offer. I have discussed the matter of contribution for interim financing with our group. Prior to coming up with a final decision, group is waiting to hear from our counsel about few issues raised by the group in this regard. Considering our previous challenging experience with GreenFire, their preference is that any decision from our side will be communicated through our counsel.

Regards,
Taher

From: Robert Logan <rlogan@greenfireoilandgas.com>
Sent: October 21, 2020 2:51 PM
To: Meer Taher Shabani Rad <mtshrad@hotmail.com>
Cc: Allan Bezanson <abezanson@greenfireoilandgas.com>; David Phung <dphung@greenfireoilandgas.com>; Douglas Nishimura <DNishimura@fieldlaw.com>
Subject: RE: Interim/Bridge financing - Green Fire

Hi Taher,

Do you have some time for a call tonight to discuss the term sheet?

Best regards,

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Oil and Gas Ltd.

403-465-2321 (cell)

rlogan@greenfireoilandgas.com



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000661

From: Meer Taher Shabani Rad <mtshrad@hotmail.com>
Sent: October 19, 2020 9:19 PM
To: Robert Logan <rlogan@greenfireoilandgas.com>
Cc: Allan Bezanson <abezanson@greenfireoilandgas.com>; David Phung <dphung@greenfireoilandgas.com>; Douglas Nishimura <DNishimura@fieldlaw.com>
Subject: Re: Interim/Bridge financing - Green Fire

Thank you, Robert. I will set-up a meeting with our group to discuss this with the members and will share the feedback with GreenFire.

Regards, Taher

From: Robert Logan <rlogan@greenfireoilandgas.com>
Sent: October 19, 2020 3:48 PM
To: mtshrad@hotmail.com <mtshrad@hotmail.com>
Cc: Allan Bezanson <abezanson@greenfireoilandgas.com>; David Phung <dphung@greenfireoilandgas.com>; Douglas Nishimura <DNishimura@fieldlaw.com>
Subject: RE: Interim/Bridge financing - Green Fire

Without Prejudice

Taher, thank you for reaching out. As you know, Greenfire is in need of interim bridge financing in the near term and we are hopeful related parties such as yourself are open to helping.

Please see attached for a draft term sheet provided to us by BDP. We have inputted CAD \$3 million, which may provide the approximate funds for Greenfire to bridge to the current contemplated larger refinancing with McIntyre. The broad terms include a 6-month maturity date or earlier, 15% interest rate and a royalty payment upon repayment of the DIP loan. Although we've inputted CAD \$3 million, if there was a larger investment of approximately CAD \$8 million, it would likely provide sufficient funds to attain a cash flow profile whereby the DIP may be substantially repaid out of organic cash flows in the March/April 2021 timeframe. Please see the attached model that we have been working with and have provided to Alvarez and Marsal, our Proposal Trustee.

As for the term sheet from McIntyre, we had signed a previous version that was structured to be outside of a formal court process. Now that we are in the formal process, we expect to receive the new term sheet tomorrow with different terms. Once we receive it and have permission to share it, we will forward it to you and your counsel if you remain interested in providing DIP financing. After reviewing the materials, I suggest we have a discussion to answer any further questions you may have. Thereafter, if there is still interest, we suggest we setup a call with McIntyre to answer any additional questions you may have and as part of your diligence before making a final decision.

Best regards,

000662

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Oil and Gas Ltd.

403-465-2321 (cell)

rlogan@greenfireoilandgas.com



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From: Allan Bezanson <abezanson@greenfireoilandgas.com>

Sent: October 19, 2020 2:23 PM

To: Robert Logan <rlogan@greenfireoilandgas.com>; David Phung <dphung@greenfireoilandgas.com>

Subject: FW: Interim/Bridge financing - Green Fire

Importance: High

From: Meer Taher Shabani Rad <mtshrad@hotmail.com>

Sent: October 19, 2020 2:22 PM

To: Allan Bezanson <abezanson@greenfireoilandgas.com>

Cc: Douglas Nishimura <DNishimura@fieldlaw.com>

Subject: Interim/Bridge financing - Green Fire

Importance: High

Hi Allan,

Following the Richardson's/The Best's decision to withdraw his/the company's intention/interest for financing Green Fire's operation, and current ongoing negotiation with McIntyre or any other third party, could you please share the term sheet for the new Interim/Bridge financing applications with us as our counsel is interested in reviewing these conditions.

Also, I am wondering, if there is any place for the involvement of other GF's related parties/stakeholders, to be involved in part to contribute to this this new proposal?

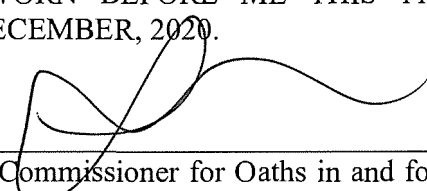
Regards,

000663

Taher

THIS IS **EXHIBIT "F"** REFERRED TO IN THE
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A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: Douglas Nishimura
To: [Ryan Algar](#)
Cc: [Meer Taher Shabani Rad \(mtshrad@hotmail.com\)](mailto:mtshrad@hotmail.com); [Doug McNeill \(doug.mcneill@sfr4.com\)](mailto:doug.mcneill@sfr4.com); [David LeGeyt](#)
Subject: Re: [EXT] RE: In the Matter of the BIA; And in the Matter of the Notice of Intention to Make a Proposal of Greenfire et al; Estate nos. 25-2679073 and 25-2679074 - Proofs of Filing
Date: Thursday, November 05, 2020 1:14:23 PM

I'm tied up today.

Sent from my iPhone

On Nov 5, 2020, at 1:13 PM, Ryan Algar wrote:

Sorry, Doug.

I have been tied up all day on calls.

How is your afternoon?

Ryan Algar
Associate

BD&P T403.260.0126 F403.260.0332 E ralgar@bdplaw.com

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On Nov 5, 2020, at 9:00 AM, Douglas Nishimura wrote:

Thank you for this notice. My clients will support an extension, whereas they would have been opposed to a sale.

My clients wish to schedule a meeting with interested parties regarding potentially participating in DIP and/or sale of the project. We have spoken with another investor who may also be interested, and Summit's participation and/or at least input would also be necessary.

I suggest that you coordinate such a meeting asap, so that the immediate financing needs can potentially be addressed.

<!--[if !vml]--><!--



Douglas S Nishimura | Partner
T 403-260-8548 | F 403-264-7084 | dnishimura@fieldlaw.com
400 – 444 7 AVE SW, Calgary AB T2P 0X8

[endif]-->

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From: Felicia Favell [<mailto:ffavell@bdplaw.com>]

Sent: Thursday, November 05, 2020 8:26 AM

To: Ryan Algar; Catrina Webster (cwebster@mltaikins.com); Glenn Blackett (Blackett@carscallen.com); Kelsey Meyer (meyerk@bennettjones.com); Kristen Kress Professional Corporation ([Hello@Kresslaw.Ca](mailto>Hello@Kresslaw.Ca)); Jill Medhurst-Tivadar (jill.medhurst-tivadar@justice.gc.ca); Ryan Zahara (rzahara@mltaikins.com); Maria Lavelle (maria.lavelle@aer.ca); Adam Maerov (adam.maerov@mcmillan.ca); Kourtney Rylands (Kourtney.Rylands@mcmillan.ca); Courtney Kachur (Courtney.Kachur@RoseLLP.com); Karen Fellows

000666

(KFellowes@stikeman.com); Reh Mulji - ATB Financial (rmulji@atb.com); Kristen Kress (kkress@kresslaw.ca); Jonathan Bouchier (jbouchier@mltaikins.com); AER (Insolvency@aer.ca); Calvin Robb (Crobb@Milesdavison.com); Scott W. Caine (scottwcaine@yahoo.com); Leland Corbett (lcorbett@stikeman.com); Andrea Stempien (stempiena@bennettjones.com); Kurtis Letwin (kurtis.letwin@dentons.com); Clayton Martin (cmartin2@atb.com); Danielle Marechal (dmarechal@casselsbrock.com); Rick Pawluk (rpawluk@mccarthy.ca); Warren B. Nishimura (warren.nishimura@blakes.com); Ryan Flewelling (RFlewelling@dsavocats.ca); George Body (george.body@justice.gc.ca); AM-GAS Services Inc. (lagacel@telusplanet.net); Fraser Gordon (fraser@2020law.ca); Sam Gabor (sam.gabor@dentons.com); Amy Diaz (adiaz@stringam.ca); Liam Kelley (lkelly@wittenlaw.com); Tara McCarthy (tmccarthy@cassels.com); Kim Beachum; David Mann (david.mann@dentons.com); James Reid (james.reid@blakes.com); Duncan MacRae (dmacrae@alvarezandmarsal.com); Jerrett Strueby (jkstrueby@altalaw.ca); R. Craig Steel (craig@dbhlip.com); Douglas Nishimura; Orest Konowalchuk (okonowalchuk@alvarezandmarsal.com); Jeffrey Oliver (joliver@casselsbrock.com); Mike Cashion (mike@cashionlegal.com); Chuck Russell (crussell@mross.com); Kashuba, Kyle

Cc: David LeGeyt; Tasha Wood

Subject: RE: In the Matter of the BIA; And in the Matter of the Notice of Intention to Make a Proposal of Greenfire et al; Estate nos. 25-2679073 and 25-2679074 - Proofs of Filing

Good Morning,

Enclosed please find correspondence sent on behalf of Ryan Algar to Madam Justice K.M. Horner, with respect to the above-noted matter.

Should you have any questions or concerns, please do not hesitate to contact our office.

Yours truly,

Felicia Favell
403.260.0204

BD&P BURNET, DUCKWORTH & PALMER LLP Law Firm

From: Ryan Algar <ralgar@bdplaw.com>

Sent: Monday, November 02, 2020 4:27 PM

To: Catrina Webster (cwebster@mltaikins.com) <cwebster@mltaikins.com>; Glenn Blackett (Blackett@carscallen.com) <Blackett@carscallen.com>; Kelsey Meyer (meyerk@bennettjones.com) <meyerk@bennettjones.com>; Kristen Kress Professional Corporation ([Hello@Kresslaw.Ca](mailto>Hello@Kresslaw.Ca)) <[Hello@Kresslaw.Ca](mailto>Hello@Kresslaw.Ca)>; Jill Medhurst-Tivadar (jill.medhurst-tivadar@justice.gc.ca) <jill.medhurst-tivadar@justice.gc.ca>; Ryan Zahara (rzahara@mltaikins.com) <rzahara@mltaikins.com>; Maria Lavelle (maria.lavelle@aer.ca) <maria.lavelle@aer.ca>; Adam Maerov (adam.maerov@mcmillan.ca) <adam.maerov@mcmillan.ca>; Kourtney Rylands (Kourtney.Rylands@mcmillan.ca) <Kourtney.Rylands@mcmillan.ca>; Courtney Kachur (Courtney.Kachur@RoseLLP.com) <Courtney.Kachur@RoseLLP.com>; Karen Fellows (KFellowes@stikeman.com) <KFellowes@stikeman.com>; Reh Mulji - ATB Financial (rmulji@atb.com) <rmulji@atb.com>; Kristen Kress (kkress@kresslaw.ca) <kkress@kresslaw.ca>; Jonathan Bouchier (jbouchier@mltaikins.com) <jbouchier@mltaikins.com>; AER (Insolvency@aer.ca) <Insolvency@aer.ca>; Calvin Robb (Crobb@Milesdavison.com) <Crobb@Milesdavison.com>; Scott W. Caine (scottwcaine@yahoo.com) <scottwcaine@yahoo.com>; Leland Corbett (lcorbett@stikeman.com) <lcorbett@stikeman.com>; Andrea Stempien (stempiena@bennettjones.com) <stempiena@bennettjones.com>; Kurtis Letwin (kurtis.letwin@dentons.com) <kurtis.letwin@dentons.com>; Clayton Martin (cmartin2@atb.com) <cmartin2@atb.com>; Danielle Marechal

000667

(dmarechal@casselsbrock.com) <dmarechal@casselsbrock.com>; Rick Pawluk (rpawluk@mccarthy.ca) <rpawluk@mccarthy.ca>; Warren B. Nishimura (warren.nishimura@blakes.com) <warren.nishimura@blakes.com>; Ryan Flewelling (RFlewelling@dsavocats.ca) <RFlewelling@dsavocats.ca>; George Body (george.body@justice.gc.ca) <george.body@justice.gc.ca>; AM-GAS SERVICES Inc. (lagacel@telusplanet.net) <lagacel@telusplanet.net>; Fraser Gordon (fraser@2020law.ca) <fraser@2020law.ca>; Sam Gabor (sam.gabor@dentons.com) <sam.gabor@dentons.com>; Amy Diaz (adiaz@stringam.ca) <adiaz@stringam.ca>; Liam Kelley (lkelly@wittenlaw.com) <lkelly@wittenlaw.com>; Tara McCarthy (tmccarthy@cassels.com) <tmccarthy@cassels.com>; Kim Beachum (kbeachum@fieldlaw.com) <kbeachum@fieldlaw.com>; David Mann (david.mann@dentons.com) <david.mann@dentons.com>; James Reid (james.reid@blakes.com) <james.reid@blakes.com>; Duncan MacRae (dmacrae@alvarezandmarsal.com) <dmacrae@alvarezandmarsal.com>; Jerrett Strueby (jkstrueby@altalaw.ca) <jkstrueby@altalaw.ca>; R. Craig Steel (craig@dbhllp.com) <craig@dbhllp.com>; Douglas Nishimura (dnishimura@fieldlaw.com) <dnishimura@fieldlaw.com>; Orest Konowalchuk (okonowalchuk@alvarezandmarsal.com) <okonowalchuk@alvarezandmarsal.com>; Jeffrey Oliver (joliver@casselsbrock.com) <joliver@casselsbrock.com>; Mike Cashion (mike@cashionlegal.com) <mike@cashionlegal.com>; Chuck Russell (crussell@mross.com) <crussell@mross.com>; Kashuba, Kyle <kkashuba@torys.com>
Cc: David LeGeyt <dlegeyt@bdplaw.com>; Felicia Favell <ffavell@bdplaw.com>; Tasha Wood <nwood@bdplaw.com>

Subject: RE: In the Matter of the BIA; And in the Matter of the Notice of Intention to Make a Proposal of Greenfire et al; Estate nos. 25-2679073 and 25-2679074 - Proofs of Filing

All,

In connection with Greenfire's application scheduled for this Friday at 2:00PM, and in accordance with the direction of Justice Horner, attached please find the following:

1. Application (to be filed)
2. Affidavit No.1 of Robert Logan, sworn October 9, 2020 (previously served);
3. Affidavit No2. of Robert Logan, sworn November 2, 2020 (to be filed); and
4. Webex instructions.

Please note that the Webex instructions refer to a previous matter scheduled for this same time but is in fact for this matter.

Please do not hesitate to contact me with any questions.

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 C403.585.7826 F403.260.0332 E ralgar@bdplaw.com

We at BD&P are here to help you in this chaotic and tough time. Even if we aren't physically in our office, we will always respond to your emails and your calls, and if I'm not the right person to answer your question I will find one of my colleagues to assist you. Stay healthy.

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000668

From: Annie Gillis-Tapp

Sent: Thursday, October 29, 2020 3:58 PM

To: Catrina Webster (cwebster@mltaikins.com) ; Glenn Blackett (Blackett@carscallen.com) ; Kelsey Meyer (meyerk@bennettjones.com) ; Kristen Kress Professional Corporation (Hello@Kresslaw.Ca) ; Jill Medhurst-Tivadar (jill.medhurst-tivadar@justice.gc.ca) ; Ryan Zahara (rzahara@mltaikins.com) ; Maria Lavelle (maria.lavelle@aer.ca) ; Adam Maerov (adam.maerov@mcmillan.ca) ; Kourtney Rylands (Kourtney.Rylands@mcmillan.ca) ; Courtney Kachur (Courtney.Kachur@RoselLP.com) ; Karen Fellows (KFellows@stikeman.com) ; Reh Mulji - ATB Financial (rmulji@atb.com) ; Kristen Kress (kkress@kresslaw.ca) ; Jonathan Bouchier (jbouchier@mltaikins.com) ; AER (Insolvency@aer.ca) ; Calvin Robb (Crobb@Milesdavisson.com) ; Scott W. Caine (scottwcaine@yahoo.com) ; Leland Corbett (lcorbett@stikeman.com) ; Andrea Stempien (stempiana@bennettjones.com) ; Kurtis Letwin (kurtis.letwin@dentons.com) ; Clayton Martin (cmartin2@atb.com) ; Danielle Marechal (dmarechal@casselsbrock.com) ; Rick Pawluk (rpawluk@mccarthy.ca) ; Warren B. Nishimura (warren.nishimura@blakes.com) ; Ryan Flewelling (RFlewelling@dsavocats.ca) ; George Body (george.body@justice.gc.ca) ; AM-GAS SERVICES Inc. (lagacel@telusplanet.net) ; Fraser Gordon (fraser@2020law.ca) ; Sam Gabor (sam.gabor@dentons.com) ; Amy Diaz (adiaz@stringam.ca) ; Liam Kelley (lkelly@wittenlaw.com) ; Tara McCarthy (tmccarthy@cassels.com) ; Kim Beachum (kbeachum@fieldlaw.com) ; David Mann (david.mann@dentons.com) ; James Reid (james.reid@blakes.com) ; Duncan MacRae (dmacrae@alvarezandmarsal.com) ; Jerrett Strueby (jksrueby@altalaw.ca) ; R. Craig Steel (craig@dbhlip.com) ; Douglas Nishimura (dnishimura@fieldlaw.com) ; Orest Konowalchuk (okonowalchuk@alvarezandmarsal.com) ; Jeffrey Oliver (joliver@casselsbrock.com) ; Mike Cashion (mike@cashionlegal.com) ; Chuck Russell (crussell@mross.com)

Cc: Ryan Algar ; David LeGeyt

Subject: In the Matter of the BIA; And in the Matter of the Notice of Intention to Make a Proposal of Greenfire et al; Estate nos. 25-2679073 and 25-2679074 - Proofs of Filing

I'm using Mimecast to share large files with you. Please see the attached instructions.

Good afternoon,

Please see the attached correspondence and Proofs of Filing sent on behalf of Ryan Algar.

To access the documents, please follow the instructions below.

Step by step instructions on how to access the documents:

1. Click on the attachment in my email called "Mimecast Large File Send Instructions".
2. A second email will pop up. On there, select "Download Files".
3. Your internet browser will open to a screen with an Orange button "Get Access Key".
4. Select "Get Access Key".
5. The recipient of the original email will receive an email with their access code (a series of various letters). Copy and paste the access code from your email, into the web browser, and you can Log in to view and download the materials.
6. **Important Note: Please download and save the attachments to your computer, as this link is only valid for 90 days.**

000669

Kind regards,

Annie Gillis-Tapp

Legal Assistant to David LeGeyt | Ryan Algar

Pronouns: she/her

BURNET, DUCKWORTH & PALMER LLP Law Firm

Telephone 403.267.1611 **Fax** 403.260.0332 **Web** BDPLAW.COM **Address** Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1

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000670

THIS IS **EXHIBIT "G"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: [Ryan Algar](#)
To: ["Douglas Nishimura"](#)
Cc: [David LeGeyt](#); [Orest Konowalchuk](#)
Subject: RE: [EXT] Greenfire
Date: Friday, November 06, 2020 10:58:57 AM

Hi Doug,

We can certainly do that. Look forward to your support.

Thanks,

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 C403.585.7826 F403.260.0332 E ralgar@bdplaw.com



We at BD&P are here to help you in this chaotic and tough time. Even if we aren't physically in our office, we will always respond to your emails and your calls, and if I'm not the right person to answer your question I will find one of my colleagues to assist you. Stay healthy.

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From: Douglas Nishimura <DNishimura@fieldlaw.com>

Sent: Friday, November 06, 2020 10:56 AM

To: Ryan Algar <ralgar@bdplaw.com>

Cc: David LeGeyt <dlegeyt@bdplaw.com>; Orest Konowalchuk <okonowalchuk@alvarezandmarsal.com>

Subject: Re: [EXT] Greenfire

I would be satisfied with a commitment to request a meeting from such interested parties, particularly the lenders and investors. My suggestion is simply that a letter be sent to those parties suggesting a group session on how to save the company and satisfy all parties.

Purchasers are optional.

On Nov 6, 2020, at 10:35 AM, Ryan Algar <ralgar@bdplaw.com> wrote:

Hi Doug,

000672

Greenfire and the proposal trustee are always available to meet with Greenfire's stakeholders. I'm not sure Greenfire can commit to bringing all of those parties to the table as it is (i) outside of Greenfire's control and (ii) the net you have casted includes a number of "potential" parties. That being said, if you would to suggest something, we can certainly pass it along.

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 F403.260.0332 E ralgar@bdplaw.com

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On Nov 6, 2020, at 9:00 AM, Douglas Nishimura
<DNishimura@fieldlaw.com> wrote:

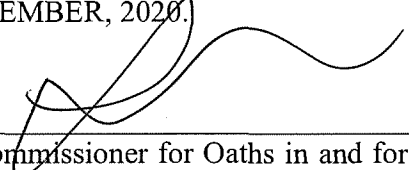
Ryan, I am instructed to support the extension provided that your client can commit to a meeting among all large stakeholders (lenders, potential DIP/purchasers and investors) in the near future.

Please let me know.

000673

THIS IS **EXHIBIT "H"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

From: Douglas Nishimura
To: [Ryan Algar](mailto:Ryan.Algar)
Subject: [EXT] Re: Greenfire
Date: Friday, November 27, 2020 5:27:02 PM

I'm sorry, I thought I responded. I will make any time work.

On Nov 27, 2020, at 5:25 PM, Ryan Algar <ralgar@bdplaw.com> wrote:

Hi Doug,

Further to my email, I have requested everyone's availability. To date, I heard only from Sean Morgan of Werklund and no one else.

If you would like to provide availability for next week, we will do our best to find a time that works for all parties.

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 C403.585.7826 F403.260.0332 E ralgar@bdplaw.com

[<image001.jpg>](#)

We at BD&P are here to help you in this chaotic and tough time. Even if we aren't physically in our office, we will always respond to your emails and your calls, and if I'm not the right person to answer your question I will find one of my colleagues to assist you. Stay healthy.

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From: Douglas Nishimura <DNishimura@fieldlaw.com>
Sent: Friday, November 27, 2020 3:26 PM
To: Ryan Algar <ralgar@bdplaw.com>; 'stephanie.campbell@dentons.com' <stephanie.campbell@dentons.com>; 'doug.mcneill@sfr4.com' <doug.mcneill@sfr4.com>; 'ma_albert@hotmail.com' <ma_albert@hotmail.com>; 'Oliver Davidson' <oliver.davidson@werklund.com>
Cc: David LeGeyt <dlegeyt@bdplaw.com>; 'Konowalchuk, Orest' <okonowalchuk@alvarezandmarsal.com>; 'adam.maerov@mcmillan.ca' <adam.maerov@mcmillan.ca>; 'kourtney.rylands@mcmillan.ca' <kourtney.rylands@mcmillan.ca>; 'MacRae, Duncan' <dmacrae@alvarezandmarsal.com>; 'Robert Logan' <rlogan@greenfireoilandgas.com>
Subject: [EXT] RE: Greenfire

I haven't heard of any meeting date – can we please set something asap?

<!--[if !vml]--><!--



Douglas S Nishimura | Partner
T 403-260-8548 | F 403-264-7084 | dnishimura@fieldlaw.com
400 – 444 7 AVE SW, Calgary AB T2P 0X8

000675

[endif]-->

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From: Ryan Algar [<mailto:ralgar@bdplaw.com>]
Sent: Tuesday, November 24, 2020 9:27 AM
To: Douglas Nishimura; 'stephanie.campbell@dentons.com'; 'doug.mcneill@sfr4.com'; 'ma_albert@hotmail.com'; 'Oliver Davidson'
Cc: David LeGeyt; 'Konowalchuk, Orest'; 'adam.maerov@mcmillan.ca'; 'kourtney.rylands@mcmillan.ca'; 'MacRae, Duncan'; 'Robert Logan'
Subject: RE: Greenfire

All,

As you may be aware, on November 17, 2020, Greenfire obtained an extension to its stay of proceedings until December 8, 2020 as well as an Order granting it relief with respect to a Marketing Agreement previously entered into with Warner Petroleum Corporation.

Please advise of your schedules for the balance of the week and Greenfire and the Proposal Trustee will endeavour to pick a time that works for all parties. Please note that Mr. Oliver's clients (BEST) and Mr. Reid's (Summit) have declined the invitation to participate.

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 C403.585.7826 F403.260.0332 E ralgar@bdplaw.com

[<image001.jpg>](#)

We at BD&P are here to help you in this chaotic and tough time. Even if we aren't physically in our office, we will always respond to your emails and your calls, and if I'm not the right person to answer your question I will find one of my colleagues to assist you. Stay healthy.

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From: Douglas Nishimura <DNishimura@fieldlaw.com>
Sent: Tuesday, November 10, 2020 10:14 AM
To: Ryan Algar <ralgar@bdplaw.com>; 'Reid, James' <james.reid@blakes.com>; 'david@werkklund.com' <david@werkklund.com>; 'Jeffrey Oliver (joliver@casselsbrock.com)' <joliver@casselsbrock.com>; 'stephanie.campbell@dentons.com' <stephanie.campbell@dentons.com>; 'doug.mcneill@sfr4.com' <doug.mcneill@sfr4.com>; 'ma_albert@hotmail.com' <ma_albert@hotmail.com>
Cc: David LeGeyt <dlegeyt@bdplaw.com>; 'Konowalchuk, Orest' <okonowalchuk@alvarezandmarsal.com>; 'adam.maerov@mcmillan.ca' <adam.maerov@mcmillan.ca>; 'kourtney.rylands@mcmillan.ca' <kourtney.rylands@mcmillan.ca>; 'MacRae, Duncan' <dmacrae@alvarezandmarsal.com>; 'Robert Logan' <rlogan@greenfireoilandgas.com>
Subject: [EXT] RE: Greenfire

I am generally available, however, I would like at least one of my clients to be present. They are also generally available each day but in the late afternoon.

<!--[if !vml]--><!--

000676



Douglas S Nishimura | Partner
T 403-260-8548 | F 403-264-7084 | dnishimura@fieldlaw.com
400 – 444 7 AVE SW, Calgary AB T2P 0X8

[endif]-->

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From: Ryan Algar [<mailto:ralgar@bdplaw.com>]
Sent: Monday, November 09, 2020 12:17 PM
To: Douglas Nishimura; 'Reid, James'; 'david@werkklund.com'; 'Jeffrey Oliver (joliver@casselsbrock.com)'; 'stephanie.campbell@dentons.com'; 'doug.mcneill@sfr4.com'; 'ma_albert@hotmail.com'
Cc: David LeGeyt; 'Konowalchuk, Orest'; 'adam.maerov@mcmillan.ca'; 'kourtney.rylands@mcmillan.ca'; 'MacRae, Duncan'; 'Robert Logan'
Subject: RE: Greenfire

All,

I have copied Mr. McNeill and Mr. Ma on this email now as well.

Ryan

Ryan Algar
Associate

BD&P T403.260.0126 C403.585.7826 F403.260.0332 E ralgar@bdplaw.com

[<image001.jpg>](#)

We at BD&P are here to help you in this chaotic and tough time. Even if we aren't physically in our office, we will always respond to your emails and your calls, and if I'm not the right person to answer your question I will find one of my colleagues to assist you. Stay healthy.

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From: Ryan Algar
Sent: Monday, November 09, 2020 12:03 PM
To: 'Douglas Nishimura' <DNishimura@fieldlaw.com>; 'Reid, James' <james.reid@blakes.com>; 'david@werkklund.com' <david@werkklund.com>; Jeffrey Oliver (joliver@casselsbrock.com) <joliver@casselsbrock.com>; 'stephanie.campbell@dentons.com' <stephanie.campbell@dentons.com>; 'stephanie.campbell@dentons.com' <stephanie.campbell@dentons.com>; 'stephanie.campbell@dentons.com' <stephanie.campbell@dentons.com>
Cc: David LeGeyt <dlegeyt@bdplaw.com>; 'Konowalchuk, Orest' <okonowalchuk@alvarezandmarsal.com>; 'adam.maerov@mcmillan.ca' <adam.maerov@mcmillan.ca>; 'kourtney.rylands@mcmillan.ca' <kourtney.rylands@mcmillan.ca>; MacRae, Duncan <dmacrae@alvarezandmarsal.com>
Subject: Greenfire

All,

At the request of Mr. Nishimura for a meeting of interested parties, particularly investors and lenders, Greenfire is seeking the availability of you or your clients.

BD&P and the Proposal Trustee are available to answer any questions you may have. Please let us know if you have availability in the coming days or next week to discuss.

000677

Ryan

Ryan Algar
Associate

BD&P BURNET, DUCKWORTH & PALMER LLP Law Firm

Telephone 403.260.0126 **Cell** 403.585.7826 **Fax** 403.260.0332 **Web** BDPLAW.COM **Address** Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1

[<image001.jpg>](#)


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000678

THIS IS **EXHIBIT "I"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

Greenfire Hangingstone Operating Corporation


Weekly Cash Flow Statement ending March 5, 2021

\$CAD 000's

Notes week ended	Forecast													13-week total Total
	Week 1 11-Dec-20	Week 2 18-Dec-20	Week 3 25-Dec-20	Week 4 1-Jan-21	Week 5 8-Jan-21	Week 6 15-Jan-21	Week 7 22-Jan-21	Week 8 29-Jan-21	Week 9 5-Feb-21	Week 10 12-Feb-21	Week 11 19-Feb-21	Week 12 26-Feb-21	Week 13 5-Mar-21	
Cash Receipts														
Oil receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Disbursements														
Transportation and marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural gas and electricity	350	-	-	200	-	-	-	-	50	50	50	50	50	800
Contractor and employee expenses	80	-	-	-	80	-	-	-	20	20	20	20	20	260
Chemicals, consumables and trucking	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Camp and travel	16	-	-	-	16	-	-	-	4	4	4	4	4	51
Regulatory	9	-	-	-	9	-	-	-	2	2	2	2	2	28
Maintenance	8	-	-	-	8	-	-	-	2	2	2	2	2	25
Other operating expenses	84	-	-	-	84	-	-	-	21	21	21	21	21	274
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating cash disbursements	546	-	-	200	196	-	-	-	99	99	99	99	99	1,437
Operating Net Cash Flow	(546)	-	-	(200)	(196)	-	-	-	(99)	(99)	(99)	(99)	(99)	(1,437)
Capital Cash Disbursements														
Repair costs	733	733	733	-	-	-	-	-	-	-	-	-	-	2,200
Drilling, facilities and other acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total capital cash disbursements	733	733	733	-	-	-	-	-	-	-	-	-	-	2,200
Non-Operating Cash Disbursements														
Salaries & benefits	-	-	-	30	-	30	-	30	-	30	-	30	-	150
Bank charges & interest	-	-	-	24	-	-	-	-	52	-	-	-	47	123
GST remittance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating cash disbursements	-	-	-	54	-	30	-	30	52	30	-	30	47	273
Net Cash Flow	(1,279)	(733)	(733)	(254)	(196)	(30)	-	(30)	(151)	(129)	(99)	(129)	(146)	(3,910)

THIS IS **EXHIBIT "J"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

Via Email (meyerk@bennettjones.com)

December 10, 2020

Bennett Jones LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

Attention: Kelsey Meyer

Dear Ms. Meyer:

Re: Non-Competition Allegations in April 15, 2019 Marketing Agreement (the "Marketing Agreement")

As you are aware, we are counsel to Greenfire Hangingstone Operating Corporation and Greenfire Oil & Gas Ltd. (collectively, Greenfire). We write further to the correspondence from Warner Petroleum Corporation ("Warner") to Greenfire dated November 27, 2020 with respect to the Marketing Agreement (the "Non-Compete Notice").

Mischaracterization of Section 9.5(b)

Warner has referenced the survival provisions of the Marketing Agreement in reference to section 9.5(b) of the Marketing Agreement, which states:

Greenfire hereby covenants and agrees with Warner Petroleum that, commencing on the date the Term expires or terminates in accordance with the terms of this Agreement and ending on a date that is two (2) years from the date of termination or expiry, it will not, and it will not permit any of its Affiliates to, directly or indirectly, without the prior written consent of Warner Petroleum, solicit or entice, or attempt to solicit or entice any of the customers, buyers or suppliers of Warner Petroleum or any of their Affiliates that are known to Greenfire to be customers, buyers or suppliers of Warner Petroleum or any of their Affiliates, to cease doing any business with Warner Petroleum and do business with Greenfire instead. [emphasis added]

In the Non-Compete Notice, Warner has mischaracterized the interpretation, purpose and intent of Section 9.5(b). In particular, in particular by ignoring the impact of the bold portion referenced above.

10686727.1

In any event, Greenfire has not solicited any party to cease doing business with Warner, and so this provision has no application.

Further, Warner has, in providing its list of "Customers, Buyers and Suppliers" (as defined in the Non-Compete Notice), in effect, listed every commercial party that Greenfire is in a position to sell its Product to in Alberta and Saskatchewan. Greenfire cannot, and did not agree to be, so restricted in the Marketing Agreement.

The Marketing Agreement is disclaimed

Further, as you are aware, Greenfire has disclaimed the Marketing Agreement pursuant to the *Bankruptcy and Insolvency Act*, and the Court has approved the disclaimer. This court-approved disclaimer is not a "termination" within the meaning of the Marketing Agreement, and so there are no terms which survive the disclaimer and bind Greenfire. Rather, the legal effect of the disclaimer is to free Greenfire from any obligations it may have had under the Marketing Agreement, including those which may survive its "termination". For this additional reason, the Non-Compete Notice is misplaced and without effect.

Warner's Application was Dismissed

As you are further aware, in Warner's application filed November 16, 2020, Warner sought, among other things, a declaration that "Greenfire is bound by all of its contractual obligations under the Marketing Agreement that persist beyond termination, including the obligation not to solicit Warner's customers, buyers, or suppliers". This application by Warner was dismissed and Justice Little's Order states that: "Warner's Application with respect to the Marketing Agreement filed November 16, 2020 is hereby dismissed". Accordingly, the Court has considered this issue and rejected the notion that Greenfire has any ongoing obligations under the Marketing Agreement as asserted in the Non-Compete Notice, or otherwise.

Summary

In summary:

- Greenfire has disclaimed the Marketing Agreement and has no further obligations thereunder;
- Warner's application with respect to the Marketing Agreement, including the survival of any obligations thereunder was dismissed; and
- In the event any obligations survive the disclaimer of the Marketing Agreement, Warner has mischaracterized the scope of section 9.5 of the Marketing Agreement. Greenfire has not, and will not at any point take steps to "solicit or entice, or attempt to solicit or entice any of the customers, buyers or suppliers of Warner Petroleum... to cease doing any business *with* Warner Petroleum and do business with Greenfire *instead*":
 - Greenfire is entitled to conduct business with any of the "Customers, Buyers and Suppliers" provided that it is not soliciting such entities to do business with Greenfire *instead* of Warner; and

- Warner has included in its list of Customers, Buyers and Suppliers, those entities who were already purchasers of Greenfire's product prior to entering into the Marketing Agreement.

Yours truly,

BURNET, DUCKWORTH & PALMER LLP

A handwritten signature in black ink, appearing to read "David LeGeyt", with a long horizontal stroke extending to the right.

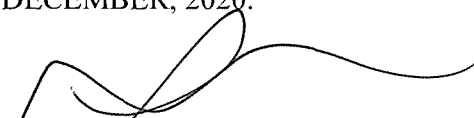
David LeGeyt

DLG/rea

cc: James Murphy, Ashley Weldon & Ryan Algar, Burnet Duckworth & Palmer (*via* email)
Orest Konowalchuk & Duncan MacRae, Alvarez & Marsal Canada Inc. (*via* email)
Adam Maerov & Kourtney Rylands, McMillan LLP (*via* email)
Robert Logan, Greenfire (*via* email)

THIS IS **EXHIBIT "K"** REFERRED TO IN THE
AFFIDAVIT OF ROBERT B. LOGAN

SWORN BEFORE ME THIS 11TH DAY OF
DECEMBER, 2020.



A Commissioner for Oaths in and for the Province
of Alberta

Natasha Dawn Wood
A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

Winterization Considerations Memo

Greenfire Hangingstone Plant 2

Full Disclosure

I have over 30 years of industry experience spanning three continents, while consulting for large multinational corporations and small start up companies. I worked on conventional as well as heavy oil and gas projects covering all the phases from design and engineering to operation support. I have published and presented papers at various conferences, and lectured at the University of Calgary. I acted as subject matter expert supporting a major law firm in Calgary in a thermal project related case.

In terms of thermal oil and gas experience relevant to this report, I have been involved and significantly contributed to the following:

- Greenfire Hangingstone (Greenfire) SAGD– supported the C&SU, engineering and operation groups as well as various other groups within the organization
- ConocoPhillips Surmont 2 SAGD – largest single SAGD project in the world, as well as Surmont 1 where I supported the C&SU as well as design optimization
- Sunshine Oilsands SAGD– various projects, developments
- MEG Energy SAGD – supported the investigation for the steam pipeline rupture, made changes for the pilot design, Phase 1, 2 and 2B designs as well as other developments
- Devon Energy/CNRL SAGD – standardizing the pad design, Jackfish 1,2,3 support training
- Murphy Oil – Peace River development – CSS process design and operation support
- Husky Caribou Lake as well as Tucker project support
- Various other SAGD projects in the industry (ie. Grizzly) – peer reviews

I have known Robert Logan since 2012; we met while consulting for Sunshine Oilsands. I have been consulting for Greenfire since 2018 with the Commissioning & Start Up (C&SU) activities, overall operation and projects support, asset integrity as well as regulatory and production accounting support as required. My official title with Greenfire was Senior Manager Technical Services.

My consulting company has a small investment in Greenfire Oil and Gas. Presently, I am not under contract with Greenfire Oil and Gas or Greenfire Hangingstone Operating Corporation.

Scope of Work

Greenfire asked for a memo on the reasonableness of the data shown in the table below (Table 1):

Table 1

Average Temperature (°C) for Extended Period over 3-5 Days	Impacts/Damages	Estimated Additional Cost (\$ USD)	Estimated Additional Restart Time (Months)
-5	Risk of potential light freezing on piping, pumps, vessels and tanks. WAC Resin (used for water softening) can freeze, causing it to crack and will need to be replaced	0-1,000,000	1
-10	Piping dead legs and isolated runs can freeze (split piping), crack pump casings, tank and vessels. Media and resin damage.	1,000,000-3,000,000	2
-20	Split piping, split heat exchanger tubes, ruptured tanks, vessels and pipelines	10,000,000-20,000,000	4-6
-30	Significant damage to major equipment and pipelines in addition to the above	20,000,000 +	6-9

It is my understanding that Greenfire operations were shut down in May 2020, with the intent to restart the plant during the summer. The plant was laid up wet meaning that the piping, vessels and tanks were left with fluids inside. The fuel gas and electrical power were shut down.

Discussion

The Greenfire SAGD plant has glycol heat tracing as well as electrical heat tracing designed to protect piping and equipment from freezing. During normal operation of a SAGD plant there is also significant process heat in the system.

Based on the information from Greenfire, the two main damage mechanisms to consider are:

- Freeze up cases
- Corrosion either internal or external cases – not part of this memo

Winterization Considerations

The plant was shut down back in the spring of 2020 with the intent of starting up during the summer. The plant has been in operation for about two decades.

The plant was laid up wet, meaning that the piping and the vessels were left with pressurized fluid inside. Similarly, the tanks were left with liquid in storage.

In general, freezing issues are well known within the Oil and Gas industry in Alberta because they can occur during winter months on operating facilities. The fluid contained within pipe, vessels, and tanks will freeze up and expand, resulting in damage of the fluid containment, in cases where the expansion of the fluid is not possible.

It is known in the industry that the freezing up process creates significant forces that can crack pipe, vessels, valves and other assets.

Based on:

- plant being laid up in wet condition as well as location of the plant
- my overall industry experience,
- my knowledge of the plant while supporting Greenfire,
- the fact that the plant is over 20 years old

I conclude that, if nothing is done in terms of winterization, the asset integrity for the overall plant will be significantly compromised throughout the winter season.

Cases Review Table 1

Below is a review for the various cases considered by Greenfire Hangingstone Operating Corporation. I am assuming that the overall temperatures used are averages over 24 hours. When considering the costs, the following is assumed to be included: identification of the damage, engineering, procurement, construction (labor and materials), scaffolding, crane, inspection services. No major environmental clean up costs were considered at this point.

-5 C for extended period of time case

- the impact/damages from the above Table1 are possible, the outdoor small diameter pipe (1") will begin freezing up first, then the drains and tubing.
- The resin in the water treatment building might be damaged if exposed to freezing conditions. I expect this to be a low probability scenario, as the water treatment building will provide some additional protection
- Some freeze up may start to occur on outdoor installed equipment (shell and tube exchangers)
- Some potential freeze up on tanks starting with the very small sized tanks first. No major issues expected for the large tanks due to the large volume of liquid inside
- Due to the expected damage, the additional time to start up the plant (listed in table 1) appears reasonable, as well as the overall cost range

-10 C for extended period of time case

- All of the problems listed above are becoming more acute
- Due to isolations of the fluid between valves, the freezing could damage the large diameter pipe, valves and instruments and equipment damage becomes real (mainly exchangers and any other outdoor equipment and piping)
- For any equipment damage, additional internal inspection will be required to further identify and evaluate the freezing damage

ILINCUTA PROJECT MANAGEMENT INC.

- Assuming that the cold outdoor temperatures will lower the inside building temperatures to negative values:
 - I expect that some of the pumps may see some damage
 - The resin in the water treatment building potentially gets damaged. Once damaged the resin needs to be replaced.
 - Most of the indoor small diameter pipe, and drains may see damage
- Depending on the overall damage across various systems within the plant, additional time will be required before starting up the plant, assuming man power and materials are available, as well as third party contractors
- The costs could range between 1,000,000-5,000,000 US \$
 - The overall costs variability is due to the unknowns and the multiple factors involved.

-20 C case for extended period of time

- This case is similar to the above scenario, but the lower temperature exposure will lead to significant additional damage to the plant
- Extensive overall pipe and equipment damage is to be expected. Potentially the storage tanks and the Hot Lime Softener equipment can become damaged.
- Potentially, valves and instruments will be damaged throughout the plant and pads
- The raw water pipeline from the source water well can see some damage especially the aboveground riser (pipeline material is HDPE plastic)
- Significant additional time and cost will be incurred to restart the plant. The costs and restart schedule will need to cover not only the repairs but also the potential cleaning required.
- The costs and schedule delay used in the table are acceptable

-30 C case for extended period of time

- This is the worse case that will potentially see significant additional equipment damage in various parts of the plant. Examples are: inlet separators, steam generators (OTSGs), induced gas flotation (IGFs) and many other systems within the Central Plant Facility (CPF)
- Extensive damage to pipe indoor and outdoors, valves and instruments will occur
- Most likely the storage tanks and the Hot Lime Softener equipment could incur damage.
- Equipment at pads will be damaged
- Significant additional time and cost will be incurred to restart the plant. The costs and restart schedule will need to cover not only the repairs but also significant regulatory work and inspection.
- The costs and schedule delay used in the table are acceptable

It is my opinion that the data from Table 1 and the related statements, anticipated costs and assumptions by Greenfire are extremely valid.

Exclusions and Limitations

When reviewing the overall Table 1 from Greenfire, the items below were not included due to lack of information but will have significant impact on the overall cost and time estimates:

- Large scale hydrotesting on site for the replaced damaged pipe and pipelines. Alternative options should be considered after the damaged is assessed.
- Some of the isolation valves will be damaged (leaking) complicating the isolation/repair process
- Some of the damage will not be visible until the plant will restart the glycol heat tracing and the electrical tracing and have some process heat in the system (assume a lot of unknown issues)
- The time of the year for the start up and repairs (ie. holiday season) plays a role in adding extra costs.
- Availability of materials, labor and significant restrictions from the Covid 19 was not considered
- Some of the equipment might be removed or replaced if repairs on site are not an option driving the costs and schedule up
- I assumed that the overall plant process equipment and associated piping as well as the pads equipment and skids and the pipelines were in operating conditions when the plant was shut down
- All the pipelines from the Central Plant Facility (CPF) to pads and from pads to the CPF are assumed not to incur any damage (aside of the raw water pipeline riser)
- No subsurface equipment was assumed to be damaged (ESPs) or any significant damage to the wells
- Potential damage on the existing transformers (not own by Greenfire)
- Plant 1 equipment was not included in any assessment as it was not in operation

In reviewing the Table 1 from Greenfire I relied on my industry experience as well as my experience with the existing plant while consulting for Greenfire Hangingstone Operating Corporation.

Industry Benchmarking

In terms of benchmarking for the costs and schedule, it is extremely difficult to come up with similar cases that can be used as an analog. This is due to the fact that each SAGD thermal facility has its own uniqueness based on the design, size, location, age of the plant. Most importantly the plants are generally winterized and preserved when they are shut down for long time.

The only comparable case was during forest fires in Fort McMurray area a few years ago but the damage mechanism was different therefore no real benchmarking was possible especially in the short timeframe allowed for this memo and with the information provided.

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Summary

This high level memo addresses the request from Greenfire for a high level review of the Greenfire Table 1 costs and schedule impact due to freeze up damage. It is my opinion that the Greenfire considerations are valid and real and the overall cost estimates and schedule impact are within the expected range. The variability of the costs and schedule are high due to many unknown factors for each case.

This report was done in good faith, based on the experience I have with the operating plant while consulting for Greenfire Hangingstone Operating Corporation as well as my industry experience. The estimate has no industry benchmarking as it is a unique case.

I am not a cost estimator but I have significant SAGD experience in preparing and reviewing cost estimates and schedules for other similar operations. My review is based on the information provided. No liability for errors and omissions contained in this memo is accepted.

Please feel free to contact me directly if there is a need for more information or clarifications.



Adrian Ilincuta, M.Sc., P.Eng

Date: December 11, 2020

President
Ilincuta Project Management Inc.

000692

ADRIAN ILINCUTA, MSc. P.Eng.
199 Westpoint Gardens, S.W.
Calgary, Alberta, Canada
Phone (cell): 403-862-7522
e-mail: adrian_ilincuta@hotmail.com (home)

SUMMARY

- Problem solver with great analytical, interpersonal and leadership skills
- Energetic and results oriented Senior Professional in the oil and gas industry with over 30 years of diverse expertise
- Proven technical, operations, development and project management experience in SAGD as well as conventional oil and gas and pipelines
- Specialist in OPEX optimization and complex projects
- Significant experience on conducting integrity assessments (inline pipeline inspections, pressure equipment) as well as operation audits (ABSA, AER)
- Proven leader with significant knowledge of pipelines and facilities regulations, codes and standards, technology development and implementation
- Experience with most of the operators systems (Maximo, SAP, RCA, HAZOPs etc.)

EDUCATION

MSc. in Project Management - The University of Calgary. 1994-1996
B.Eng. Civil/Mechanical Engineering - The Institute of Civil Engineering, Romania 1982-1987

PROFESSIONAL AFFILIATIONS

Active Member of APEGA

PROFESSIONAL DEVELOPMENT

- Regular publication and presentation of project management technical papers in conferences and symposia
- Various technical and development industry courses
- ISO training
- HYSIM certificate
- Pipe flow course
- Contract negotiations

PROFESSIONAL EXPERIENCE

Greenfire Oil and Gas Jan. 2018 – April 2020

Senior Manager Technical Services and Operation Excellence

- Support C&SU efforts and capital projects strategy and execution
- Provide technical support to Operation as well as Engineering and Projects groups
- Create Pressure Integrity as well as Pipeline Integrity Programs for the corporation
- Responsible for ongoing review of asset integrity for the company and technical and operation audits
- Support the regulatory compliance efforts (environmental, AER, OH&S, ABSA)
- Lead OPEX optimization initiatives

The University of Calgary, Calgary, Canada

Jan. 2017 - 2018

Subject Matter Expert

- Lecturing 3rd and 4th year and graduate engineering students on OPEX and other operational related topics

Canadian Petroleum Center (CPC)/China National Petroleum Corporation, Canada & China
Subject Matter Expert May 2017 – 2018

- Presented two papers for the Heavy Oil Conference in China
- Develop Project Management training for Chinese senior professionals

PTTEP, Calgary, Canada March 2017 – June 2017
Senior Operation Manager

- Participated in HAZOP review for the FEED phase of Mariana Thornbury 22,000 bbl/d SAGD project
- Supported the production profile development in conjunction with the C&SU activities
- Supported the Operation Philosophy Document development

ConocoPhillipsCanada, Calgary, Canada June 2014 – July 2016
Senior C&SU Operations Manager for Surmont 2

- Supported the start up and ramp up of the largest SAGD plant in the world (120,000 bbl/d) with one of the most complex steam pipelines in the world
- Advise the executive and senior management team on strategic decisions related to the capital projects strategy and execution
- Provide technical support to various groups supporting the C&SU and operation of the Surmont 2 SAGD project
- Provided technical ideas for OPEX optimization for the LRP (Long Range Plan) and follow up on implementation

Sunshine Oilsands Ltd., Calgary, Canada Nov. 2012 – Nov. 2016
Senior Operation Production Manager

- Commissioned and started up 5,000 bbl/d SAGD operation
- Provided project leadership, supporting all phases of the project from original strategy to day to day execution
- Responsible for internal training for external audits (ABSA, AER)
- Advise the executive leadership team on how to set up and develop the company assets working directly with the C&SU and operation team, production team, production accounting and financial teams as well as the projects group

Murphy Oil Company Ltd., Calgary, Canada Jan. 2013- Jan. 2015
Senior Adviser

- Advise the executive team on the development of the oil sands properties in Peace River
- Provide technical support for choosing the proper technology as well as advancing the regulatory application

Devon Canada, Calgary, Canada 2013 – Sep. 2016
Senior Adviser

- Technical review of the typical future pad design for lowest CAPEX/OPEX option
- Develop process to improve efficiency of projects execution in a capital constrained environment
- Provide expert advise on technical matters

MEG Energy, Calgary Canada
Operations Exploitation Manager – reporting to the VP Operations

2007-2012

- A member of the Operations Management Team accountable and responsible for:
 - achieving the fastest ramp up and exceeding the design name plate on a daily basis with one of the lower SOR and OPEX in SAGD industry
 - solving operational issues for the present 31,500 bbl/d operation
 - provide leadership to the Operations Technical Services group including audits
 - support the Operations CAPEX projects and identify optimization opportunities to improve the Operations costs, production
 - development and planning for the next phases up to 260,000 bbl/d operations working directly with the Reservoir, G&G, Projects groups
- A member of the Projects Management Team accountable and responsible for:
 - the detailed engineering for the Phase 2 Christina Lake Project (25,000 bbl/d)
 - providing technical expertise support for the construction, commissioning and start up phases for the Phase 2 Christina Lake Project
 - the revamp work required to start up Phase 1 Pilot Project and the steam pipeline repair
 - participation in the integrated investigation team that looked into the steam pipeline failure and interfacing with all the regulators
 - day to day interface with the existing Operations for the Phase 1 Pilot project
 - on going support the preliminary and FEED engineering work for the Phase 3 (150,000 bbl/d) Christina Lake Project development at Cristina Lake as well as all the other on going initiatives (patented process, cold recovery, CO₂ sequestration and other)
- Provided subject matter advice for dealing with the steam pipeline rupture, implementing new technology
- Peer review

Husky Energy, Calgary, Canada
Senior Project Leader -reporting to the VP Projects, VP Operations

2002-2007

- A member of the Projects Senior Management Team, accountable and responsible for:
 - pre-FEED and FEED phases for the central processing plant for the Caribou HSAGD 30,000 bbl/d bitumen production project
 - managing the FEED, preliminary, detailed engineering and construction phases for R&D heavy oil CO₂ EOR recovery projects (phase 1 & 2 completed and in operation, phase 3 under construction) – research work
 - supporting environmental application for multi billion \$ Lloydminster upgrader expansion
 - managing the FEED, preliminary, detailed engineering as well as the initial construction phases for a \$ 150 M capital ethanol project in Minnedosa, Manitoba
 - managing all project phases for multimillion dollars development and exploration projects in the Foothills area (Moose Mtn., McLean Creek, Shell Interconnect pipeline)
 - Front end planning and cost estimating for frontier projects in the North West Territories ~ \$ 500 M (Wilma, Bagadeh) and Alaska North Slopes as well as for the International Group (Indonesia, South China Sea)
 - Oversee third party tie ins, coordinate production tests for wells as well as compressors optimization study for the Sikanni area in B.C.
 - Front end planning for the international group (Indonesia Madura prospect, \$ 1,000 M capital)
 - Lead OPEX optimization efforts for my business unit
- Provided expert advice for new technology implementation as result of internal research

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- Presented papers to AACE Conference in Orlando -June 2003 and co-authored paper for the Canadian School of Hydrocarbon Measurement, Calgary – March 2004

Crestar/Gulf/ConocoPhillips Canada Ltd., Calgary, Canada
Senior Facility Engineer

1999-2002

- Responsible for all project phases for facility projects ranging from 0.5M\$ to 30M\$ in Southern Alberta, Northern Alberta and BC (oil batteries, gas plant trains additions, various compressor and pipeline installations):
 - Front end planning and feasibility studies
 - Creating the cost estimates and the schedules for projects
 - Involved in obtaining the regulatory approvals
 - Determined the contracting strategy and awarding the contracts for the mechanical/ electrical engineering work as well as the mechanical and electrical construction
 - Involved in procurement of all the necessary equipment (sizing, detail engineering)
 - Provide construction management for the projects
 - Involved in commissioning and start up
 - Involved in day to day operation (trouble shooting, debottlenecking, optimization)
 - Involved in post project review for various projects and lead the OPEX reduction efforts
- Provided in-house project management training (SMART model and basic) addressed to all senior managers as well as to different teams within Crestar Energy.
- Provide subject matter expert advise for regulatory hearings, peer review

Quantel/VECO Engineering Ltd., Calgary, Canada
Supervisory Senior Project Manager

1996-1999

- Responsible for all project phases from front end engineering to commissioning for facility projects ranging from 0.25M\$ to 50M\$ (P/L gathering/transmission systems, compressor stations, gas turbines plant revamp work, batteries and satellites, grass root gas plants) in Alberta and BC
- Responsible for managing lump sum, cost plus projects
- Responsible for conducting risk analysis for major projects, >\$+50M\$
- Responsible for the design and implementation of the performance/success measurement program company wide (subject published and presented in a paper at PMI 97)

University of Calgary
Calgary, Canada, Research Assistant

1994-1996

- Lectured tutorial for ENCI 465, ENCI 571 (Project/Construction Management)
- Research on Risk Management with application to high risk projects (oil & gas, software industry)
- Provided Project Management expertise to various owner/producer organizations (oil & gas, software industry)
- Publication/presentation of papers in conferences and symposia (published a series of papers in academic journals).

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Mundi International, Tel Aviv, Israel
Supervisory Project Lead Engineer/Manager

1991-1993

- Provided technical and management expertise for multi million pipeline gathering / transmission system and pumping stations
- In a supervisory role as Project Lead Engineer provided technical leadership and direction, supervised ~ 4 / 6 engineering specialists and various consultants developing Design Basis Memorandum, project execution plans, front end and detailed engineering for multi million projects
- Complete responsibility for managing: Planning, Scheduling, Project Control, Sub-Contracting, Construction, Commissioning phases of the project
- Initiated and directed engineering studies to address technical and environmental issues
Provided input for project management and planning
- Developed and implemented quality control program in accordance with ISO 9001

Civil Erection Co., Bucharest, Romania
Supervising Project Engineer

1990-1991

- Involved in design and field activity for major municipal projects
- Responsible for technical supervision and administration of an engineering department consisting of over twenty professionals.
- Managed annual capital budget of 50M\$ and a general and administrative budget of over 1M\$.
- Directed technical and economic evaluations, engineering and construction of facilities, provided technical support
- Inspected construction projects and drawings, steel and reinforced concrete structures, bridges to ensure quality standards

Industrial Erection Co., Slobozia County, Romania
Project Engineer

1987-1989

- Responsible for technical supervision and administration of an engineering section and contractors engaged in the planning and detail design of a major petro-chemical project & compressor stations
- Participated in various turnkey projects up to 200M\$ and completed commissioning and start-up of facilities
- Reporting to manager, provided technical field supervision for phase 3 of a chemical plant (>1 billion dollars)
- Responsibilities included all aspects of project execution

References available on request.

ACCOMPLISHMENTS

000697

- Successfully starting up and ramping up the operation of Hanginstone reservoir which was shut down for over 2 years (thermal) and achieving the lowest OPEX in the industry
- Started up and supported the operation of Surmont 2 the largest SAGD facility in the world as well as significant OPEX reduction
- Subject expert matter supporting a few law firms on active lawsuits
- Build an organization with extremely competent teams
- Repair and modify Phase 1 pilot SAGD facility and steam pipeline exceeding design name plate
- Achieve the fastest ramp up in the SAGD industry and consistently exceed the design name plate capacity for the on going operations > 31,500 bbl/d
- Achieve the lowest OPEX and SOR and the highest up-time in the SAGD industry and contribute to SAGD patents development and implementation
- Received ERCB approval for the phase 3, 150,000 bbl/d application avoiding hearing
- Established and led an Operations Technical Services Group supporting Operations
- Completed the FEED for Caribou HSAGD 30,000 bbl/d bitumen production in Cold Lake area
- Achieving outstanding results on Heavy Oil EOR projects in Saskatchewan (research projects)
- Implemented new technologies with various clients

Past Projects Information

- Lead the project team for the Minnedosa, Manitoba – 130 mmlpy ethanol plant using Katzen process
- Lead the Moose Mtn. Pad 2 well tie ins (development project in alpine area, high sour high pressure gas pipelines, pipeline integrity)
- Lead the Moose Mtn. Pad 1 compressors and pipeline installation
- Lead McLean area well tie in and compressor installation
- Lead Shell Interconnect 47 km of 8" pipeline, 30 km of 6" pipeline, 47 km of 4" pipeline
- Lead Burnt Timber compressor installation and 36 km of 6" pipeline
- Installed multi Km of 8", 6" and 4" steel pipeline gathering system to connect new drills to existing gas plants (Rainbow and Zama areas, Westeros and Rimbey/Nordegg areas, South of Alberta, all North/East part of BC- Ft. St. Johns)
- Installed water Injection and source water pipeline (steel and fiberglass) – Central and South of AB
- Multiple compressor installations: gas and electric compressors ranging from 500 HP to 2500 HP, acid gas compressor installation-Brazeau, Rimbey, Strachan, Nordegg, Vulcan and BC
- Battery expansions: revamp work including addition of free water KO drums, oil treaters, tankage, VRU, compression, MCC – Central AB, South AB (heavy oil)
- Gas plant expansion: addition of new 25 mmscfd /50 mmscfd trains including inlet separation, compression, amine/refrigeration unit, dehydrators, incinerators (Brazeau, Strachan, Rimbey, Vulcan)
- Sulphur recovery and power generation projects (Vulcan, Red Earth)
- Debottlenecking gas plant work in Alberta and BC.

- Risk analysis and project management for multi B\$ and multi M\$ projects in Northern AB (Fort McMurray) as well as international project (US).
- Multi Km of 6" up to 36" source water pipeline gathering systems in North/Central and South part of Israel

THIS IS EXHIBIT "12" TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA



Clerk's stamp:

B201 679073

25-2679073

25-2679074

ESTATE NO.:

COURT

JUDICIAL CENTRE

COURT OF QUEEN'S BENCH OF ALBERTA

CALGARY

COM
Dec. 14, 2020
Justice D.B Nixon

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE OIL & GAS LTD.

DOCUMENT

SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Douglas S. Nishimura
Field LLP
400, 444 – 7th Avenue SW
Calgary, AB T2P 0X8
Ph: (403) 260-8500 Fax: (403) 264-7084
File No. 52836-2

**SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD
(Sworn December 9, 2020)**

I, MEER TAHER SHABANI-RAD, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am a member of the Investor Group, as defined in my Affidavit sworn October 14, 2020 (the "October Affidavit") of Greenfire Oil & Gas Ltd. ("Greenfire"), and as such, I have personal knowledge of the facts deposed to herein, except where stated to be upon information and belief, in which case I believe the same to be true.
2. This Affidavit is supplemental to my October Affidavit. Accordingly, capitalized terms used herein have the same meaning as in the October Affidavit as defined therein.
3. Since my October Affidavit, the Investor Group, which is composed of individuals who invested their personal life savings in what they were advised was a secure, short term bridge loan with

an equity option, have been endeavouring to meet with Greenfire to obtain information as to its plans, and to offer potential assistance with respect to financing and long term restricting plans.

4. Despite our offers to meet, all we were provided was a draft term sheet to use in the event we wished to offer DIP financing. We have never been meaningfully consulted for our views as to the Company's plans.
5. On December 2, 2020, we were finally invited to join a meeting for stakeholders, at which time we were simply advised that the Company had a new DIP financing application, combined with an application for approval of a sale.
6. The Investor Group does not believe that an adequate marketing process has been undertaken by the Company and therefore there can be no certainty as to whether the proposed sale is in the best interests of all stakeholders.

MCKAY FACILITY

7. We note that, in support of the proposed sale, Mr. Logan has attempted to compare the Greenfire facility with the "McKay Facility", to suggest that the sale price proposed in trilateral APA proposal is a reasonable price sale for Greenfire facility. However, this is an inaccurate comparison as the McKay Facility only ever produced 2,132 barrels per day whereas Greenfire's production, prior to being shut down, was 5,200 barrels per day with only 11 of 24 wells operating, and, according to Greenfire, the "best wells" were to be started next, which would increase production to 7,500 barrels per day. We further note that Greenfire's bitumen is diluent free, making it more attractive, safer to transport and with a higher value than other SAGD bitumen.
8. Moreover, to achieve transparency, the McKay Facility opened a bidding process to ensure the maximum value for the asset and sent a non-confidential memorandum to 439 organizations. A follow-up contact was made with 75 of the highest bids and various other steps were implemented, with 22 NDA's being signed until a final decision was made. This approach is contrary to the one taken by Greenfire, as they have failed to adequately open the bid to the general public or creditors to ensure the maximum value of the assets and have not been transparent to ensure a fair process has been implemented to protect the interests of stakeholders.

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GREENFIRE'S PROPOSED DIP FINANCING AND APA

9. Normally, DIP financing is meant to be a bridge to preserve the value of a company and its assets pending the creation and acceptance of a proposal to creditors. This approach protects the interests of stakeholders and the assets. However, the circumstances have materially changed as Robert Logan's affidavit states they have exercised all options and is no longer seeking further financing. As Greenfire intends to move forward with the APA, there is no longer a need for the proposed extensive DIP Financing.

10. We believe that the proposed amount of DIP financing is unnecessary and disproportional to the real demands for the preparation of the facility for an APA process. The Investor Group believes that the proposed DIP Financing and APA which plans to convert the facility from "wet" to operational and increase the value of the asset for the Purchaser, is a poor use of funds and is designed solely for the benefit of the lender and purchaser and is to the detriment of the stakeholders. Since the assets merely need to be winterized in order to facilitate a sale, our suggested process would cost far less than the proposed DIP financing and better protects creditor's interest. By Robert Logan's own admission in his sworn Affidavit, dated October 9, 2020, which states that \$750,000 to \$1,000,000 is all that is necessary to convert the facility from "wet" to "dry" and will preserve the assets pending a sale. The mandate of the operator should be to preserve the assets and safeguard it against any further damage until it is sold for the benefit of the stakeholders. Not to grow and enhance the asset for the benefit of the lender, purchaser and Greenfire's senior management team.

THE INVESTORS GROUP PROPOSAL

11. The Investor Group, which also includes oil and gas professionals who have been engaged by the Courts as expert in the past, are also prepared to participate in a transparent asset sale process in an extended marketing period, ordered by the court. The Investor Group is prepared to propose an asset purchase of the facility in its current state, which includes acquiring the facility as "wet" and would include all damages claimed by Robert Logan. As a first priority we will winterize the plant and bring it online at our own cost. The Investor Group believes this approach better serves stakeholder interests as it preserves funds for the creditors instead of allocating it towards making the facility operational, as has been proposed by Greenfire and which we believe if approved, would solely protect the interests of the lender, purchaser and

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borrower. We have deposited \$680,000 in trust with our counsel and have secured an additional \$320,000 from other investors, a total sum of \$1,000,000.

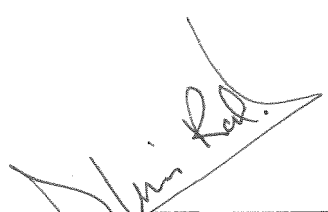
12. Due to Greenfire's lack of transparency and disengagement to work with stakeholders, The Investor Group has decided to partner with one other creditor and has moved forward on its own accord, to engage other institutional investors whom have shown considerable interest in partnering with The Investor Group and providing additional capital and putting forth a competitive bid for the asset.
13. In any event, the Investor Group does not have confidence that management has acted in the best interests of all stakeholders in suddenly entering into the proposed sale. The Investor Group opposes such an improvident even if this means the Company enters into bankruptcy since the trustee can also take steps to preserve the assets.
14. We note that the present Application purports to extend the NOI period for the benefit of Greenfire "and all the stakeholders". However, paragraph 45 of the Robert Logan Affidavit suggests that the proposed transaction will benefit certain ongoing service providers and employees. It is our understanding that, at their highest, these parties are equal to the Investor Group in priority. Further, the transaction will obviously benefit the DIP Lender, current management and the current first lien secured lender, Summit. It appears all other claimants such as the Investor Group will be left out.
15. It remains the position of the Investor Group that the assets of the Company are impressed with a constructive trust based on the fact that the Investor Group's funds were taken by the Company without consideration, as no debentures were ever issued, no security was provided as promised, no funds were ever put into trust to pay debenture subscribers' claims as promised and that the funds were either used for the Facility or were used for improper purposes. With respect to the last point, I have been advised that the funds may have been used to pay management bonuses, and not to fund operations.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta, this 9th day of)
December, 2020.)



A Commissioner for Oaths in and for Alberta

Raymond Gallelli
Student-at-Law



MEER TAHER SHABANI-RAD

000704

THIS IS **EXHIBIT "13"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

Clerk's stamp:

ESTATE NO.: 25-2679073
25-2679074

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF GREENFIRE OIL & GAS LTD.**

DOCUMENT **SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

Douglas S. Nishimura
Field LLP
400, 444 – 7th Avenue SW
Calgary, AB T2P 0X8
Ph: (403) 260-8500 Fax: (403) 264-7084
File No. 52836-2

**SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD
(Sworn December 14, 2020)**

I, MEER TAHER SHABANI-RAD, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am a member of the Investor Group, as defined in my Affidavit sworn October 14, 2020 (the "**October Affidavit**") and Supplemental Affidavit sworn December 9, 2020 (the "**December Affidavit**") of Greenfire Oil & Gas Ltd. ("**Greenfire**"), and as such, I have personal knowledge of the facts deposed to herein, except where stated to be upon information and belief, in which case I believe the same to be true.
2. This Affidavit is supplemental to my October Affidavit and my December Affidavit. Accordingly, capitalized terms used herein have the same meaning as in the October Affidavit and December Affidavit as defined therein.

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3. On December 2, 2020 our Investor Group had a call with Greenfire and stakeholders which was requested by our counsel, in the hopes of finding a solution for the company. We were advised that the Company was moving forward with a Dip Financing application combined with an application for approval of sale. The Company seemed completely unwilling to consider alternative options. On the call our Investor Group reached out to all attending stakeholders and inquired if anyone was interested in partnering with our group to raise funds to put in a competitive Dip Financing/ APA offer.
4. Since the December 2, 2020 call our Investor Group has been successful in achieving the following:
 - (a) As of December 9, 2020, The Investor Group secured \$680,000, currently held in trust with our counsel, and an additional \$320,000 from other investors, for the purposes of a restructuring of the Company.
 - (b) Since December 9, 2020 we have received an interest for additional financing for \$500,000 from another two investors, a total sum of \$1,500,000.
 - (c) We have partnered with one other stakeholder that attended the December 2, 2020 call.
 - (d) Our Investor group has entered into talks with other investors and large financial institutional that have confirmed they are willing to put forward additional financing towards an APA in partnership with our Investor Group. However due to limited time constraints, we have yet to confirm the amounts and secure the funds.
5. In paragraph 86 of the Trustee Fifth Report filed on December 11, 2020, (the "**Trustee Fifth Report**"), it states that if Greenfire's proposed Dip Financing and APA is approved, "*It is not expected that there will be any recovery to unsecured creditors or shareholders of either HoldCo or OpCo.*" In contrast, as proposed on the December 2, 2020 phone call, our Investor Group will continue to remain open to working with stakeholders in acquiring Greenfire's assets as a means of providing a viable solution for both secured and unsecured creditors.
6. In specific response to the Trustee Fifth Report paragraph 50 and 70, we would like to clarify that the \$1,000,000 we secured by December 9, 2020, mentioned in paragraph 11 of our

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December Affidavit was solely to illustrate our efforts in obtaining financing. Our Investor Group is comprised of experienced oil and gas professionals and are well aware of the circumstances and are committed, if granted additional time by the Court, to acquire the necessary financial support to offer a competitive Dip Financing/ APA bid that will offer a fiscally viable option to protect and preserve the Company's assets and the avoidance of any costly environmental matters or the disclaimer of assets to the Orphan Well Association.

7. In Robert Logan's 7th Affidavit, sworn on December 11, 2020, (the "**Logan Affidavit**") paragraph 16(d) he claims the required cash necessary to fix the damages and warm the facility will cost approximately \$3,900,000. However, on review, this is the amount required to prepare the facility for operation, which is for the sole benefit of Trafigura, Greenfire Acquisition Company and the Greenfire management team. This amount differs from the Trustee Fifth Report mentioned on paragraph 60 which provides an estimate of Repair Costs of \$2,200,000.
8. The Trustee's Fifth report refers, in paragraph 63(a) to "*the purchaser having executed employment agreements with Robert Logan, Allan Bezanson and David Phung.*" This is confirmed in the APA section 3.02 (d). I verily believe that, because Greenfire's senior management stands to benefit from the following DIP Financing and asset purchase, that their fiduciary duty to Greenfire is clouded by their personal interests in the current deal, and this has been an influencing factor during the proposal process.
9. The Trustee's Fifth report confirms, in paragraph 39, that since the NOI proceedings have commenced, the Company did not initiate a formal or conventional sale and investment solicitation process. Moreover, as per paragraph 30 of The Trustee's Fifth report, since the NOI date of October 8, 2020, while the Company has only reached out to 31 companies/ individuals for interim financing, there is no mention of an asset purchase being discussed with any other parties. This greatly differs from the process implemented by the McKay Facility referred to in Robert Logan's 5th Affidavit. The McKay Facility opened a bidding processes to ensure the maximum value for the asset and sent a non-confidential memorandum to 439 organizations. A follow-up contact was made with 75 of the highest bids and various other steps were implemented, with 22 NDA's being signed until a final decision was made.
10. We believe that the proposed amount of DIP financing is unnecessary and disproportional to the real demands for the preparation of the facility for an APA process. The Investor Group believes

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that the proposed DIP Financing and APA, which plans to convert the facility from “wet” to operational and increase the value of the asset for the Purchaser, is a poor use of DIP funds and is designed solely for the benefit of the lender and purchaser and is to the detriment of the stakeholders. Since the assets merely need to be winterized in order to facilitate a sale, our suggested process as mentioned in our December Affidavit, would cost far less than the proposed DIP financing and better protects creditor’s interest.

RESPONSE TO ROBERT LOGAN AFFIDAVIT #7

11. I have reviewed the Logan Affidavit, sworn on December 11, 2020 and I have responded to certain allegations made therein. However, I have not responded to every statement with which I disagree. The fact that I do not specifically address any particular allegation made in the Logan Affidavit does not mean that I agree with it.
12. In response to paragraph 11 of the Logan Affidavit, it remains the position of the Investor Group that the assets of the Company are impressed with a constructive trust based on the fact that the Investor Group’s funds were taken by the Company without consideration, as no debentures were ever issued, no security was provided as promised, no funds were ever put into trust to pay debenture subscribers’ claims as promised and that the funds were either used for the Facility or were used for improper purposes.
13. As mentioned in our December Affidavit, despite our efforts to meet with Greenfire and having any meaningful communications to work with them, all we were ever provided was a draft term sheet to use in the event we wished to provide Dip Financing, our Investor Group were never meaningfully consulted. In response to paragraph 12 of the Logan Affidavit, the following communications provided demonstrate Greenfire’s lack of transparency with our initial financing, and their lack of communication:
 - (a) The April 2, 2020 communication provided in Robert Logan’s Affidavit as Exhibit B shows that they provided us with an update regarding the status of the facility. There is no mention of Dip Financing in this communication;
 - (b) The July 23, 2020 communication, the Investor Group, after not hearing from Greenfire for approximately 3 months regarding the status of issuing our debentures or the location of our funds we were asked for additional financing. Due to the lack of

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transparency and no clear answers regarding the financial status and debts of the company, the Investor Group declined;

- (c) The Investor Group attended a meeting on August 5, 2020 with the intention of understanding the matter and obtaining answers regarding the location of our funds and were met with a request for additional financing; and
 - (d) The September 15, 2020 communication provided in Robert Logan's Affidavit as Exhibit D, is an email from The Investor Group expressing our frustrations and Greenfire's lack of transparency. We still expressed the intention to move forward and offer financing under strict conditions, however we never received a response. Greenfire continued to ignore our communications until October 19, 2020 when they provided us with the term sheet as we noted in our current and December Affidavit. Upon advice of our counsel and due to Greenfire's previous disregards of our various attempts to meaningfully communicate with them, we can confirm that we requested that Robert Logan contact our legal counsel, which to our knowledge, was never done.
14. In response to paragraph 13 of the Logan Affidavit, the following communications confirm that since the NOI Proceedings have commenced, our legal counsel on November 5, 2020 had requested a meeting with stakeholders and Greenfire to potentially participate in Dip Financing or the sale of assets. Despite our efforts this meeting was not held until December 2, 2020, just shy of one month later and consisted of Greenfire informing us that they will be filing their proposed Dip Financing/ APA and seemed uninterested in engaging current stakeholders and any alternative options.
15. Throughout Logan's various Affidavits he suggests the following Dip Financing and APA is to the benefit of "all the stakeholders". However, paragraph 45 of the Robert Logan 6th Affidavit suggests that the proposed transaction will only benefit certain ongoing unnamed service providers and employees. It is our understanding that, at their highest, these parties are equal to the Investor Group in priority of claims.
16. The mandate of Greenfire at this stage should be to preserve the assets and safeguard it against any further damage until it is sold for the benefit of the stakeholders. The current DIP Financing and asset purchase will grow and enhance the asset for the sole benefit of Trafigura, Greenfire

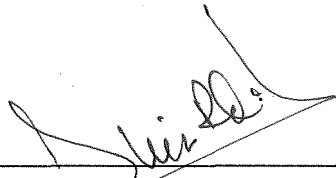
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Acquisition Company and the Greenfire's management team, leaving partial payment for the senior secured creditor and no recovery for unsecured creditors or shareholders of Greenfire. The proposed Dip Financing and asset purchase will therefore exclusively benefit the lender, purchaser and Greenfire's senior management team and is to the detriment of the Company's stakeholders.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta, this 14 day of)
December, 2020.)



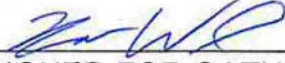
A Commissioner for Oaths in and for Alberta



MEER TAHER SHABANI-RAD

Douglas S. Nishimura
Barrister & Solicitor

THIS IS EXHIBIT "14" TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KATLIN H. WARD
BARRISTER & SOLICITOR

Clerk's stamp:

ESTATE NO.: 25-2679073
25-2679074

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING CORPORATION

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DOCUMENT **SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Douglas S. Nishimura
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Ph: (403) 260-8500 Fax: (403) 264-7084
File No. 52836-2

**SUPPLEMENTAL AFFIDAVIT OF MEER TAHER SHABANI-RAD
(Sworn December 17, 2020)**

I, MEER TAHER SHABANI-RAD, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am a member of the Investor Group, as defined in my Affidavit sworn October 14, 2020 (the "**October Affidavit**"), my Supplemental Affidavit sworn December 9, 2020 (the "**December Affidavit**") and Supplemental Affidavit sworn December 14, 2020 (the "**#2 December Affidavit**") of Greenfire Oil & Gas Ltd. ("**Greenfire**"), and as such, I have personal knowledge of the facts deposed to herein, except where stated to be upon information and belief, in which case I believe the same to be true.
2. This Affidavit is supplemental to my October Affidavit, my December Affidavit and my #2 December Affidavit. Accordingly, capitalized terms used herein have the same meaning as in the October Affidavit and December Affidavit as defined therein.

INVESTOR GROUP FINANCING

3. Since our last court appearance on December 14, 2020 our Investor Group has entered into meaningful conversations with some of Greenfire's current existing creditors and has continued conversations with possible investors and can confirm the following:
 - a. Our Investor Group to date has secured \$2,500,000, included in this amount is a contribution from another Greenfire debenture holder;
 - b. The legal entity, 2136983 Alberta Inc. (hereinafter referred to as "**2136983**") has agreed to partner with our Investor Group and make a cash contribution of \$2,500,000 subject to an industry standard due diligence of the Greenfire assets. Attached as **Exhibit "A"** is a letter from Brian Smart, one of the Directors of 2136983.
 - c. Our Investor Group has entered into a partnership with the creditor, Athabasca Workforce Solutions Inc., who has confirmed that they are able to secure financing in the amount of \$5,000,000. Athabasca Workforce Solutions Inc. has agreed that, subject to due diligence, they would include this amount with the Investor Groups' \$2,500,000 and offer a competitive DIP Financing and, ultimately a bid for an asset purchase. Attached as **Exhibit "B"** is a letter of intent from Mr. Todd Pruden at AWS Group who is also a shareholder of Greenfire, confirming this amount;
 - d. As mentioned in our #2 December Affidavit, the Investor Group has been in discussions with other investors. Recently, one of these investors is Dave Hall, the founder of three successful junior oil and gas companies. If given more time, he is confident that he can arrange the necessary capital in partnership with the Investor Group to put forward an amount in the range of \$10,000,000 to \$12,000,000. After acquiring the Greenfire facility remaining funding would be allocated to financing the operations and incorporation of a new technology. Attached to this Affidavit as **Exhibit "C"** is a letter from Dave Hall.
4. I verily believe that if Greenfire's management team had engaged the current existing creditors in a meaningful and had a transparent process in place, they would have been able to secure financing from current existing stakeholders.
5. The Investor Group believes that our proposal is the best approach to obtain a remedy for current existing stakeholders and remains open to working with other Greenfire stakeholders.

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OVERSTATED CONCERNS ON WEATHER CONDITIONS

6. After various discussions with reputable engineers, operators and oil and gas experts I verily believe that Greefire's claims of damage to the facility due to incremental weather changes has been overstated.
- a. Based on data from the Government of Canada's website and weatherstats.ca, Fort McMurray's weather has been as follows:
- i. Between October 15, 2020 to October 24, 2020, Fort McMurray has experienced weather conditions between a maximum high of minus 1.2 degrees Celsius to a minimum of minus 12.3 degrees Celsius;
 - ii. Between November 4, 2020 to November 28, 2020, Fort McMurray has experienced weather conditions between a maximum high of minus 0.4 degrees Celsius to a maximum low of minus 25.9 degrees Celsius; and
 - iii. Between December 10, 2020 to December 15, 2020, Fort McMurray has experienced weather conditions between a maximum high of minus 2.9 degrees Celsius to a maximum low of minus 27.1 degree Celsius.

Attached to this Affidavit as **Exhibit "D"** is the weather data from the Government of Canada's website and weatherstats.ca.

- b. In addition to the data above, Dave Hall, a University of Alberta graduate with a BSc in Petroleum Engineer with over 35 years of experience in the oil and gas industry and successful owner of three oil and gas facilities, mentions in point #2 of his letter, attached to this Affidavit as **Exhibit "C"**, the following:

"If you remember your high school physics, most substances when they change phase from gas to liquid to solid reduce in volume. Water is the only substance that increases in volume as it changes from a liquid to a solid (freezes) and it is this increase in volume that causes damage to piping and equipment. If the plant is frozen, the increase in volume has occurred and the damage is done. The volume doesn't increase as the temperature gets colder than -4C, in fact below -4C it begins to reduce in volume again, so idea that there will be increased damage as it gets colder is false."

Based on the above statement, majority of the damage occurs between 0 degrees Celsius and minus 4 degrees Celsius.

- c. In addition, Dave Hall has also proposed that the best way forward with the current state of Greenfire's assets is to leave them shut in until after spring when weather conditions have improved in order to put together a detailed start up plan to ensure an organized restart. Any attempt to restart the Greenfire facility in winter, especially with unknown damages *"is folly, will be expensive and potentially risky."*

It has been the Investor Group's position that re-heating the facility in winter would be costly and a poor use of funds, while alternatively, the costs associated with converting the plant from "wet" to "dry" is not typically high and would be a better use of financing.

- d. According to the Ilincuta Project Management Inc. report (the **"Ilincuta Report"**) attached to Robert Logan's 7th Affidavit, sworn on December 11, 2020 as Exhibit K, Greenfire would have already sustained damage in the range of \$10,000,000 to \$20,000,000 between November 4, 2020 to November 28, 2020. However, according to the Trustee Fifth Report filed on December 11, 2020 paragraph 60, Greenfire has only sustained damage in the amount of \$2,200,000.

- e. In addition, after a detailed review of the Alberta Energy Regulator, Order RCAM 2020-001, dated November 17, 2020 (the **"AER Report"**), it includes a letter from Robert B. Logan dated November 22, 2020 on page 13 which states:

"During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored."

Attached to this Affidavit as **Exhibit "E"** is a copy of the AER Report.

The Investor Group believes that since the above steps have been taken by Greenfire that the suggested "catastrophe" put forth by Greenfire's counsel, and the estimated damages suggested in the Ilincuta Report in the range of \$10,000,000 to \$20,000,000, has not and will not occur.

- f. Our recent partners at Athabasca Workforce Solutions Inc., have also reached out to operators in the field whom have confirmed:

"Given the assets at Greenfire were shut in months ago, I would expect that any damage that may occur would likely have already happened considering temperatures have been below zero for weeks now (Monday morning my truck showed -27C when I started it)."

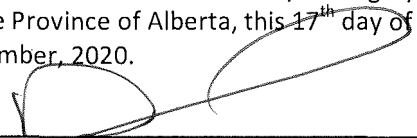
Attached to this Affidavit as **Exhibit "F"** is a copy of this communication.

- g. In addition, the Investor Group requested an assessment to be done by Tim McPike, P. Eng., the Director for Heavy Oil at **Propak**, an industry leader in SAGD operations. Propak confirmed that based on industry standards, if the Greenfire facility was shut in as wet and under pressure, damage has already occurred due to freezing. However, as there have already been numerous occasions over the past 3 months of freezing temperatures, future sustained lower temperatures will not cause any significant further damage.

Attached to this Affidavit as **Exhibit "G"** is a copy of this assessment.

- 7. Based on the following information provided to our Investor Group we believe that any damage that would have occurred has occurred already and that the damage done will not increase significantly over time, therefore the need for expensive remediation is not urgent. An independent third party inspection of the facility would confirm the amount needed for interim financing and we believe that if given access to the facility a repair/remediation proposal could be put together within days. Subject on the information provided, The Investor Group believes that the situation is not urgent as claimed, and there is sufficient time for a fair process to allow the Investor Group to finalize our DIP Financing and to allow time for a transparent bidding process for the assets. The Investor Group is committed to take part in such a sales process as a bidder. Furthermore, I verily believe that if Greenfire had engaged stakeholders in a meaningful way, had been more transparent about the process and had informed us of the existence of a data room, the Investor Group would have had sufficient time to reach out to our contacts and would have had a concrete proposal already, given what has now been accomplished since December 3, 2020.

SWORN BEFORE ME at the City of Calgary,
in the Province of Alberta, this 17th day of
December, 2020.



A Commissioner for Oaths in and for Alberta



MEER TAHER SHABANI-RAD

Douglas S. Nishimura
Barrister & Solicitor

Dear Amanda Khalil,

Dec.16, 2020

Re: Hangingstone Project - Investors Group (the "Alternative Investors" - see below)

2136983 Alberta Inc. ("2136983") wishes to join the Investors Group A which is making an alternative offer to the Greenfire Plan as spelled out in the attached Affidavit No. 1 of Robert B. Logan in the Matter of the Bankruptcy And Insolvency Act, RSC 1985, C. B-3 As Amended And In The Matter Of The Notice Of Intention To Make A Proposal Of Greenfire Hangingstone Operating Corporation And In The Matter Of The Notice Of Intention To Make A Proposal Of Greenfire Oil & Gas offer.

2136983's cash contribution to the alternative offer which is in support of the alternative offer is in the form of a non-binding conditional offer of \$2.5 MM (Cdn) cash. The 2136983 offer of \$2.5MM is for a prorata partial interest in the Hangingstone Property. The 2136983 conditional cash contribution to the alternative offer is subject to the following conditions which are industry standard:

1. Complete access to confidential data room including access to but not limited to year end 2019 financials, 1st, 2nd and 3rd quarter financials 2020.
2. 2019 and 2020 lease operating statements showing revenue, expenses and operating costs.
3. 2019 year end independent NI51-101 reserves report and any 2020 interim internal or outside reserves reports.
4. Title review and opinion as well as an environmental audit, satisfactory to 2136983.
5. Confirmation of project status with the AER and a confirmation from the AER of the property LMR.
6. A site visit to inspect the current condition of the facilities and lease equipment.
7. Financing satisfactory to 2136983.

Our expectation would be to complete the due diligence process in Jan 2021 to remove conditions and make the offer binding.

The Hangingstone Alternative Investors Group is comprised of the following entities with the amounts contributed duly noted (note: we have also been made aware that another group that will be called Investor Group B for the purpose of this letter has made a contribution to the offer comprising \$5.0MM on this date).

<u>Investors Group A</u>	\$2.5MM
<u>Investor Group B</u>	\$5.0MM
<u>Investor Group C</u>	
2136983 Alberta Inc.	<u>\$2.5MM</u>
TOTAL ALTERNATIVE BID :	\$10.0MM

THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.

SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.


A Commission for Oaths in and for Alberta

Douglas S. Nishimura
Barrister & Solicitor

Sincerely,
2136983 ALBERTA INC.



Brian Smart
President

000718



December 16, 2020

AWS Group
Attention: Mr. Todd Pruden
c/o Ryan DeGobbi
10936 80th ave
Edmonton, Alberta,
T6G0R1

THIS IS EXHIBIT "B" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.

SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.

A Commission for Oaths in and for Alberta

Douglas S. Nishimura
Barrister & Solicitor

Via Email

Re Preliminary Indication of Financing

Dear Mr. Pruden:

Thank you for the opportunity to permit Alexander Christian Business Development Corporation ("ACBDC") to review the potential for coordinating DIP Financing for the Greenfire Transaction. Excerpt from email received Wednesday, December 16, 2020, please confirm:

An LOI that states that we are willing to fund \$5M toward our partnership with Investor Group to provide DIP financing and prepare a proper APA to gain full control of the asset.

We need a total of between 7 and 7.5M (Investor group already has 2.5M sitting in a trust account and that has been presented to the courts) and this is the breakdown of funds needed:

- 1.5M - in Administration/Trustee fees
- 1.5M-2.1 - repair damages to the plant
- 1.7M - Month one of operation
- 1.7M - Month two of operation

Investor Group Contact:
Amanda Ovaichi - 403-370-9089

As we have discussed, in order for us to develop the necessary knowledge of the transaction and propose definite terms to you, we would like to discuss the opportunity and meet with yourself again to further discuss business strategies and industry trends, review interim and annual financial information and conduct a standard review of the assets in question and the proposed transaction. Satisfactory completion of due diligence would allow us to provide you with a firm funding proposal commitment.

This letter is simply an indication of interest, is not intended to be all-inclusive, and is not a commitment to lend or invest. While ACBDC and our investors may at any time decline further consideration of this transaction, we believe that the opportunity will prove to be a viable candidate for financing, pending the outcome of due diligence, which we are prepared to do on an expedited timeline.



Given our past relationship with the AWS Group and background knowledge of this transaction, we look forward to working with you. In the interim, please feel free to contact me at 1-604-440-9656.

Sincerely,

Director
Raymond Kisun
For and on behalf of
Alexander Christian Business Development Corporation

cc: Ryan DeGobbi

Dec 16th, 2020

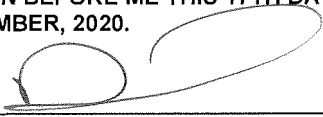
THIS IS EXHIBIT "C" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.

SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.

To: Meer-Taher Shabani- Rad, Investor group

From: Dave Hall

Re: Greenfire Oil & Gas


A Commission for Oaths in and for Alberta

Douglas S. Nishimura
Barrister & Solicitor

Thanks for taking the time to organize last night's meeting. I am extremely interested in working with your group to acquire these assets and stop the steal by the existing management team. I believe these assets when re-started and operated efficiently to have value in the order that was discussed, and I believe that if the technology I mentioned was applied that production could be increased by 50% to 100% and operating costs reduced by 10 – 15%. As discussed, the challenge is time. As you are aware, I first became aware of these assets this past Sunday and became aware that they were in receivership yesterday. I became aware of the intentions of the current management last night. So, here are some of my thoughts. Most of this information has been gathered from the fifth report of the receiver.

- 1) Facility shut down – The AER issued Order RCAM 2020-01 on November 17th, 2020 that directed among other things that “By December 1, 2020, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions”. Greenfire requested an extension to that date until December 15th and in a letter to Greenfire from the AER dated November 25th, 2020 this extension was granted with the condition that it may be rescinded should conditions warrant. December 15th was yesterday so if they have not properly shutdown and drained the facility as directed by the AER they are in breach of the AER Order. If they have followed the order, there should be no risk leaving the facility shut in to allow time for an orderly receivership process. Additionally, the period from November 30th to December 7th has been the warmest since early November with daytime highs in the plus 4 to 10 degree Celsius range. If they were serious about properly draining the facility, this would have been an opportune time.
- 2) A winterization report prepared by Ilincuta Project Management Inc. details what they believe to be some of the damages that could be associated with not properly winterizing the facility. In this memo they detail the damage that may be caused by temperatures of -5, -10, -20 and -30 degrees Celsius. There is some ambiguity in the report in that in one section they indicate these temperatures are over a 3-5 day period and in another they indicate they are averages over a 24 hour period. Based on data from timeanddate.com the temperatures in Fort McMurray were below 5C for the 5 day period from November 4th to 8th, so one can assume the level 1 damage has occurred. According to the report this should lead to between \$0 and \$1MM USD in damages. The period November 18th to 22nd, saw daily lows below -10C with one night as low as -25C. Based on this it is reasonable to assume that the damages from the report attributed to conditions below -10 have occurred, which would lead to an additional \$1-3MM USD. Temperatures from Dec 13th to present have been in the -20C range and the forecast for the remainder of the week is for similar cold. This, according to the report should lead to additional damages of \$10 -20 MM. My conclusion is that any damages that would occur have already occurred and rushing the process will not lead to additional damage. If you remember your high school physics, most substances when they change phase from gas to liquid to solid reduce in volume. Water is the only substance that increases in volume as it changes from a liquid to a solid (freezes) and it is this increase in volume that causes damage to piping and equipment. If the plant is frozen, the increase in volume has occurred and the damage is done. The volume doesn't increase as the temperature gets colder than -4C, in fact below -4C it begins to reduce in volume again, so idea that there will be increased damage as it gets colder is false.
- 3) Competing Proposal – I am interested in working with the Investor group that met last night, including you Doug, and Smartie and his team to put together a competing proposal. It is unrealistic to expect to do that in less than 24 hours. I don't think I will have much success going to savvy investors who have invested in our projects in the past with the pitch “We've come across this great opportunity, but you need to provide a soft commitment in the

next 24 hours". I have been a founder of 3 successful Junior Oil and Gas Companies – Argonauts Group which we built from nothing to approx. 1800 boe per day. We negotiated a deal with Don Archibald and Howie Crone for them to use Argonauts as a restart vehicle after their successful sale of Cypress Energy. They rebranded as Cequel Energy and our original investors received a 60x return on their investment (\$0.15 to \$9.00) over about a 5 year period. We then founded Argo Energy and again grew that from nothing to about 4000 boe per day and merged with Lightning Energy to form Sequoia Oil and Gas Trust and White Fire Energy. Again, our founding shareholders received about a 20x return over 5 years. Finally, we formed Marble Point Energy which was broken into two separate companies, Teine Energy and Verity Energy. Teine is a privateco now back by CPP and is producing approx. 35,000 bbls of oil per day from the Viking formation around Kindersley. The original shareholders investment in Marble Point, now rolled into Teine has appreciated nicely, however liquidity is a challenge. Verity received most of the gas assets and is insolvent currently. I am confident that I can arrange the necessary capital with the assistance of your group to put forward a proposal in the range of \$10-\$12MM to finance the Greenfire operation, especially when one incorporates the new technology I described last night.

I believe the best way forward for these assets is to leave them shut in until after spring break up and use the next few months to finalize a transaction, put together a detailed start up plan and ensure an organized restart. Attempting to restart this facility in the dead of winter, especially with unknown damages is folly, will be expensive and potentially risky.

I am happy to sign my name to an affidavit stating the above. I am a graduate of the U of A with a BSc in Petroleum Engineering, class of 1985. Before becoming involved in the private companies mentioned above, I spent my early career at PanCanadian Petroleum involved in Production, Operations and Exploitation Engineering in both conventional oil and gas, and heavy oil. When I left PanCanadian I was an Engineering Coordinator responsible for the Production Engineering function for all of the company's heavy oil areas. I let my P.Eng slip when I was overseas working on a heavy oil project in Albania and have not attempted to re-instate it so I can no longer use the PEng title.

If you see any merit in trying to extend the process to allow time for a competing proposal, I am happy to discuss that today and work on what is necessary to make that happen.

Regards

Dave Hall

Dhall3315@gmail.com

403 815 0990

cc: Doug McNeill

000722



Temperature - Daily data for Fort McMurray

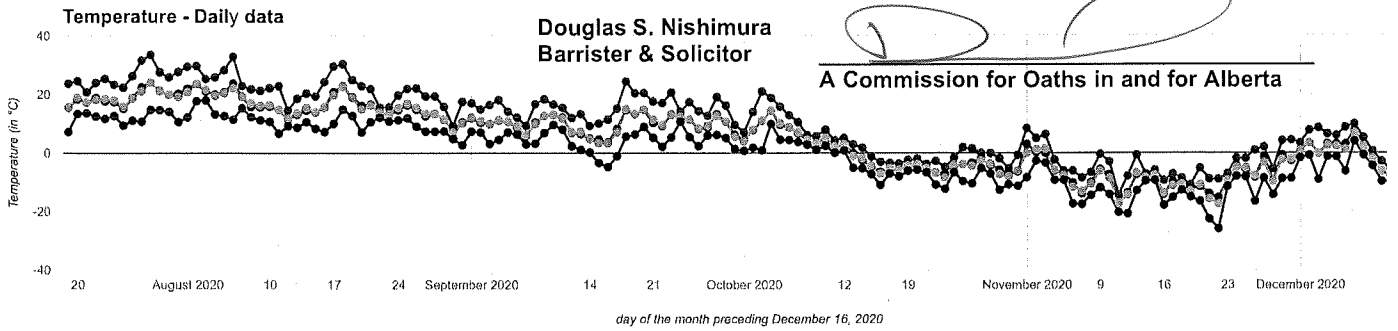
THIS IS EXHIBIT "D" REFERRED TO IN THE AFFIDAVIT OF MEER TAHER SHABANI-RAD.

Amount of data to show: 1x - Normal 2x 3x 4x 5x 6x 7x 8x 9x 10x - Most

SWORN BEFORE ME THIS 17TH DAY OF DECEMBER, 2020.

**Douglas S. Nishimura
Barrister & Solicitor**

A Commission for Oaths in and for Alberta



Date	Maximum	Hourly Mean	Mean of Min/Max	Minimum
Dec 15 2020	-16.5 °C	-18.4 °C	-19.1 °C	-21.7 °C
Dec 14 2020	-16.8 °C	-19.1 °C	-19.4 °C	-22.0 °C
Dec 13 2020	-19.5 °C	-23.1 °C	-23.3 °C	-27.1 °C
Dec 12 2020	-5.2 °C	-12.8 °C	-12.9 °C	-20.6 °C
Dec 11 2020	-5.8 °C	-8.0 °C	-7.9 °C	-9.9 °C
Dec 10 2020	-2.9 °C	-6.4 °C	-6.4 °C	-9.8 °C
Dec 9 2020	0.6 °C	-2.2 °C	-2.0 °C	-4.5 °C
Dec 8 2020	5.2 °C	2.2 °C	2.2 °C	-0.8 °C
Dec 7 2020	9.8 °C	7.5 °C	6.9 °C	3.9 °C
Dec 6 2020	8.7 °C	2.9 °C	1.2 °C	-6.3 °C
Dec 5 2020	5.9 °C	3.0 °C	2.3 °C	-1.4 °C
Dec 4 2020	6.4 °C	3.0 °C	2.6 °C	-1.3 °C
Dec 3 2020	8.5 °C	-0.3 °C	-0.3 °C	-9.1 °C
Dec 2 2020	7.7 °C	3.4 °C	3.4 °C	-0.9 °C
Dec 1 2020	3.4 °C	0.7 °C	0.9 °C	-1.7 °C
Nov 30 2020	4.4 °C	-2.7 °C	-2.1 °C	-8.7 °C
Nov 29 2020	4.2 °C	-0.8 °C	-2.3 °C	-8.8 °C
Nov 28 2020	-5.4 °C	-9.7 °C	-9.9 °C	-14.3 °C
Nov 27 2020	2.0 °C	-1.4 °C	-3.3 °C	-8.6 °C
Nov 26 2020	0.9 °C	-8.3 °C	-7.8 °C	-16.5 °C
Nov 25 2020	-1.9 °C	-5.6 °C	-5.1 °C	-8.2 °C
Nov 24 2020	-1.8 °C	-4.4 °C	-4.9 °C	-8.0 °C
Nov 23 2020	-7.1 °C	-9.3 °C	-9.3 °C	-11.5 °C
Nov 22 2020	-9.0 °C	-15.3 °C	-17.5 °C	-25.9 °C
Nov 21 2020	-8.9 °C	-13.9 °C	-15.8 °C	-22.6 °C
Nov 20 2020	-5.2 °C	-11.5 °C	-10.9 °C	-16.5 °C
Nov 19 2020	-10.9 °C	-12.0 °C	-13.0 °C	-15.1 °C
Nov 18 2020	-8.6 °C	-9.8 °C	-10.7 °C	-12.8 °C
Nov 17 2020	-7.2 °C	-9.7 °C	-11.2 °C	-15.2 °C
Nov 16 2020	-9.4 °C	-14.2 °C	-13.6 °C	-17.9 °C
Nov 15 2020	-5.9 °C	-7.9 °C	-7.7 °C	-9.4 °C
Nov 14 2020	-7.2 °C	-7.6 °C	-8.4 °C	-9.6 °C
Nov 13 2020	-0.7 °C	-7.4 °C	-6.8 °C	-12.9 °C
Nov 12 2020	-7.9 °C	-13.7 °C	-14.4 °C	-20.8 °C
Nov 11 2020	-14.2 °C	-17.2 °C	-17.3 °C	-20.3 °C
Nov 10 2020	-3.0 °C	-7.4 °C	-8.6 °C	-14.2 °C
Nov 9 2020	-0.4 °C	-5.7 °C	-6.2 °C	-11.9 °C
Nov 8 2020	-6.6 °C	-10.1 °C	-10.6 °C	-14.5 °C

000723

12/16/2020

Temperature - Daily data for Fort McMurray

Nov 6 2020	-6.1 °C	-10.3 °C	-11.8 °C	-17.4 °C
Nov 5 2020	-6.1 °C	-7.1 °C	-7.7 °C	-9.3 °C
Nov 4 2020	-2.3 °C	-6.0 °C	-5.8 °C	-9.3 °C
Nov 3 2020	6.3 °C	-0.1 °C	1.5 °C	-3.4 °C
Nov 2 2020	5.0 °C	0.2 °C	1.1 °C	-2.7 °C
Nov 1 2020	8.4 °C	2.9 °C	0.0 °C	-8.4 °C
Oct 31 2020	-0.7 °C	-6.4 °C	-6.0 °C	-11.3 °C
Oct 30 2020	-5.3 °C	-7.1 °C	-8.1 °C	-10.8 °C
Oct 29 2020	-1.9 °C	-5.8 °C	-7.3 °C	-12.7 °C
Oct 28 2020	-0.1 °C	-4.2 °C	-3.6 °C	-7.1 °C
Oct 27 2020	0.0 °C	-1.9 °C	-2.7 °C	-5.3 °C
Oct 26 2020	1.5 °C	-3.4 °C	-4.5 °C	-10.5 °C
Oct 25 2020	1.9 °C	-3.9 °C	-3.9 °C	-9.7 °C
Oct 24 2020	-1.7 °C	-4.5 °C	-4.2 °C	-6.7 °C
Oct 23 2020	-4.8 °C	-7.1 °C	-8.6 °C	-12.3 °C
Oct 22 2020	-2.8 °C	-6.7 °C	-6.9 °C	-10.9 °C
Oct 21 2020	-3.8 °C	-5.2 °C	-5.3 °C	-6.7 °C
Oct 20 2020	-2.0 °C	-4.1 °C	-3.9 °C	-5.8 °C
Oct 19 2020	-2.4 °C	-4.6 °C	-4.3 °C	-6.2 °C
Oct 18 2020	-3.6 °C	-5.8 °C	-5.9 °C	-8.1 °C
Oct 17 2020	-3.4 °C	-5.7 °C	-5.3 °C	-7.1 °C
Oct 16 2020	-3.1 °C	-6.5 °C	-7.1 °C	-11.0 °C
Oct 15 2020	-1.2 °C	-4.6 °C	-4.3 °C	-7.3 °C
Oct 14 2020	1.8 °C	-2.5 °C	-1.8 °C	-5.3 °C
Oct 13 2020	2.9 °C	-0.1 °C	-1.1 °C	-5.1 °C
Oct 12 2020	5.1 °C	2.7 °C	3.0 °C	0.8 °C
Oct 11 2020	4.3 °C	1.9 °C	2.2 °C	0.0 °C
Oct 10 2020	7.9 °C	4.8 °C	5.2 °C	2.4 °C
Oct 9 2020	5.7 °C	3.2 °C	3.4 °C	1.0 °C
Oct 8 2020	6.1 °C	4.4 °C	4.4 °C	2.8 °C
Oct 7 2020	10.5 °C	6.7 °C	7.1 °C	3.7 °C
Oct 6 2020	12.9 °C	8.7 °C	8.7 °C	4.4 °C
Oct 5 2020	15.8 °C	9.6 °C	10.2 °C	4.5 °C
Oct 4 2020	18.8 °C	14.4 °C	14.4 °C	9.9 °C
Oct 3 2020	21.0 °C	11.0 °C	11.0 °C	0.9 °C
Oct 2 2020	14.0 °C	7.8 °C	7.9 °C	1.8 °C
Oct 1 2020	7.1 °C	4.2 °C	3.9 °C	0.7 °C
Sep 30 2020	9.6 °C	6.2 °C	5.5 °C	1.3 °C
Sep 29 2020	16.2 °C	10.6 °C	10.6 °C	5.1 °C
Sep 28 2020	19.1 °C	13.2 °C	12.6 °C	6.1 °C
Sep 27 2020	12.7 °C	8.7 °C	9.3 °C	5.9 °C
Sep 26 2020	14.3 °C	8.1 °C	8.3 °C	2.3 °C
Sep 25 2020	17.3 °C	11.4 °C	11.4 °C	5.4 °C
Sep 24 2020	14.1 °C	12.0 °C	12.4 °C	10.6 °C
Sep 23 2020	20.6 °C	13.1 °C	13.0 °C	5.3 °C
Sep 22 2020	17.0 °C	9.2 °C	9.6 °C	2.1 °C
Sep 21 2020	17.6 °C	10.2 °C	11.4 °C	5.2 °C
Sep 20 2020	20.5 °C	14.8 °C	14.7 °C	8.9 °C
Sep 19 2020	20.4 °C	13.2 °C	13.4 °C	6.3 °C
Sep 18 2020	24.4 °C	14.7 °C	15.0 °C	5.6 °C
Sep 17 2020	15.2 °C	8.2 °C	7.1 °C	-1.1 °C
Sep 16 2020	11.4 °C	3.6 °C	3.3 °C	-4.8 °C
Sep 15 2020	10.1 °C	4.6 °C	3.3 °C	-3.4 °C
Sep 14 2020	9.3 °C	5.0 °C	4.8 °C	0.2 °C
Sep 13 2020	13.3 °C	6.5 °C	7.2 °C	1.1 °C
Sep 12 2020	12.0 °C	7.0 °C	7.2 °C	2.3 °C
Sep 11 2020	15.5 °C	12.1 °C	11.8 °C	8.0 °C
Sep 10 2020	16.6 °C	13.0 °C	13.1 °C	9.6 °C
Sep 9 2020	18.4 °C	12.7 °C	12.6 °C	6.8 °C
Sep 8 2020	16.7 °C	10.4 °C	9.9 °C	3.2 °C
Sep 7 2020	9.4 °C	5.9 °C	6.2 °C	3.0 °C
Date	Maximum	Hourly Mean	Mean of Min/Max	Minimum

000724

12/16/2020

Temperature - Daily data for Fort McMurray

Date	Temp 1	Temp 2	Temp 3	Temp 4
Sep 5 2020	14.2 °C	10.7 °C	10.6 °C	7.0 °C
Sep 4 2020	18.1 °C	11.1 °C	11.3 °C	4.5 °C
Sep 3 2020	16.4 °C	9.9 °C	9.8 °C	3.1 °C
Sep 2 2020	14.9 °C	10.3 °C	11.0 °C	7.0 °C
Sep 1 2020	17.0 °C	11.9 °C	12.2 °C	7.3 °C
Aug 31 2020	17.5 °C	10.4 °C	10.1 °C	2.7 °C
Aug 30 2020	9.3 °C	7.4 °C	7.1 °C	4.8 °C
Aug 29 2020	15.8 °C	11.5 °C	11.6 °C	7.4 °C
Aug 28 2020	19.4 °C	13.5 °C	13.4 °C	7.3 °C
Aug 27 2020	19.4 °C	12.6 °C	13.4 °C	7.3 °C
Aug 26 2020	22.1 °C	14.8 °C	15.6 °C	9.0 °C
Aug 25 2020	21.9 °C	16.3 °C	16.9 °C	11.9 °C
Aug 24 2020	19.7 °C	14.7 °C	15.5 °C	11.2 °C
Aug 23 2020	15.7 °C	13.1 °C	13.3 °C	10.8 °C
Aug 22 2020	15.6 °C	13.5 °C	13.9 °C	12.1 °C
Aug 21 2020	21.9 °C	16.6 °C	16.3 °C	10.6 °C
Aug 20 2020	22.9 °C	16.2 °C	15.0 °C	7.1 °C
Aug 19 2020	25.0 °C	19.1 °C	18.9 °C	12.7 °C
Aug 18 2020	30.4 °C	22.9 °C	22.7 °C	14.9 °C
Aug 17 2020	29.6 °C	20.9 °C	19.8 °C	10.0 °C
Aug 16 2020	24.3 °C	15.6 °C	15.8 °C	7.2 °C
Aug 15 2020	19.4 °C	13.9 °C	13.9 °C	8.3 °C
Aug 14 2020	20.4 °C	14.6 °C	15.5 °C	10.6 °C
Aug 13 2020	18.6 °C	13.2 °C	13.7 °C	8.7 °C
Aug 12 2020	14.6 °C	11.6 °C	11.9 °C	9.2 °C
Aug 11 2020	22.9 °C	14.8 °C	14.8 °C	6.7 °C
Aug 10 2020	22.2 °C	15.9 °C	16.5 °C	10.7 °C
Aug 9 2020	21.3 °C	15.7 °C	16.3 °C	11.2 °C
Aug 8 2020	21.8 °C	15.7 °C	17.0 °C	12.3 °C
Aug 7 2020	22.9 °C	19.3 °C	19.1 °C	15.4 °C
Aug 6 2020	32.9 °C	23.7 °C	22.2 °C	11.4 °C
Aug 5 2020	28.3 °C	20.7 °C	20.5 °C	12.6 °C
Aug 4 2020	25.9 °C	20.0 °C	19.5 °C	13.2 °C
Aug 3 2020	25.3 °C	21.1 °C	21.7 °C	18.0 °C
Aug 2 2020	29.7 °C	23.6 °C	23.7 °C	17.7 °C
Aug 1 2020	29.5 °C	22.0 °C	20.9 °C	12.2 °C
Jul 31 2020	27.7 °C	20.3 °C	19.1 °C	10.6 °C
Jul 30 2020	25.9 °C	20.0 °C	20.0 °C	14.1 °C
Jul 29 2020	27.6 °C	21.3 °C	21.2 °C	14.7 °C
Jul 28 2020	33.5 °C	24.1 °C	24.2 °C	14.8 °C
Jul 27 2020	31.6 °C	22.5 °C	21.2 °C	10.7 °C
Jul 26 2020	26.3 °C	18.8 °C	18.7 °C	11.1 °C
Jul 25 2020	22.4 °C	15.2 °C	15.9 °C	9.4 °C
Jul 24 2020	23.4 °C	17.5 °C	18.0 °C	12.7 °C
Jul 23 2020	25.4 °C	17.7 °C	18.5 °C	11.7 °C
Jul 22 2020	24.0 °C	18.9 °C	18.3 °C	12.5 °C
Jul 21 2020	20.8 °C	17.3 °C	17.2 °C	13.6 °C
Jul 20 2020	24.6 °C	18.4 °C	19.0 °C	13.4 °C
Jul 19 2020	23.7 °C	15.6 °C	15.5 °C	7.2 °C

Embed the chart in your web page: `<IFRAME SRC="https://fortmcmurray.weatherstats.ca/icharts/temperature-daily.html?width=500;height=300" FRAMEBORDER="0" VSPACE="0" HSPACE="0" MARGINWIDTH="0" MARGINHEIGHT="0" SCROLLING="no" NORESIZE WIDTH="500" HEIGHT="300"> </IFRAME>`

The historical weather data, forecast and current conditions graphics are courtesy of Environment and Climate Change Canada. The information presented is combined from multiple Environment and Climate Change Canada data sources and all effort is made to be accurate. However, if you find something missing or incorrect please send your feedback. Don't make life or death decisions based on the information you find here **000725** see the "about" page for links to the official Environment and Climate Change Canada data.

Website Name	Government Of Canada
URL	https://climate.weather.gc.ca/climate_data/
Website Title	Climate - Oct,01 - Dec,16
Date Accessed	16-Dec

Station Name	Date/Time	Max Temp (°C)	Min Temp (°C)	Mean Temp (°C)
FORT MCMURRAY CS	10/1/2020	7.1	0.6	3.8
FORT MCMURRAY CS	10/2/2020	14	1.1	7.5
FORT MCMURRAY CS	10/3/2020	20.7	0.2	10.5
FORT MCMURRAY CS	10/4/2020	18.7	9.6	14.2
FORT MCMURRAY CS	10/5/2020	15.6	4.1	9.9
FORT MCMURRAY CS	10/6/2020	13	4.1	8.5
FORT MCMURRAY CS	10/7/2020	10.7	3.6	7.1
FORT MCMURRAY CS	10/8/2020	6.1	2.9	4.5
FORT MCMURRAY CS	10/9/2020	5.8	0.9	3.4
FORT MCMURRAY CS	10/10/2020	7.9	2.4	5.2
FORT MCMURRAY CS	10/11/2020	4.4	0	2.2
FORT MCMURRAY CS	10/12/2020	5.2	0.9	3
FORT MCMURRAY CS	10/13/2020	2.8	-5	-1.1
FORT MCMURRAY CS	10/14/2020	1.8	-5.6	-1.9
FORT MCMURRAY CS	10/15/2020	-1.1	-7.2	-4.1
FORT MCMURRAY CS	10/16/2020	-3.2	-10.8	-7
FORT MCMURRAY CS	10/17/2020	-3.4	-7	-5.2
FORT MCMURRAY CS	10/18/2020	-3.5	-8	-5.7
FORT MCMURRAY CS	10/19/2020	-2.3	-6.3	-4.3
FORT MCMURRAY CS	10/20/2020	-1.9	-5.7	-3.8
FORT MCMURRAY CS	10/21/2020	-3.8	-6.7	-5.2
FORT MCMURRAY CS	10/22/2020	-3	-10.8	-6.9
FORT MCMURRAY CS	10/23/2020	-4.7	-13.1	-8.9
FORT MCMURRAY CS	10/24/2020	-1.7	-6.7	-4.2
FORT MCMURRAY CS	10/25/2020	2.2	-9.6	-3.7
FORT MCMURRAY CS	10/26/2020	1.6	-11	-4.7
FORT MCMURRAY CS	10/27/2020	0	-5.2	-2.6
FORT MCMURRAY CS	10/28/2020	-0.2	-7	-3.6
FORT MCMURRAY CS	10/29/2020	-1.9	-13.1	-7.5
FORT MCMURRAY CS	10/30/2020	-5.3	-10.6	-7.9
FORT MCMURRAY CS	10/31/2020	-0.7	-11.3	-6
FORT MCMURRAY CS	11/1/2020	8.4	-8	0.2
FORT MCMURRAY CS	11/2/2020	3.9	-3	0.5
FORT MCMURRAY CS	11/3/2020	5.3	-3.3	1
FORT MCMURRAY CS	11/4/2020	-2.3	-9.2	-5.8
FORT MCMURRAY CS	11/5/2020	-6.1	-9.2	-7.7
FORT MCMURRAY CS	11/6/2020	-6.1	-17.6	-11.9
FORT MCMURRAY CS	11/7/2020	-8	-17.7	-12.8
FORT MCMURRAY CS	11/8/2020	-6.6	-14.5	-10.5

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FORT MCMURRAY CS	11/9/2020	-0.5	-11.5	-6
FORT MCMURRAY CS	11/10/2020	-3	-14	-8.5
FORT MCMURRAY CS	11/11/2020	-14	-20.1	-17.1
FORT MCMURRAY CS	11/12/2020	-7.7	-20.7	-14.2
FORT MCMURRAY CS	11/13/2020	0.8	-13.1	-6.2
FORT MCMURRAY CS	11/14/2020	-7.1	-9.6	-8.3
FORT MCMURRAY CS	11/15/2020	-5.9	-9.3	-7.6
FORT MCMURRAY CS	11/16/2020	-9.3	-18.3	-13.8
FORT MCMURRAY CS	11/17/2020	-7.1	-15.2	-11.2
FORT MCMURRAY CS	11/18/2020	-8.6	-13.3	-10.9
FORT MCMURRAY CS	11/19/2020	-10.8	-15.2	-13
FORT MCMURRAY CS	11/20/2020	-5.2	-16.1	-10.7
FORT MCMURRAY CS	11/21/2020	-8.9	-23.2	-16.1
FORT MCMURRAY CS	11/22/2020	-8.9	-26.2	-17.5
FORT MCMURRAY CS	11/23/2020	-7	-11.4	-9.2
FORT MCMURRAY CS	11/24/2020	-1.7	-7.9	-4.8
FORT MCMURRAY CS	11/25/2020	-2	-8.1	-5
FORT MCMURRAY CS	11/26/2020	1	-17.5	-8.2
FORT MCMURRAY CS	11/27/2020	2.1	-9.2	-3.6
FORT MCMURRAY CS	11/28/2020	-5.3	-14.8	-10.1
FORT MCMURRAY CS	11/29/2020	4	-9.9	-3
FORT MCMURRAY CS	11/30/2020	4.5	-8.8	-2.2
FORT MCMURRAY CS	12/1/2020	3.5	-1.6	1
FORT MCMURRAY CS	12/2/2020	7.5	-1	3.2
FORT MCMURRAY CS	12/3/2020	8.4	-9.9	-0.8
FORT MCMURRAY CS	12/4/2020	6.4	-1.6	2.4
FORT MCMURRAY CS	12/5/2020	5.6	-2.1	1.8
FORT MCMURRAY CS	12/6/2020	8.9	-6.8	1.1
FORT MCMURRAY CS	12/7/2020	9.7	3.1	6.4
FORT MCMURRAY CS	12/8/2020	5.2	-0.6	2.3
FORT MCMURRAY CS	12/9/2020	0.7	-4.7	-2
FORT MCMURRAY CS	12/10/2020	-2.8	-9.8	-6.3
FORT MCMURRAY CS	12/11/2020	-5.7	-9.8	-7.7
FORT MCMURRAY CS	12/12/2020	-5.1	-20.3	-12.7
FORT MCMURRAY CS	12/13/2020	-19.1	-27.6	-23.4
FORT MCMURRAY CS	12/14/2020	-16.7	-22.6	-19.7
FORT MCMURRAY CS	12/15/2020	-16.5	-22.2	-19.3



THIS IS EXHIBIT "E" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.

SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.

Made at Bonnyville AB, in the
Province of Alberta, on

November 17, 2020

Douglas S. Nishimura
Barrister & Solicitor

A Commission for Oaths in and for Alberta

ALBERTA ENERGY REGULATOR

Under section 26.2 of the *Oil and Gas Conservation Act (OCGA)* and section 22.1 of the *Pipeline Act*

Greenfire Hangingstone Operating Corporation (A7P4)

Suite 1650, 444 – 5 AVE SW
Calgary, AB T2P 2T8

WHEREAS Greenfire Hangingstone Operating Corporation (Greenfire) is the holder of the Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A (the Sites);

WHEREAS on October 8, 2020, Greenfire filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS on November 6, 2020, Greenfire obtained an extension to November 20, 2020, to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS Greenfire has an Active status in the Alberta Corporate Registry as of November 17, 2020.

WHEREAS Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures;

WHEREAS freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;

WHEREAS Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020;

WHEREAS Colin Woods, Manager, Compliance & Liability Management Field Operations East (Director) has authority for the purpose of issuing Orders under the *OCGA* and *Pipeline Act*;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at the Sites;

Therefore, I, Colin Woods, Manager, Compliance & Liability Management Field Operations East, under section 26.2 of the *OCGA*, and section 22.1 of the *Pipeline Act*, DO HEREBY ORDER the following:

Action Items

1. Greenfire shall **immediately** report in writing that Greenfire's posted emergency number will remain active and will initiate an immediate response when called.

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2. By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

Action Plan

3. On or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.
4. On or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment.
5. Implement the above Action Plans as authorized until otherwise directed by the AER in writing.

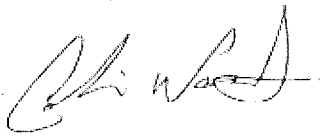
Reporting

6. All Plans and Reports to be submitted to the Director under this order shall be submitted to fieldoperationseast@aer.ca

General

7. In carrying out the requirements of this Order, Greenfire shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt.
8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Bonnyville in the Province of Alberta, the 17th day of November, 2020.



Colin Woods
Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA* or *Pipeline Act* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

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noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliance's from occurring.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix A

Table 1: Well Licences

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0483436	F1/01-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424893	10/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424892	09/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424838	07/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424837	06/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0419253	AA/13-26-084-11W4/2	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0375428	W0/13-35-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0375327	00/13-35-084-11W4/2 00/13-35-084-11W4/4 00/15-34-084-11W4/3 00/16-34-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0370910	02/03-35-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370909	02/14-26-084-11W4/0 02/14-26-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370903	00/03-35-084-11W4/0 00/03-35-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370901	00/14-26-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370727	03/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370726	18/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370725	21/01-34-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0370724	03/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0367690	AF/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0367479	AC/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0366965	09/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366964	03/03-35-084-11W4/0	03-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366963	AE/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366962	AB/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366961	10/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366991	02/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366990	16/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366688	W2/04-35-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366687	02/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366675	AB/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0324493	03/13-34-084-11W4/0	13-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0323896	AC/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0319542	00/14-34-084-11W4/0	14-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318834	03/12-34-084-11W4/0	12-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318503	02/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318502	04/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318485	03/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318484	00/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314411	02/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314410	00/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0297267	06/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0296876	09/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296875	08/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296874	05/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296872	04/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296871	07/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281690	00/11-34-084-11W4/0 05/09-33-084-11W4/2	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281688	04/09-33-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281687	06/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281685	05/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259728	03/09-33-084-11W4/0	09-33-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0259095	02/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259094	02/05-34-084-11W4/0	05-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259093	03/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259092	04/13-27-084-11W4/0	13-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259091	02/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259090	00/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259088	03/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242489	02/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242488	04/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242486	03/13-27-084-11W4/0	02-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242483	00/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0242482	03/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242480	02/13-27-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240026	02/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240025	02/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240024	00/05-34-084-11W4/0	05-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240023	00/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240022	02/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240021	00/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240020	00/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0239728	00/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219033	04/08-34-084-11W4/0	08-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219032	AF/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219031	AE/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219030	AC/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219028	07/10-34-084-11W4/0	10-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219027	AA/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219024	AD/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219023	00/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219022	07/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219021	00/05-35-084-11W4/0	05-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219020	08/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

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Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0219019	AB/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0214840	06/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214839	05/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214838	04/09-34-084-11W4/0 04/09-34-084-11W4/2	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214837	03/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214836	02/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214835	00/09-34-084-11W4/0	04-35-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0213618	02/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0213579	AA/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213576	AB/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213575	AB/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213532	AB/12-35-084-11W4/0	12-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212103	06/10-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212100	05/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0212096	04/10-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0212095	F1/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0207219	02/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207217	02/07-34-084-11W4/0	07-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207216	00/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207213	00/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0140078	03/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000736

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0131674	00/01-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

Table 2: Facility Licences

Licence Number	Surface Location	Responsible Party	Percent Interest
F21408	16-27-084-11W4	Greenfire Hangingstone Operating Corporation	100%

Table 3: Pipeline Licences

Licence Number	From Location	To Location	Line Number
P53137	01-34-084-11W4	13-26-084-11W4	S-1
P53137	01-34-084-11W4	01-34-084-11W4	S-2
P53137	01-34-084-11W4	16-27-084-11W4	S-3
P53137	07-34-084-11W4	01-34-084-11W4	S-4
P53137	11-34-084-11W4	07-34-084-11W4	S-5
P53137	10-27-084-11W4	13-26-084-11W4	S-6
P53137	09-27-084-11W4	09-27-084-11W4	S-7
P53137	01-34-084-11W4	13-26-084-11W4	S-8
P53137	01-34-084-11W4	16-27-084-11W4	S-9
P53137	07-34-084-11W4	01-34-084-11W4	S-10
P53137	11-34-084-11W4	07-34-084-11W4	S-11
P53137	10-27-084-11W4	13-26-084-11W4	S-12
P53137	09-27-084-11W4	09-27-084-11W4	S-13
P53112	13-26-084-11W4	04-35-084-11W4	S-1
P53112	01-34-084-11W4	04-35-084-11W4	S-2
P53112	01-34-084-11W4	07-34-084-11W4	S-3
P53112	01-34-084-11W4	01-34-084-11W4	S-4
P53112	16-27-084-11W4	16-27-084-11W4	S-5
P53112	07-34-084-11W4	11-34-084-11W4	S-6
P53112	13-26-084-11W4	10-27-084-11W4	S-7
P53112	09-27-084-11W4	09-27-084-11W4	S-8
P53112	16-27-084-11W4	16-27-084-11W4	S-9
P53112	01-34-084-11W4	01-34-084-11W4	S-10
P53112	13-26-084-11W4	01-34-084-11W4	S-11
P53111	01-34-084-11W4	01-34-084-11W4	S-1
P53111	01-34-084-11W4	01-34-084-11W4	S-2
P53110	16-27-084-11W4	01-34-084-11W4	S-1

000737

Licence Number	From Location	To Location	Line Number
P53110	01-34-084-11W4	16-27-084-11W4	S-2
P53110	01-34-084-11W4	04-35-084-11W4	S-3
P53110	01-34-084-11W4	07-34-084-11W4	S-4
P53110	07-34-084-11W4	11-34-084-11W4	S-5
P53110	13-26-084-11W4	10-27-084-11W4	S-6
P53110	09-27-084-11W4	09-27-084-11W4	S-7
P53109	04-35-084-11W4	01-34-084-11W4	S-1
P53109	04-35-084-11W4	13-26-084-11W4	S-2
P53109	07-34-084-11W4	01-34-084-11W4	S-3
P53094	16-27-084-11W4	01-34-084-11W4	S-1
P53094	13-26-084-11W4	01-34-084-11W4	S-2
P53094	01-34-084-11W4	01-34-084-11W4	S-3
P53094	01-34-084-11W4	07-34-084-11W4	S-4
P53094	07-34-084-11W4	11-34-084-11W4	S-5
P53094	13-26-084-11W4	10-27-084-11W4	S-6
P53094	09-27-084-11W4	09-27-084-11W4	S-7
P53094	11-34-084-11W4	07-34-084-11W4	S-8
P53094	11-34-084-11W4	07-34-084-11W4	S-9
P53094	10-27-084-11W4	13-26-084-11W4	S-10
P53094	10-27-084-11W4	13-26-084-11W4	S-11
P53094	01-34-084-11W4	13-26-084-11W4	S-12
P53093	13-26-084-11W4	04-35-084-11W4	S-1
P53093	01-34-084-11W4	04-35-084-11W4	S-2
P53093	01-34-084-11W4	16-27-084-11W4	S-3
P53093	01-34-084-11W4	01-34-084-11W4	S-4
P53093	01-34-084-11W4	07-34-084-11W4	S-5
P53093	07-34-084-11W4	11-34-084-11W4	S-6
P53093	13-26-084-11W4	10-27-084-11W4	S-7
P53093	09-27-084-11W4	09-27-084-11W4	S-8
P24616	05-34-083-11W4	01-34-084-11W4	S-1
P24616	15-34-083-11W4	15-34-083-11W4	S-2
P24616	01-11-084-11W4	13-26-084-11W4	S-3
P24616	16-27-084-11W4	16-27-084-11W4	S-4
P24616	12-13-084-11W4	12-13-084-11W4	S-5
P21792	02-36-084-11W4	13-26-084-11W4	S-5
P21792	13-26-084-11W4	01-34-084-11W4	S-6

File No. 4005

November 25, 2020

By email only

Mr. Robert B. Logan, Chairman

Greenfire Hangingstone Operating Corporation (A7P4)

Email: rlogan@greenfireoilandgas.com

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

tel: 780-826-5352
fax: 780-826-2366

www.aer.ca

**RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001**

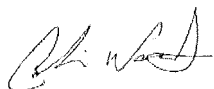
Mr. Logan:

The Alberta Energy Regulator (AER) acknowledges receipt of Greenfire Hangingstone Operating Corporation (Greenfire) Surface Action Plan, received November 23, 2020 (enclosed), as per *Order RCAM 2020-01*. The AER has reviewed and hereby accepts the plan as presented, contingent on Greenfire's anticipated debtor in possession financing, to be confirmed in court on December 8, 2020. Greenfire must update the AER on the outcome of this court proceeding by end of business day December 9, 2020, through the established Order communication process. Dependent on the outcome of these proceedings, the AER may require Greenfire to update its Surface Action Plan accordingly.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Should you have any questions or concerns, please don't hesitate to contact me at 780-826-8334 (office) or alternate contact at 780-201-1737 (cell).

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

CW/cla

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension

cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)

David Phung, Greenfire (dphung@greenfireoilandgas.com)



November 22, 2020

Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator
Suite 1000, 250 5 Street SW
Calgary, Alberta T2P 0R4
Email: fieldoperationseast@aer.ca

RE: Order RCAM 2020-001 – Surface Action Plan

On or before November 23, 2020, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

To whom it may concern,

Greenfire Hangingstone Operation Corporation ("Greenfire"), as the current holder of Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A of Order RCAM 2020-001

Greenfire's plan is to restart the Hangingstone site including making any repairs necessary to ensure the safety, integrity and operability of the SAGD plant and wells.

Greenfire has the majority of its former employees ready to restart operations and to protect the facility from further damages due to freezing. Restarting operations is contingent upon receiving debtor in possession (DIP) financing, which is currently expected to be on or about December 8th, 2020, subject to court approval.

During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored.

Action Item #2 from Order RCAM 2020-001 states:

By December 1, 2020, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

As such, Greenfire is requesting an extension to Action Item #2 from **to December 15, 2020**, from **December 1, 2020**, to allow for time for Greenfire to obtain funds from the aforementioned DIP financing and begin implementation of the restart.

If you require any further information pertaining to the subject request, please contact the undersigned.

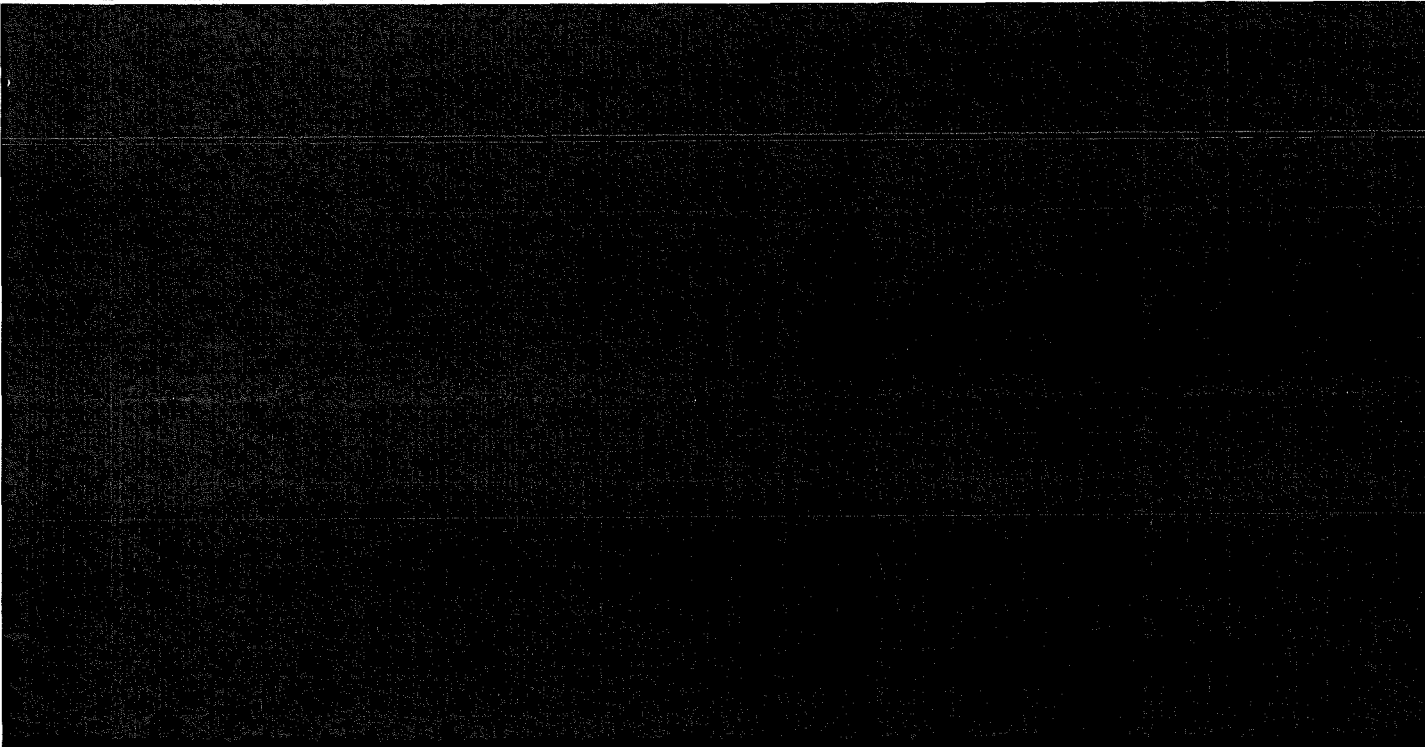
Best regards,

A handwritten signature in black ink, appearing to read "Robert B. Logan".

Robert B. Logan, MPBE, P.Eng, PE
Chairman
Greenfire Hangingstone Operating Corporation
403-465-2321 (cell)
rlogan@greenfireoilandgas.com



Fwd: Question regarding frost damage



Todd,

Further to your question regarding equipment damage due to cold temperatures. In my experience as the site manager for both the LongLake SAGD project as well as during my time at Suncor we spent considerable efforts in developing and stewarding to our shut down procedures to ensure proper flushing and draining of all equipment prior to any long term shut in of production. This was done to ensure that all assets would be protected from damage due to thermal fluctuations and be ready for restart when needed. Given the assets at Greenfire were shut in months ago, I would expect that any damage that may occur would likely have already happened considering temperatures have been below zero for weeks now (Monday morning my truck showed -27C when I started it).

Regards,

Dan Gallagher

**THIS IS EXHIBIT "F" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.**

**SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.**

A Commission for Oaths in and for Alberta

**Douglas S. Nishimura
Barrister & Solicitor**

M. Jill Spordis, MBA, PhD
Business Consultant
Dreamline Canada, Inc.

Date: December 16, 2020

To Whom it May Concern

Subject: Present Condition of the Greenfire Hangingstone Facility

Propak personnel have met to review and discuss the current condition of the Greenfire Hangingstone facility. The following summarizes our opinion, based upon currently available information.

Without a facility inspection, accompanied with the final days' closing operating reports, meaningful assessment of the condition or remediation cost for the Hangingstone facility cannot be provided. A thorough inspection of the facility would allow an estimate of the funding required to restore the facility to an operational state. An experienced inspection team can provide a damage assessment in a timely manner to allow determination of the true asset value.

Best industry practice is that a thermal facility should be properly moth balled under a non-pressurized, dry condition, without liquids present in the piping or equipment. If the facility was shut in, wet and under pressure, substantial damage has likely already occurred due to freezing.

There have been numerous occasions of freezing in the Hangingstone area for the previous 3 months, with multiple occasions below -15 °C. Based upon our current understanding of the condition of the Hangingstone facility, future sustained lower temperatures will not cause significant further damage resulting in a step change increase in the remediation cost of the facility.

Sincerely,



Tim McPike, P. Eng.
Director, Heavy Oil

Propak Systems Ltd.

**THIS IS EXHIBIT "G" REFERRED TO IN THE
AFFIDAVIT OF MEER TAHER SHABANI-RAD.**

**SWORN BEFORE ME THIS 17TH DAY OF
DECEMBER, 2020.**



A Commission for Oaths in and for Alberta

Douglas S. Nishimura
Barrister & Solicitor

THIS IS **EXHIBIT "15"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020

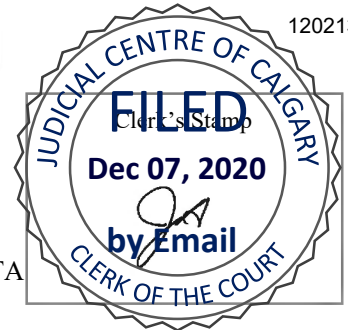


A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

ENTERED

1202131



COURT FILE NUMBERS B201 - 679073
25-2679073

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

COM
Dec. 14 2020
Justice D.B Nixon

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

APPLICANTS IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE OIL AND GAS LTD.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING CORPORATION

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

DECEMBER 5, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

PROPOSAL TRUSTEE
 ALVAREZ & MARSAL CANADA INC.
 Bow Valley Square IV
 Suite 1110, 250 – 6th Avenue SW
 Calgary, Alberta T2P 3H7
 Orest Konowalchuk/Duncan MacRae
 Telephone: (403) 538-4736/(403) 538-7514
 Email: okonowalchuk@alvarezandmarsal.com
dmacrae@alvarezandmarsal.com

COUNSEL TO PROPOSAL TRUSTEE
 McMillan LLP
 1700, 421 – 7th Avenue SW
 Calgary, Alberta T2P 4K9
 Adam Maerov / Kourtney Rylands
 Telephone: (403) 215-2752/(403) 355-3326
 Email: Adam.Maerov@mcmillan.ca
Kourtney.Rylands@mcmillan.ca
 File 277019

INTRODUCTION

1. On October 8, 2020 (the “**NOI Date**”), Greenfire Oil and Gas Ltd. (“**HoldCo**”) and Greenfire Hangingstone Operating Corporation (“**OpCo**”), each filed Notices of Intention to Make a Proposal (“**NOI**” or the “**Filing**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. consented to act as Trustee under the Proposal (“**A&M**” or the “**Proposal Trustee**”). For purposes of this fourth report of the Proposal Trustee (the “**Fourth Report**” or “**this Report**”), HoldCo and OpCo are together referred to as the “**Company**” or “**Greenfire**”.
2. On October 16, 2020, this Honourable Court granted an order that the NOI proceedings for Greenfire (together, the “**NOI Proceedings**”) be administratively consolidated and continued under Estate No. 25-2679073 and that a charge be granted on the assets, property and undertaking of the Company not to exceed \$500,000 (the “**Administration Charge**”) as security for the fees and costs of the Proposal Trustee, its independent legal counsel and the legal counsel to the Company, such charge to be in priority to all other security interests, liens and other encumbrances.
3. Pursuant to section 50.4(8) of the BIA, the Company was required to file a proposal under the NOI Proceedings by November 9, 2020, unless this Court granted an order extending the time to file a proposal. On November 6, 2020, on application by the Company, this Honourable Court granted an order extending that timeframe for the Company to file a proposal to its creditors until November 20, 2020. On November 17, 2020, on application by the Company, this Honourable Court granted an order extending that timeframe for the Company to file a proposal to its creditors until December 8, 2020 (the “**Second NOI Period Extension**”).
4. On December 2, 2020, the Company served a notice of application (the “**December 2nd Application Materials**”) to this Honourable Court, to seek among other things, an Order:

- a) authorizing the Company to borrow up to \$20,000,000 under a credit facility (the “**Proposed Interim Financing Facility**”) to fund the restart of its operations;
 - b) granting Trafigura Canada General Partnership (“**Trafigura**”) a charge (the “**Proposed Interim Lender’s Charge**”) that shall rank in priority to all other security interests, liens and other encumbrances with the exception of the Administration Charge;
 - c) approving a proposed asset sale transaction (the “**Proposed Asset Sale Transaction**”) contemplated by an asset purchase agreement (the “**APA**”) between Greenfire and Greenfire Acquisition Corporation (“**AcquisitionCo**”); and
 - d) extending the period of time within which Greenfire is required to file a proposal to its creditors up to and including January 22, 2021; or
 - e) in the alternative, increasing the Administration Charge by \$500,000 to \$1 million.
5. Further background regarding the Company and its operations is contained in the materials filed in support of the application for a stay extension, including the affidavits of Mr. Robert Logan. Various Court-filed documents and notices, together with the Proposal Trustee’s filed reports and other information regarding the NOI Proceedings, have been posted on the Proposal Trustee’s website at www.alvarezandmarsal.com/greenfire.

PURPOSE

6. The purpose of this Fourth Report of the Proposal Trustee is to provide this Honourable Court and the Company's stakeholders with information in respect of the following:
 - a) activities of the Company and the Proposal Trustee since the First Report of the Proposal Trustee dated November 4, 2020 (the "**First Report**"); and
 - b) the Proposal Trustee's considerations and recommendation with respect to the Company's revised request for an extension of the Second NOI Period Extension to December 14, 2021 (the "**Proposed Third NOI Period Extension**").

TERMS OF REFERENCE

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

LIMITATION IN SCOPE OF REVIEW

10. The Report has been prepared by the Proposal Trustee pursuant to the rules and regulations set out in the BIA. The BIA provides that the Proposal Trustee shall

incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.

11. This Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Company during these proceedings and/or at any other time.
12. The Proposal Trustee has not audited or reviewed the assets of the Company, and with respect to such assets, has relied to a significant degree upon information provided by the Company.
13. The Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE

14. Since the First Report, the Proposal Trustee and the Company's management ("**Management**") have engaged in the following activities:
 - a) multiple communications and meetings between the Company, the Company's legal counsel, the Proposal Trustee, the Proposal Trustee's independent legal counsel McMillan LLP (collectively, the "**NOI Professionals**") and with interested parties considering whether to provide interim financing in the NOI Proceedings or an offer to purchase the Company's assets;
 - b) multiple communications and meetings between the Company, the NOI Professionals, Trafigura and MWB UK Management Limited (doing business as "**McIntyre Partners**") with respect to the proposed interim financing facility and the proposed asset sale transaction, which are expected to be discussed in greater detail in the Proposals Trustee's Fifth Report expected to be filed in the coming days;

- c) review of the filed December 2nd Application Materials and subsequent communications with the Company, Trafigura and McIntyre Group;
- d) preparing reports to this Honourable Court commenting on the Company's stay extension request and matters involving the disputes between Greenfire and Warner Petroleum Corporation ("**Warner**"). On November 17, 2020, applications were heard by this Honourable Court to determine whether the marketing agreement between Greenfire and Warner (the "**Warner Marketing Agreement**") created an interest in land, whether the Warner Marketing Agreement is an eligible financial contract under the provisions of the BIA and whether Warner Marketing Agreement should not be disclaimed (collectively, the "**Warner Matter**"), as discussed further below;
- e) communication with the AER regarding several matters, including the order received November 17, 2020 ("**Order RCAM 2020-001**") a copy of which is attached as Appendix "A"; and
- f) ongoing monitoring of the Company's financial affairs and activities.

Warner Matter

15. The Warner Matter was originally heard by this Honourable Court on November 13, 2020, with such matter adjourned and heard on November 17, 2020. On November 17, 2020, this Honourable Court made an Order declaring that the Warner Marketing Agreement did not create an interest in land and is not an eligible financial contract under the provisions of the BIA, and ordering that the disclaimer issued by Greenfire pursuant to section 65.11(1) of the BIA, that was approved by the Proposal Trustee, on November 6, 2020 was valid and effective (collectively, the "**Warner Decision**").
16. The Proposal Trustee understands that a favorable outcome to Greenfire with regard to the Warner Decision was critical in finalizing negotiations with Trafigura and

McIntyre Partners and that those parties would not have proceeded to negotiate the Proposed Interim Financing Term Sheet or have executed the Proposed Asset Sale Transaction without this outcome.

17. On November 27, 2020, Warner appealed the Warner Decision pursuant to sections 193(a), (b) and (c) of the BIA and, in the alternative, sought leave to appeal the Warner Decision pursuant to section 193(e) of the BIA.

AER Order

18. On November 17, 2020, the AER issued Order RCAM 2020-001, attached as Appendix “A”. Order RCAM 2020-001 requires certain various action items, including, among other things, by December 1, 2020, Greenfire ensuring all substances at the wells, facilities, and pipelines are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions (the “**Winter Weather Action Item**”).
19. On November 23, 2020, Greenfire requested that the date of the Winter Weather Action Item be extended until December 15, 2020 (the “**AER Order Extension Request**”).
20. On November 25, 2020, the AER approved the AER Order Extension Request, which may, according to the AER, be rescinded at any time should conditions warrant.

ACTUAL CASH FLOW RESULTS

21. As previously reported by the Proposal Trustee, there have not been any receipts collected or disbursements paid in either the HoldCo or OpCo estates. The significant costs accruing to Greenfire are those fees and costs of the Professional Advisors that are beneficiaries of the Administration Charge.
22. Since filing the Third Report of the Proposal Trustee dated November 17, 2020, the Proposal Trustee has been made aware by certain vendors that existing contracts

with the Company remain in place and thus the Company has incurred operational costs since Filing. The Company has informed the Proposal Trustee that these contracts are necessary for the restart of operations. The Company and the Proposal Trustee have reached out to these parties to inform them that until the Company has obtained court approved interim financing, there is and will be no cash to pay any obligations.

THE DECEMBER 2ND APPLICATION MATERIALS

23. The Proposal Trustee understands the Company is seeking approval of the Proposed Asset Sale Transaction and the APA with AcquisitionCo and the Proposed Interim Financing by Trafigura. The Proposed Interim Financing by Trafigura will only be advanced and made available to the Company if the Proposed Asset Sale Transaction and the APA are approved by this Honourable Court.
24. To date, Trafigura has not executed the Proposed Interim Financing agreement. The Proposal Trustee is not prepared to deliver its report on the Proposed Asset Sale Transaction, APA and the Proposed Interim Financing until such time that it obtains confirmation that all executable documents have been signed by AcquisitionCo and Trafigura.
25. The Proposal Trustee is of the view that a short extension to the stay of proceedings is warranted so that the Company's application can be heard on a later date to allow the Company's creditors and stakeholders sufficient time to review the Company's materials and the Proposal Trustee's anticipated Fifth Report once Trafigura has signed the interim financing agreement.
26. The Proposed Trustee is advised by Trafigura that it expects to release the signature page to the Proposed Interim Financing by December 8th or earlier, after it finalizes its documents/agreements with the McIntyre Group. Trafigura has confirmed that it does not expect any changes to the form of Proposed Interim Financing Agreement included in the December 2nd Application Materials. A copy of an email

advising the same from Trafigura's counsel is attached as Appendix "B" to this Report.

27. The Proposal Trustee notes that the Proposed Interim Financing Facility contemplates, in section 11 (Condition Precedent of Effectiveness), that the Proposed Interim Financing Facility will not be effective if the Court does not grant an Order approving the interim financing by December 8, 2020. The Proposal Trustee is unaware whether Trafigura will waive this or extend that date. Notwithstanding this uncertainty, the Trustee believes that an extension is appropriate in order to give stakeholders and this Honourable Court sufficient time to review the proposed transactions with the benefit of the Proposal Trustee's anticipated Fifth Report.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

28. The Second NOI Period Extension will expire on December 8, 2020 and the Company is seeking an extension of the period in which it is required to file a proposal to December 14, 2020 pursuant to section 50.4 (9) of the BIA (the Proposed Third NOI Period Extension).
29. The Proposal Trustee has considered the Proposed Third NOI Period Extension request of the Company and the circumstances currently facing the Company. The Proposal Trustee is supportive of a short stay extension to December 14, 2020, to allow for Trafigura and McIntyre Group to finalize the matters as discussed above in order for them to release the signature pages for the Proposed Interim Financing Facility.
30. The Proposal Trustee considered the following factors regarding the stay extension:
 - a) whether the Company is acting in good faith and with due diligence;
 - b) whether the Company would likely be able to make a viable proposal if the Second NOI Period Extension were further extended; and

- c) that no creditor in these proceedings will materially prejudiced if the extension were to be granted.
31. It is the Proposal Trustee's respectful view that, to date, Management has been acting in good faith and with due diligence in this matter. The Company has been made aware of the good faith and acting with due diligence obligations pursuant to s. 50.4(9) of the BIA.
32. The Proposal Trustee is of the view that an extension to December 14, 2020 is appropriate and necessary to advance efforts to achieve a successful restructuring and that no stakeholder or creditor is likely to be materially prejudiced if an extension is granted.
33. Without an extension to the stay of proceedings, the Company will not be able to restart operations with the benefit of the Propose Interim Financing Facility, nor will they be able to close the Proposed Asset Sale Transaction, subject to Court approval.

PROPOSAL TRUSTEE'S RECOMMENDATION

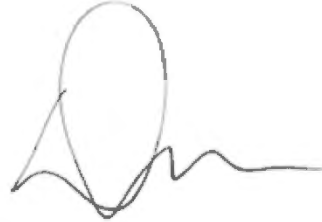
34. The Proposal Trustee respectfully recommends that this Honourable Court approve a short extension of time in which the Company must file a proposal to its creditors to December 14, 2020.

All of which is respectfully submitted this 5th day of December, 2020

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of
Greenfire Oil and Gas Ltd. and Greenfire Hangingstone
Operating Corporation and
not in its personal or corporate capacity**



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



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

APPENDIX A

Made at Bonnyville AB, in the
Province of Alberta, on

November 17, 2020

ALBERTA ENERGY REGULATOR

Under section 26.2 of the *Oil and Gas Conservation Act (OCGA)* and section 22.1 of the *Pipeline Act*

Greenfire Hangingstone Operating Corporation (A7P4)

Suite 1650, 444 – 5 AVE SW
Calgary, AB T2P 2T8

WHEREAS Greenfire Hangingstone Operating Corporation (Greenfire) is the holder of the Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A (the Sites);

WHEREAS on October 8, 2020, Greenfire filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS on November 6, 2020, Greenfire obtained an extension to November 20, 2020, to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS Greenfire has an Active status in the Alberta Corporate Registry as of November 17, 2020.

WHEREAS Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures;

WHEREAS freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;

WHEREAS Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020;

WHEREAS Colin Woods, Manager, Compliance & Liability Management Field Operations East (Director) has authority for the purpose of issuing Orders under the *OCGA* and *Pipeline Act*;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at the Sites;

Therefore, I, Colin Woods, Manager, Compliance & Liability Management Field Operations East, under section 26.2 of the *OCGA*, and section 22.1 of the *Pipeline Act*, DO HEREBY ORDER the following:

Action Items

1. Greenfire shall **immediately** report in writing that Greenfire's posted emergency number 000758 will remain active and will initiate an immediate response when called.

2. By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

Action Plan

3. On or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

4. On or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment.

5. Implement the above Action Plans as authorized until otherwise directed by the AER in writing.

Reporting

6. All Plans and Reports to be submitted to the Director under this order shall be submitted to fieldoperationseast@aer.ca

General

7. In carrying out the requirements of this Order, Greenfire shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt.

8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Bonnyville in the Province of Alberta, the 17th day of November, 2020.



Colin Woods

Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA* or *Pipeline Act* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliance's from occurring.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix A

Table 1: Well Licences

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0483436	F1/01-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424893	10/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424892	09/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424838	07/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424837	06/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0419253	AA/13-26-084-11W4/2	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0375428	W0/13-35-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0375327	00/13-35-084-11W4/2 00/13-35-084-11W4/4 00/15-34-084-11W4/3 00/16-34-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0370910	02/03-35-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370909	02/14-26-084-11W4/0 02/14-26-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370903	00/03-35-084-11W4/0 00/03-35-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370901	00/14-26-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370727	03/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370726	18/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370725	21/01-34-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0370724	03/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0367690	AF/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0367479	AC/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000761

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0366965	09/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366964	03/03-35-084-11W4/0	03-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366963	AE/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366962	AB/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366961	10/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366691	02/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366690	16/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366688	W2/04-35-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366687	02/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366675	AB/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0324493	03/13-34-084-11W4/0	13-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0323896	AC/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0319542	00/14-34-084-11W4/0	14-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318834	03/12-34-084-11W4/0	12-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318503	02/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318502	04/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318485	03/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318484	00/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314411	02/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314410	00/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0297267	06/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000762

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0296876	09/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296875	08/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296874	05/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296872	04/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296871	07/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281690	00/11-34-084-11W4/0 05/09-33-084-11W4/2	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281688	04/09-33-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281687	06/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281685	05/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259728	03/09-33-084-11W4/0	09-33-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0259095	02/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259094	02/05-34-084-11W4/0	05-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259093	03/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259092	04/13-27-084-11W4/0	13-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259091	02/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259090	00/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259088	03/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242489	02/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242488	04/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242486	03/13-27-084-11W4/0	02-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242483	00/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000763

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0242482	03/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242480	02/13-27-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240026	02/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240025	02/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240024	00/05-34-084-11W4/0	05-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240023	00/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240022	02/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240021	00/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240020	00/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0239728	00/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219033	04/08-34-084-11W4/0	08-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219032	AF/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219031	AE/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219030	AC/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219028	07/10-34-084-11W4/0	10-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219027	AA/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219024	AD/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219023	00/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219022	07/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219021	00/05-35-084-11W4/0	05-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219020	08/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000764

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0219019	AB/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0214840	06/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214839	05/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214838	04/09-34-084-11W4/0 04/09-34-084-11W4/2	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214837	03/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214836	02/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214835	00/09-34-084-11W4/0	04-35-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0213618	02/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0213579	AA/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213576	AB/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213575	AB/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213532	AB/12-35-084-11W4/0	12-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212103	06/10-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212100	05/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0212096	04/10-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0212095	F1/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0207219	02/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207217	02/07-34-084-11W4/0	07-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207216	00/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207213	00/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0140078	03/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000765

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0131674	00/01-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

Table 2: Facility Licences

Licence Number	Surface Location	Responsible Party	Percent Interest
F21408	16-27-084-11W4	Greenfire Hangingstone Operating Corporation	100%

Table 3: Pipeline Licences

Licence Number	From Location	To Location	Line Number
P53137	01-34-084-11W4	13-26-084-11W4	S-1
P53137	01-34-084-11W4	01-34-084-11W4	S-2
P53137	01-34-084-11W4	16-27-084-11W4	S-3
P53137	07-34-084-11W4	01-34-084-11W4	S-4
P53137	11-34-084-11W4	07-34-084-11W4	S-5
P53137	10-27-084-11W4	13-26-084-11W4	S-6
P53137	09-27-084-11W4	09-27-084-11W4	S-7
P53137	01-34-084-11W4	13-26-084-11W4	S-8
P53137	01-34-084-11W4	16-27-084-11W4	S-9
P53137	07-34-084-11W4	01-34-084-11W4	S-10
P53137	11-34-084-11W4	07-34-084-11W4	S-11
P53137	10-27-084-11W4	13-26-084-11W4	S-12
P53137	09-27-084-11W4	09-27-084-11W4	S-13
P53112	13-26-084-11W4	04-35-084-11W4	S-1
P53112	01-34-084-11W4	04-35-084-11W4	S-2
P53112	01-34-084-11W4	07-34-084-11W4	S-3
P53112	01-34-084-11W4	01-34-084-11W4	S-4
P53112	16-27-084-11W4	16-27-084-11W4	S-5
P53112	07-34-084-11W4	11-34-084-11W4	S-6
P53112	13-26-084-11W4	10-27-084-11W4	S-7
P53112	09-27-084-11W4	09-27-084-11W4	S-8
P53112	16-27-084-11W4	16-27-084-11W4	S-9
P53112	01-34-084-11W4	01-34-084-11W4	S-10
P53112	13-26-084-11W4	01-34-084-11W4	S-11
P53111	01-34-084-11W4	01-34-084-11W4	S-1
P53111	01-34-084-11W4	01-34-084-11W4	S-2
P53110	16-27-084-11W4	01-34-084-11W4	000766 S-1

Licence Number	From Location	To Location	Line Number
P53110	01-34-084-11W4	16-27-084-11W4	S-2
P53110	01-34-084-11W4	04-35-084-11W4	S-3
P53110	01-34-084-11W4	07-34-084-11W4	S-4
P53110	07-34-084-11W4	11-34-084-11W4	S-5
P53110	13-26-084-11W4	10-27-084-11W4	S-6
P53110	09-27-084-11W4	09-27-084-11W4	S-7
P53109	04-35-084-11W4	01-34-084-11W4	S-1
P53109	04-35-084-11W4	13-26-084-11W4	S-2
P53109	07-34-084-11W4	01-34-084-11W4	S-3
P53094	16-27-084-11W4	01-34-084-11W4	S-1
P53094	13-26-084-11W4	01-34-084-11W4	S-2
P53094	01-34-084-11W4	01-34-084-11W4	S-3
P53094	01-34-084-11W4	07-34-084-11W4	S-4
P53094	07-34-084-11W4	11-34-084-11W4	S-5
P53094	13-26-084-11W4	10-27-084-11W4	S-6
P53094	09-27-084-11W4	09-27-084-11W4	S-7
P53094	11-34-084-11W4	07-34-084-11W4	S-8
P53094	11-34-084-11W4	07-34-084-11W4	S-9
P53094	10-27-084-11W4	13-26-084-11W4	S-10
P53094	10-27-084-11W4	13-26-084-11W4	S-11
P53094	01-34-084-11W4	13-26-084-11W4	S-12
P53093	13-26-084-11W4	04-35-084-11W4	S-1
P53093	01-34-084-11W4	04-35-084-11W4	S-2
P53093	01-34-084-11W4	16-27-084-11W4	S-3
P53093	01-34-084-11W4	01-34-084-11W4	S-4
P53093	01-34-084-11W4	07-34-084-11W4	S-5
P53093	07-34-084-11W4	11-34-084-11W4	S-6
P53093	13-26-084-11W4	10-27-084-11W4	S-7
P53093	09-27-084-11W4	09-27-084-11W4	S-8
P24616	05-34-083-11W4	01-34-084-11W4	S-1
P24616	15-34-083-11W4	15-34-083-11W4	S-2
P24616	01-11-084-11W4	13-26-084-11W4	S-3
P24616	16-27-084-11W4	16-27-084-11W4	S-4
P24616	12-13-084-11W4	12-13-084-11W4	S-5
P21792	02-36-084-11W4	13-26-084-11W4	S-5
P21792	13-26-084-11W4	01-34-084-11W4	S-6

APPENDIX B

From: [Karen Fellowes](#)
To: [Konowalchuk, Orest](#); [Adam Maerov](#)
Cc: [Keith Chatwin](#); [Matthieu Milandri](#); [Alberto Ramos](#)
Subject: Trafigura/Greenfire
Date: Friday, December 04, 2020 1:23:49 PM
Attachments: [stikemanelliott_logo_rgb_120px.png](#)

EXTERNAL EMAIL

Hello Orest, further to our call this morning, my client has asked me to pass along the following update:

Trafigura Canada LP is pleased to advise that they are working diligently towards the release of signature pages of the DIP Term Sheet negotiated with the debtor Company. We confirm that we anticipate no material revisions being negotiated with respect to the contents of the DIP Term Sheet, and that the APA has been finally settled. We anticipate only a short delay relating to the negotiation of some collateral arrangements with the purchaser which should not impact the terms of the DIP Term Sheet or APA.

Please do not hesitate to contact me if you have any further questions or concerns.

Yours truly,

Karen Fellowes, Q.C.

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000769

THIS IS **EXHIBIT "16"** TO THE
AFFIDAVIT OF JOY MUTUKU
SWORN BEFORE ME THIS
28TH DAY OF DECEMBER, 2020



A COMMISSIONER FOR OATHS IN AND FOR
THE PROVINCE OF ALBERTA

KAITLIN H. WARD
BARRISTER & SOLICITOR

ENTERED



#1202648

COURT FILE NUMBERS 25-2679073

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

APPLICANTS IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE OIL AND GAS LTD.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF GREENFIRE HANGINGSTONE OPERATING CORPORATION

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

DECEMBER 11, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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File 277019

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TRUSTEE**

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INTRODUCTION

1. On October 8, 2020 (the “**NOI Date**”), Greenfire Oil and Gas Ltd. (“**HoldCo**”) and Greenfire Hangingstone Operating Corporation (“**OpCo**”), each filed Notices of Intention to Make a Proposal (“**NOI**” or the “**Filing**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. consented to act as Trustee under the Proposal (“**A&M**” or the “**Proposal Trustee**”). For purposes of this fifth report of the Proposal Trustee (the “**Fifth Report**” or “**this Report**”), HoldCo and OpCo are together referred to as the “**Company**” or “**Greenfire**”.
2. On October 16, 2020, this Honourable Court granted an order that the NOI proceedings for Greenfire (together, the “**NOI Proceedings**”) be administratively consolidated and continued under Estate No. 25-2679073 and that a charge be granted on the assets, property and undertaking of the Company not to exceed \$500,000 (the “**Administration Charge**”) as security for the fees and costs of the Proposal Trustee, its independent legal counsel and the legal counsel to the Company, such charge to be in priority to all other security interests, liens and other encumbrances.
3. Pursuant to section 50.4(8) of the BIA, the Company was required to file a proposal under the NOI Proceedings by November 9, 2020, unless this Court granted an order extending the time to file a proposal. On application by the Company, this Honourable Court has granted orders extending that timeframe for the Company to file a proposal to its creditors as follows:
 - a) on November 6, 2020, an extension until November 20, 2020;
 - b) on November 17, 2020, an extension until December 8, 2020; and
 - c) on December 8, 2020, an extension until December 15, 2020 (the “**Third NOI Period Extension**”).

4. On December 2, 2020, the Company served a notice of application to this Honourable Court, to seek among other things, an Order:
 - a) authorizing the Company to borrow up to \$20,000,000 from Trafigura Canada General Partnership (“**Trafigura**”) under a credit facility (the “**Proposed Interim Lender Facility**”) to fund, among other things, the restart of its operations;
 - b) granting Trafigura an interim lender’s charge (the “**Proposed Interim Lender’s Charge**”) that shall rank in priority to all other security interests, liens and other encumbrances with the exception of the Administration Charge and certain other Permitted Priority Liens set out in the Interim Lender Term Sheet;
 - c) approving a proposed asset sale transaction (the “**Proposed Asset Sale Transaction**”) contemplated by an asset purchase agreement (the “**APA**”) between Greenfire and Greenfire Acquisition Corporation (“**AcquisitionCo**”); and
 - d) extending the period of time within which Greenfire is required to file a proposal to its creditors up to and including January 22, 2021.

5. The Proposal Trustee understands the Company intends to serve an additional notice of application to this Honourable Court, to seek among other things, an Order:
 - a) adjusting the extension of the period of time within which Greenfire is required to file a proposal to its creditors up to and including January 28, 2021; or
 - b) in the alternative to the items in the previous paragraph, increasing the Administration Charge by \$500,000 to \$1 million.

6. Further background regarding the Company and its operations is contained in the materials filed in support of the application for a stay extension, including the affidavits of Mr. Robert Logan. Various Court-filed documents and notices, together with the Proposal Trustee's filed reports and other information regarding the NOI Proceedings, have been posted on the Proposal Trustee's website at www.alvarezandmarsal.com/greenfire.

PURPOSE

7. The purpose of this Fifth Report of the Proposal Trustee is to provide this Honourable Court and the Company's stakeholders with information in respect of the following:
 - a) the Company's application for the approval of the Proposed Interim Lending Facility and Proposed Interim Lender's Charge;
 - b) the Company's application for the approval of the Proposed Asset Sale Transaction;
 - c) the Company's weekly cash flow projection for the period from December 8, 2020 to March 5, 2021;
 - d) the Company's request for an extension of the Third NOI Period Extension to January 28, 2021 (the "**Proposed Fourth NOI Period Extension**");
 - e) the Company's request to increase the Administration Charge, should the Proposed Asset Sale Transaction, Proposed Interim Lender Facility and Proposed Interim Lender's Charge not be approved by this Honourable Court; and
 - f) the Proposal Trustee's observations and recommendations with respect to the above.

TERMS OF REFERENCE

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

LIMITATION IN SCOPE OF REVIEW

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

WEEKLY CASH FLOW STATEMENT TO MARCH 5, 2021

15. The Company, with the assistance of the Proposal Trustee, has continued to refresh a weekly cash flow statement (the “**Weekly Cash Flow Statement**”) for Greenfire OpCo for the period ending March 5, 2021 (the “**Cash Flow Period**”), which, along with the underlying assumptions, is attached as Appendix “A”.
16. A summary of the Greenfire OpCo Weekly Cash Flow Statement follows:

Greenfire Hangingstone Operating Corporation	
Weekly Cash Flow Statement ending March 5, 2021	13-week total
\$CAD 000's	
Cash Receipts	
Oil receipts	1,868
Total cash receipts	1,868
Operating Cash Disbursements	
Transportation and marketing	40
Natural gas and electricity	2,857
Contractor and employee expenses	1,512
Chemicals, consumables and trucking	500
Camp and travel	571
Regulatory	282
Maintenance	246
Other operating expenses	305
Royalties	45
Total operating cash disbursements	6,360
Operating Net Cash Flow	(4,492)
Capital Cash Disbursements	
Repair costs	2,200
Drilling, facilities and other acquisitions	700
Total capital cash disbursements	2,900
Non-Operating Cash Disbursements	
Salaries & benefits	390
Bank charges & interest	156
Professional fees	1,528
Total non-operating cash disbursements	2,073
Net Cash Flow	(9,465)

17. A summary of the Proposed Interim Lender Facility borrowings of approximately \$11.3 million throughout the Cash Flow Period (made up of \$4.0 million in Escrowed Funds and \$7.3 million in interim financing) follows:

Greenfire Hangingstone Operating Corporation	
\$CAD 000's	
Cash	
Facility A - Escrowed Funds	
Beginning of period	-
Proposed Escrowed Funds Advanced	4,000
Repair costs	(2,200)
Ending of period	1,800
Facility B - Proposed Interim Financing	
Operating Expense Funding	
Beginning of period	-
Proposed Operating Expense Funding Advanced/(Repaid)	7,265
Net Cash Flow	(9,465)
Repair costs (refunded from Escrowed Funds)	2,200
Ending of period	-
Proposed Interim Financing Facility	
Beginning of period	-
Proposed Operating Expense Funding Advanced/(Repaid)	7,265
Assignment of Proposed Interim Financing Facility by Purchaser	(7,265)
Ending of period	-

18. If the Proposed Interim Lender Facility is approved by this Honourable Court and made available to the Company, it appears that the funds would be sufficient to allow the Company to operate through the Proposed Fourth NOI Period Extension.
19. Greenfire HoldCo does not have any operations and holds Greenfire OpCo shares. Greenfire HoldCo's only known liabilities relate to unsecured debenture holders and the guarantee of the loan by Summit Partners ("**Summit**") to Greenfire OpCo. None of these liabilities is expected to be paid during the Cash Flow Period, nor are any cash receipts anticipated.

AER UPDATE

20. As discussed in the Fourth Report of the Proposal Trustee dated December 5, 2020 (the "**Fourth Report**"), on November 17, 2020, the Alberta Energy Regulator ("**AER**") issued Order RCAM 2020-001, requiring various actions be taken by Greenfire, including, among other things, ensuring that all substances at the wells, facilities, and pipelines are safely contained or removed within facility piping,

tankage, pipelines and containers during winter weather conditions (the “**Winter Weather Action Items**”). The AER has extended the deadline to complete the Winter Weather Action Items to December 15, 2020 but has advised that the extension may be rescinded at any time should conditions warrant.

21. On December 4, 2020, the AER issued a letter to Greenfire, clarifying that there was nothing in its previous notifications that should mandate Greenfire to obtain interim financing and the purpose was to ensure that Greenfire remained apprised of the required submissions. A copy of this letter is attached as Appendix “**B**”.
22. If the Interim Lender Facility is approved by this Honourable Court and advances are made available to the Company thereunder, the funds would be sufficient to allow the Company to deal with the Winter Weather Action Items.

PROPOSED INTERIM LENDER FACILITY AND INTERIM LENDER’S CHARGE

23. Without the Proposed Interim Lender Facility, or another source of financing, the Company will not have sufficient funds to safely lay the plant up “dry” and drain the equipment, as required by AER issued Order RCAM 2020-001 or to restart operations.
24. The Weekly Cash Flow Statement indicates that with access to the Proposed Interim Lender Facility, the Company will be able to fund the drying of the plant, the restart of operations and the restructuring required under the NOI proceedings.
25. The Proposed Interim Lender Facility will also provide the proposed purchaser under the APA, MWB UK Management Limited (doing business as “**McIntyre Partners**” or “**McIntyre Group**”), with the necessary funds to purchase the Company’s assets if the APA is approved by this Honourable Court.
26. The Proposal Trustee is advised by the Company and counsel to Trafigura, that Trafigura, as the proposed interim lender, and the McIntyre Group, as the proposed

purchaser under the APA, are not related to each other or to the Company within the meaning of section 4 of the BIA.

27. The Proposed Interim Lender Facility, should this Honourable Court approve it, will be secured by the Proposed Interim Lender’s Charge on all the existing and after-acquired real and personal, tangible and intangible, property, assets and undertaking of the Company. The Proposed Interim Lender’s Charge will rank in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever, except the Administration Charge and certain other Permitted Priority Liens set out in the Interim Lender Term Sheet.
28. The Interim Lender Term Sheet is attached hereto as Appendix “C” and a summary of the key terms of the Proposed Interim Lender Facility is as follows (capitalized terms in this paragraph have the meaning given to them in the Interim Lender Term Sheet):

Interim Lender Term Sheet	Details
Borrowers	Greenfire Hangingstone Operating Corporation
Guarantors	Greenfire Oil and Gas Ltd.
Loan Parties	Greenfire Hangingstone Operating Corporation and Greenfire Oil and Gas Ltd.
Interim Lender	Trafigura Canada General Partnership
Purpose	To provide for the short-term liquidity needs of the Loan Parties while the Company is under Court protection pursuant to a restructuring proceeding.
Interim Facility	Facility A – a super-priority debtor-in-possession non-revolving facility up to \$4,000,000. Facility B – a super-priority debtor-in-possession revolving facility up to \$16,000,000
Interest Rate	LIBOR plus 8.0% per annum.
Costs and Expenses	The Borrower shall pay all of the Interim Lender's reasonable legal fees and out-of-pocket disbursements and any costs of realization or enforcement on a solicitor and own client full indemnity basis.
Initial Funding Conditions	Material conditions precedent to initial funding include: <ul style="list-style-type: none"> • the DIP Lender shall be satisfied with the DIP Budget; • the Court shall have issued and entered an order granting the DIP Lender Charge;

	<ul style="list-style-type: none"> • the DIP Lender shall have received evidence satisfactory to it that applicable Governmental Authorities including, without limitation, the Alberta Energy Regulator and the Orphan Well Association, acknowledge and agree that the DIP Lender Charge will have super-priority to any Lien or priority that such Governmental Authorities can claim; and • the DIP Lender and the Borrower shall have entered into a marketing agreement in form and substance satisfactory to the DIP Lender, with respect to marketing of all production from the assets and property of the Borrower.
Conditions to Advances	<p>Except for that portion of Facility B comprised of the Deposit (which is only subject to the conditions precedent to initial funding), the material conditions precedent to each advance include:</p> <ul style="list-style-type: none"> • no Material Adverse Change shall have occurred since the date of the DIP Order; • no Default or Event of Default shall have occurred; • the representations and warranties of each of the Loan Parties in the DIP Term Sheet and in any DIP Document shall be true and correct in all respects as of the date of such advance; • in respect of the advance under Facility A only, all conditions precedent to the Escrow Closing as contemplated by the APA, shall have been satisfied or waived; • in respect of advances under Facility B only, the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, shall have approved each advance under Facility B and such advance shall be in accordance with the DIP Budget; • in respect of advances under Facility B only that relate to reimbursement for or the payment of Repair Costs, the DIP Lender shall: (A) have received a certificate in form and substance satisfactory to the DIP Lender from an independent engineering firm or such other party satisfactory to the DIP Lender which certifies the aggregate amount of the Repair Costs; and (B) be satisfied that the Repair Costs are consistent with the then current DIP Budget; • actual cash receipts received by the Borrower are not twenty percent (20%) or more below the cash receipt projections set out in the most recent Cash Flow Forecast or Revised Cash Flow Forecast delivered to the DIP

	<p>Lender; and</p> <ul style="list-style-type: none"> • in respect of the advance under Facility A only, any claims, actions, suits, or proceedings (including any appeals thereof) by or on behalf of Warner Petroleum Corporation in relation to the Warner Contract shall be fully and finally dismissed, confirmed as terminated or disclaimed, abandoned or settled (and any and all appeal rights therefrom shall have expired without any such appeal having been initiated or shall have been fully determined).
Repayment	<p>As more particularly described in section 17 of the Interim Financing Term Sheet, the DIP Facility is repayable on the earlier of six months following the Final Closing of the APA or upon the occurrence of an Event of Default or the conclusion of the proposal proceedings, either by way of the implementation of a proposal, a sale of the assets of the Company, the bankruptcy of the Company or the commencement of another proceeding involving the Company, including the appointment of a receiver or proceedings under the <i>Companies' Creditors Arrangement Act</i> (Canada).</p>
Events of Default	<p>In addition to standard Events of Default relating to payment, compliance with covenants, reporting requirements, and compliance with court orders, material Events of Default include:</p> <ul style="list-style-type: none"> • except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities; • as at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "Permitted Variance") since the most recent DIP Budget; • the making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget; • except as stayed by order of the Court, a default under, revocation or cancellation of, any material contract, or other material licence or permit;

	<ul style="list-style-type: none"> • either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof; • any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender; and • the occurrence of a Material Adverse Change
--	--

29. Pursuant to section 50.6(5) of the BIA, the Proposal Trustee has reviewed the Proposed Interim Lender Facility and Proposed Interim Lender’s Charge and has considered the following factors:

- a) the period during which the Company is expected to be subject to the proceedings under the BIA;
- b) how the Company’s business and financial affairs are to be managed during the proceedings;
- c) whether management has the confidence of its major creditors impacted under these proceedings;
- d) whether the Proposed Interim Lender Facility would enhance the prospects of a viable proposal being made in respect of the Company;
- e) the nature and value of the Company’s property; and
- f) whether any creditor would be materially prejudiced as a result of the security or charge.

30. In consideration of the foregoing factors, the Proposal Trustee offers the following comments:

- a) since the NOI Date (October 8, 2020), the Company, with the assistance of the Proposal Trustee, has reached out to at least 31

companies and/or individuals to determine if such parties would be interested in providing interim financing in the NOI Proceedings;

- b) no person has agreed to provide interim financing except for the proposed Interim Lender;
- c) the Company currently has no cash and no other financing to restart operations and to effectively address the AER Order RCAM 2020-001 to maintain its' assets in a safe manner during winter weather conditions and the Company requires immediate interim financing in order to do so;
- d) the Proposed Interim Lender Facility will allow the Company to restart operations and enable the protection and preservation of the Company's assets and the avoidance of any costly environmental matters or the disclaimer of the assets to the Orphan Well Association ("OWA") (or any other entity which may deal with certain oil sands central processing facilities);
- e) a bankruptcy would likely result in significantly lower (if any) recoveries to creditors, than those obtained through a restructuring process, considering the timeframe of the pending freezing temperatures and increase of environmental and financial risks associated with the assets;
- f) the amount of interim financing, if made available under the Proposed Interim Lender Facility, should be more than sufficient to cover the three month period, based on the Weekly Cash Flow Statement, barring any unforeseen circumstances;
- g) the interest rate does not appear unreasonable, in these circumstances, and is comparable to other interest rates charged in other insolvency proceedings, particularly in light of the fact that the Proposed Interim

Lender Facility does not contemplate the payment of any commitment fees, standby fees, exit fees or other similar fees;

- h) obtaining interim financing at this stage is crucial for the success of the NOI Proceedings. Should this Proposed Interim Lender Facility (or any other credible and available interim financing offer) not be accepted and/or approved by this Honourable Court, the Proposal Trustee expects that any chance for the Company to bring forward a proposal to its creditors is extremely remote and the Company will be deemed to have made an assignment in bankruptcy;
- i) in any probable realization strategy and in order to preserve and market the Company's assets, a receiver, trustee or other administrator or manager would likely require a significant amount of capital as delays in timing and the impact of the freezing temperatures are expected to result in substantial costs;
- j) the Proposed Interim Lender Facility request does not appear to unduly prejudice any other creditors of the Company and the only known secured lender, Summit, has not yet advised whether it intends to take a position with respect to having the Proposed Interim Lender's Charge priming its security position;
- k) the AER has previously expressed it will not oppose a reasonable Proposed Interim Lender's Charge; and
- l) the Proposal Trustee will continue to provide oversight on how the Company will manage its cash flows on a day to day basis and will continue to report to the Court and the Company's stakeholders.

THE PROPOSED ASSET SALE TRANSACTION

31. The Proposal Trustee understands that the Company is seeking approval of the Proposed Asset Sale Transaction and the APA with AcquisitionCo. The Proposed

Interim Lender Facility, if approved by this Honourable Court, will only be advanced and made available to the Company if the Proposed Asset Sale Transaction and the APA are approved by this Honourable Court. The reciprocal is also true – AcquisitionCo will only have access to funds to close the Proposed Asset Sale Transaction if the Interim Lender Facility is approved and closes and if Facility A is advanced.

Pre-Filing Marketing Process Overview

32. As outlined in the Proposal Trustee’s First Report, the Company initiated a strategic alternatives process with the assistance of a financial advisor, Imperial Capital, LLC (“**Imperial**”), on or around February 21, 2020 (the “**2020 Process**”). Imperial states that it is a full-service investment bank with locations across the US and an office in the UK.
33. The Proposal Trustee is advised that, prior to the 2020 Process, the Company had hired at least three other financial advisors, of which, at least two were located in Canada.
34. A comprehensive management presentation was assembled and made available in a virtual data room (“**VDR**”), which was first made accessible to prospective purchasers on or around March 6, 2020.
35. The Proposal Trustee is advised by the Company and Imperial that submission guidelines were communicated to all interested parties advising a “soft” target date of April 28, 2020 for parties to provide their interest in submitting a transaction (including but not limited to a merger, consolidation, business combination, series of transactions, purchase, sale, financing or refinancing).
36. The Proposal Trustee is advised that the pre-NOI marketing efforts resulted in the following:
 - a) approximately 36 parties consisting of financial and strategic buyers were directly contacted by Imperial and/or the Company, and were

provided with teasers or information packages in relation to the opportunity;

- b) of the parties contacted, six (6) executed non-disclosure agreements and were permitted access to the VDR, were provided with a confidential information memorandum and received management presentations if requested; and
- c) one written proposal was received.

- 37. The written proposal was submitted by McIntyre Partners (of whom AcquisitionCo is the nominee) and took the form of a term sheet (the “**McIntyre Pre-NOI Term Sheet**”).
- 38. The Company and Imperial reviewed and analyzed the McIntyre Pre-NOI Term Sheet. Over the summer and fall months of 2020, discussions and negotiations continued with McIntyre Partners on the McIntyre Pre-NOI Term Sheet. These discussions continued post-Filing and the finalized and redacted APA included at Appendix “**D**” is the result of those discussions.

Post-Filing Process Overview

- 39. The Company did not initiate a formal or conventional sale and investment solicitation process (“**SISP**”) in the NOI proceedings as the Company lacked the necessary funds to run such a process or to restart operations and address the AER Order RCAM 2020-001.
- 40. The Company has not had any funds available during the NOI Proceedings and, while the Company was negotiating an APA with the McIntyre Group (as reported in various court materials in the NOI Proceedings), the Company made efforts, under the circumstances, to seek offers from any interested party to purchase or invest in the Company.

41. The Proposal Trustee understands that the Company shut-in its operations several months ago as it did not have the liquidity for continued operations, which was largely as a result of a significant and material dispute with Warner Petroleum Corporation (“**Warner**”), as discussed throughout the affidavits filed by Robert Logan in these proceedings and in materials filed by Warner.
42. In an attempt to avoid having the Company’s assets turned over to the OWA (or any other government entity), the Company filed the NOI and has since worked diligently in order to find a solution that would restart production, attempt to prevent further and significant physical damage to the facility as a result of the winter weather conditions (including environmental concerns) and re-employ the majority of its staff.

Results of the Company Efforts

43. In parallel with Company’s efforts in negotiating with the McIntyre Group and Trafigura, the Company, with the assistance of the Proposal Trustee, contacted and/or responded to those interested parties that may be interested in providing Interim Financing in the NOI Proceedings.
44. In total, the Company contacted and or spoke to 31 interested parties as outlined in Appendix “E”. The Proposal Trustee was in communication with approximately 11 of these parties.
45. Of these interested parties, 14 executed non-disclosure agreements to obtain additional confidential information of the Company and access the Company’s VDR and corporate meetings were conducted with approximately 10 of those interested parties to discuss the Company’s assets and the parties’ interest in providing either interim financing, or an offer to invest in or acquire the Company, or both.
46. As a result of this process, one formal offer acceptable to the Company was received to purchase the Company’s assets and provide interim financing.

47. Shortly after the NOI Date, the Company believed that it had negotiated the business terms of an interim financing term sheet with B.E.S.T Funds. That transaction did not proceed and, subsequently, as a result of not finalizing the B.E.S.T. Funds interim lender term sheet, the Company sought to negotiate the business and legal terms of an interim lender facility with Revolution Midstream, LLC (“**RevMidstream**”). RevMidstream, with the assistance of their external counsel and the Company and its external counsel, were scheduled to exchange “signatures” on the Interim Lender facility on October 30, but these “exchanges” did not occur. Rev Midstream advised that it did not finalize this agreement primarily for reasons related to the volatility of commodity prices at that time.
48. The Proposal Trustee is advised by the Company that the Company made multiple requests of the Company’s secured creditor, Summit, to provide either interim financing or to submit an offer to purchase or further invest in the Company. The Company advised that Summit, on all occasions, indicated that it was not interested in providing either interim financing or an offer to invest or purchase the assets.
49. In light of the Company being unable to obtain any interim financing to allow it to dry and restart operations at its facility and initiate a formal and robust SISP with bid deadlines, the Proposal Trustee is of the view that the Company, with the assistance of the Company’s legal counsel, the Proposal Trustee, the Proposal Trustee’s independent legal counsel McMillan LLP (collectively, the “**NOI Professionals**”), made significant efforts to identify a purchaser or an investor from a significant group of parties that would or could be interested in acquiring or investing in a SAGD project as part of these NOI proceedings.
50. The Proposal Trustee is aware of a Supplemental Affidavit of Meer Taher Shabani-Rad in which Mr. Shabani-Rad, among other things, proposes to acquire the Company’s assets for \$1 million and to bring the facility online at its own cost. The Proposal Trustee notes that the purchase price proposed by Mr. Shabani-Rad is materially lower than the purchase price referred to in the APA and would not result in any greater recovery for the Company’s creditors.

51. The Proposal Trustee spoke with counsel for the investor group represented by Mr. Shabani-Rad on December 10, 2020 in order to, among other things, discuss with counsel for the investor group the importance of any offer providing sufficient funding to preserve and protect the Company's assets and fund the cost of these or any other proceedings.
52. Counsel for Warner advised the Proposal Trustee on December 5, 2020, that Warner was working on putting together an alternative proposal. The Proposal Trustee's counsel followed up with counsel for Warner on December 8, 2020 requesting an estimate of when an offer might be provided and noting to Warner's counsel that time was of the essence. Counsel for Warner indicated that counsel would provide an update as soon as possible. At the same time, counsel acknowledged that Warner had been made aware of the tight timeline.
53. On December 11, 2020, Warner's counsel advised the Proposal Trustee and counsel for the Company that Warner was working on putting together term sheets for a proposed asset acquisition and interim financing and requested Greenfire's historical actual financial and operating reports. As of the time of writing of this Report, the Proposal Trustee is not aware of any proposal having been submitted by Warner.
54. The Proposal Trustee is not aware of any other formal or credible purchase, investment or interim financing offer from any other party or stakeholder as at the date of the Report. The Proposal Trustee is of the opinion that any formal or credible proposal would need to be communicated to and vetted adequately with the AER. Any such proposal would have to provide assurance of timely funding and closing having regard to the Winter Weather Action Items and the pending expiration of the Proposed Interim Lender Facility.

Other Considerations

55. As discussed above, although the Company did not conduct a formal SISP in the NOI Proceedings because it did, and does not, not have any funds in the estate, the Proposal Trustee is of the opinion that the Company:

- a) made reasonable attempts to obtain the best price and has not acted improvidently. The Company has advised in its various court filings that were delivered to the service list of interested parties that it was seeking interim financing and was speaking with the McIntyre Group, on formulating an offer to purchase. All of these interested parties have been aware of these proceedings, the urgent need for interim financing, and the opportunity to invest in or acquire the Company or its assets for the last several weeks or longer;
- b) has considered the interests of all parties; and
- c) has considered the efficacy and integrity of its attempts to achieve the best price in the NOI proceedings, under the difficult circumstances it has had to work through with no liquidity or financing in place, while dealing with weather time constraints and orders issues by the AER.

56. In consideration of the foregoing factors, the Proposal Trustee offers the following other comments:

- a) if the APA is not approved by this Honourable Court, then the Company will likely go bankrupt as the Company does not have any liquidity or any other available and credible offers to execute upon. The Company is running out of time and faces a real threat of physical damage to the facility (due to the current and upcoming winter conditions) and potentially not being able to satisfy the recent AER Order RCAM 2020-001;

- b) it appears there are no other credible alternatives, in the present circumstances, whereby the Company has been offered a firm interim financing option;
- c) the Company has not been presented with any other superior, credible or formal offer(s) to either invest in or purchase the Company or its assets;
- d) the Proposed Asset Sale Transaction provides for a significant amount of immediate interim financing that will allow the Company to restart operations, continue in the NOI Proceedings, address the AER regulatory concerns, and close a transaction that will see a modest recovery for its creditors;
- e) the Company has been open and transparent with all potential interested parties and with this Court regarding its attempts to seek interim financing; and
- f) the Company has made reasonable efforts, under the circumstances, to obtain and negotiate the most optimal outcome.

The APA

- 57. The APA contemplates the purchase of substantially all of the Company's assets. A redacted copy of the APA is attached as Appendix "D" to this Report.
- 58. Pursuant to the APA, the purchase price paid by AcquisitionCo (i.e. McIntyre Group) will be funded by Trafigura.
- 59. The purchase price of up to \$20 million is comprised of:
 - a) a cash amount of \$4 million to be held in escrow, less up to \$3 million in capital costs related to the damages caused to the assets, directly or indirectly, by cold temperatures and plant shut-down (the "**Repair Costs**"); and

- b) a release of up to \$16 million (which includes a deposit of \$1 million) of interim financing for funding the restart of the Company, the Repair Costs and other remaining costs.

- 60. The amount available for distribution to the Company's creditors is estimated to be in the range of \$1 million (the minimum floor payment) to up to \$1.8 million, from the \$4 million held in escrow. The Company's current estimate of the Repair Costs is \$2.2 million which will be deducted from the \$4 million.

- 61. The amount available to the secured creditors of the Company will be subject to the Administration Charge and any priority payables, including any non-linear municipal tax obligations that constitute priority claims against the Company's assets.

- 62. The sale of the Company's assets to AcquisitionCo is conditional on, among other things, the AER licenses being transferred to AcquisitionCo (the "**License Transfer**"). As a result, the APA contemplates an escrow closing to occur, while the License Transfer application is made through the AER process. Final closing is to occur once the License Transfer is approved by the AER.

- 63. The APA is also conditional upon, among other things (capitalized terms in this paragraph have the meaning given to them in the APA):
 - a) this Court granting approval of both the SAVO and Proposed Interim Lender Facility and Proposed Interim Lender's Charge;
 - b) no notices, defaults or orders having been issued relating to Environmental Liabilities, permits or licenses relating to the Facilities other than AER Order RCAM 2020-001 dated November 17, 2020 (and the extension dated November 25, 2020);
 - c) the Purchaser having executed employment agreements with Robert Logan, Allan Bezanson and David Phung pursuant to which such

individuals have accepted employment with Purchaser to commence as of the Effective Time;

- d) as of the Escrow Closing Time the Facilities Inspection shall have confirmed that the total estimated Repair Costs are not anticipated to exceed three million dollars (\$3,000,000);
- e) no Material Adverse Effect shall have occurred from the date of the APA to the Escrow Closing Date; and
- f) the AER not requiring as a pre-requisite to or a condition of any license transfer, a security deposit, guarantee or any kind of monetary payment from AcquisitionCo.

Assessment of Value

- 64. As discussed, since there has been no financing available, the Company was not able to initiate a formal (in the traditional sense) SISP in the NOI Proceedings. As a result, the Proposal Trustee must therefore rely on the following in order to consider a recommendation on whether the consideration to be received for the assets is reasonable and fair.
- 65. In evaluating and/or considering market value, consideration should be given to the risk associated with acquiring and owning these assets, including, among other things:
 - a) commodity price risk;
 - b) the availability, accessibility and willingness of third-parties to invest sufficient capital; and
 - c) funding the eventual abandonment and reclamation liabilities.

Comparable Transactions

66. Greenfire initially purchased the asset from Japan Canada Oil Sands Limited ("**JACOS**") on April 3, 2018 for consideration of \$1.00 plus an approximate \$800,000 to account for costs largely incurred after closing but prior to Greenfire obtaining the benefit of certain agreements, including but not limited to gas, electricity and property taxes. In addition, a gross overriding royalty ("**GORR**") was granted to JACOS in connection with the sale. At the time, the asset had been shut-in "dry" for over two years (since the May 2016 Fort McMurray wildfire) and commodity pricing was higher than current pricing. Further details are discussed within and appended to the Sixth Affidavit of Robert Logan, sworn December 2, 2020 ("**Logan #6 Affidavit**").
67. The only other comparable transaction (a distressed oilsands asset of a similar capacity to an arm's length purchaser) occurred in January 2018 as part of the Southern Pacific Resources Corp. receivership, after unsuccessful attempts occurred for a restructuring under the CCAA. The Proposal Trustee understands that Southern Resources Corp's Fort McKay assets, in comparison to the Greenfire assets were newer, in a safe state (not shut-in), and had more original bitumen in place with a higher designed production capacity, and resulted in a purchase price of \$2 million (at a time when commodity pricing was higher than current pricing). Further details are discussed within and appended to the Logan #6 Affidavit. While there are many variables and this is not a perfect comparison, there are similarities.
68. Thus, the two comparable transactions resulted in a range of purchase prices between:
 - a) \$2 million; and
 - b) \$800,001, plus the fair market value of the GORR, plus the value of surrendering the asset retirement obligation ("**ARO**").

69. The Proposal Trustee understands that the GORR is a permitted encumbrance in the Proposed Asset Sale Transaction, and as a result, the consideration in the APA inherently includes the fair market value of the GORR, as well as the assumption of the ARO.
70. In addition, the Proposal Trustee is aware of a Supplemental Affidavit of Meer Taher Shabani-Rad in which Mr. Shabani-Rad, among other things, proposes to acquire the Company's assets for \$1 million and to bring the facility online at its own cost. The Proposal Trustee notes that the purchase price proposed by Mr. Shabani-Rad is materially lower than the purchase price referred to in the APA and would not result in any greater recovery for the Company's creditors.
71. Accordingly, the purchase price in the APA does not seem unreasonable or unfair, having regard to these other transactions.

Reserve Values

72. The Company's most recent engineering reserve report from McDaniel & Associates Consultants Ltd. ("**McDaniel**") was dated as of December 31, 2019. It has not been updated, as there have been no funds available to do so. The Proposal Trustee was provided with a copy of the report with an adjusted engineering price deck as at July 1, 2020 and an adjusted production level to remove January 1, 2020 to June 30, 2020, which resulted in the following values:
 - a) total proved develop producing ("**PDP**") reserve value, undiscounted, before taxes of \$99.8 million, inclusive of \$8.5 million of capital costs and \$12.3 million of abandonment costs; and
 - b) total PDP reserve value, discounted at 10%, before taxes of \$91.0 million.
73. As discussed, since there has been no financing available, neither the Company nor the Proposal Trustee were able to request McDaniel to update the engineering reserve report for current strip pricing. The Proposal Trustee understands that

- engineering WTI price deck as at July 1, 2020 escalates significantly from 2021-2028, in comparison to the current WTI strip pricing as at the date of this Report. In addition, changes to the variables, including the full effect of the Warner Disclaimer, the impact to other marketing costs, royalties and operating costs would need to be considered in updating the reserve report. As a result, the Proposal Trustee believes an adjusted PDP reserve value would be significantly lower than the reserve report that has been provided.
74. In addition, the Company's assets have been shut in for over six months. An adjusted reserve valuation would need to take the associated repair costs of the facilities (currently estimated at \$2.2 million) into consideration. The facility is at significant risk of material damage as we are now in the winter months and since the plant is not set up "dry", damage to the facility could exceed \$20 million by spring.
75. Also, if an action plan to address the Winter Weather Action Item is not set up and approved by the AER by December 15, 2020, without further extensions made by the AER, the Company poses a real immediate risk that the AER could issue abandonment orders, pursuant to the AER Order RCAM 2020-001.
76. As a result, the Proposal Trustee understands that the value of the asset could deteriorate to a *de minimis* amount in short order; or it could become a burden on the Alberta taxpayer. Accordingly, the purchase price in the APA does not seem unreasonable or unfair, given the reserve value considerations and the underlying risks associated with the asset.
77. The Proposal Trustee sought additional evidence in order to confirm or contradict Mr. Logan's statements in his various filed affidavits, regarding the degree of damage the facility could experience if either the plant is not set up "dry" or production is not resumed forthwith given the upcoming winter conditions. In doing so, the Proposal Trustee communicated with a professional contractor with significant experience in SAGD and facility management.

78. The professional contractor, Mr. Adrian Ilincuta (of Ilincuta Project Management Inc.) (“**Mr. Ilincuta**”), advised that he is very familiar with the Company’s facility, having previously been a contractor for Greenfire. He advised that the facility is currently at a critical crossroads. Mr. Ilincuta provided his opinion as to the degree and severity of the situation should no immediate financing be received to restart operations or have the facility be set up in a “dry” state. A copy of Mr. Ilincuta’s opinion, which includes a description of Mr. Ilincuta’s background knowledge of the facility and professional background is attached as Appendix “F” to this Report. Mr. Ilincuta’s opinion appears to support the assertions made by Mr. Logan in his various filed affidavits.

The Proposal Trustee’s Considerations of the APA

79. Pursuant to section 65.13(4) of the BIA, the Proposal Trustee has reviewed the Proposed Asset Sale Transaction and has considered the following factors:
- a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
 - b) whether the trustee approved the process leading to the proposed sale or disposition;
 - c) the extent to which the creditors were consulted;
 - d) the effects of the proposed sale or disposition on the creditors and other interested parties; and
 - e) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.
80. The Proposal Trustee considered the following when it reviewed the APA :
- a) the Company has acted in good faith and with due diligence throughout the course of these NOI Proceedings, and in particular during the negotiation and finalization of the APA;

- b) there was a marketing process for the Company prior to the NOI Proceedings that was conducted by an experienced marketing consultant, and no other acceptable offers for financing or the Company's assets capable of being closed have been received during that process;
- c) the Company, with the assistance of the NOI Professionals, attempted to obtain interim financing from interested parties and/or offers/investments and contacted approximately 31 parties post-NOI Proceedings, without any funds or ability to hire or engage another sales advisor to conduct a more fulsome (traditional) SISP;
- d) the Proposal Trustee is satisfied that, throughout the NOI Proceedings, the Company has exhausted all reasonable efforts to negotiate business and legal terms on possible interim financing, and no other acceptable offers for financing or the Company's assets capable of being closed have been received;
- e) the transaction has the potential to generate proceeds to pay all priority payables, and, depending on the severity of the winter weather damages and resulting quantum of Repair Costs, may result in a distribution to secured creditors (pending the results of an independent security review);
- f) the transaction will allow the Company to rehire employees and contractors, and to purchase goods and supplies from the oil and gas services sector, benefitting the local economy;
- g) the APA was negotiated between arm's length parties, in good faith, and is commercially reasonable in the circumstances;
- h) should there be no immediate interim financing available, there is a significant and real threat of material destruction to the facility as a

result of the upcoming winter season that could render the facility a liability; and

- i) Summit, as secured creditor, has not yet advised whether it intends to take a position on the APA despite the fact that it will more than likely experience a shortfall on its claim.

81. The Proposal Trustee is of the opinion that the Proposed Asset Sale Transaction would be more beneficial to the creditors than a sale or disposition under a bankruptcy, as additional delays will more than likely result in additional professional fees and Repair Costs, further impairing the potential value of the assets and reducing the likelihood of any recovery to any stakeholder.

Priority and Secured Claims

82. The Proposal Trustee understands that the Company is not seeking at this time any distribution order with respect to the purchase price paid by AcquisitionCo, once the transaction closes. Any payments to creditors will be subject to a further distribution order by this Honourable Court.

83. The Proposal Trustee has become aware that there are unpaid municipal taxes outstanding. The post-NOI Filing municipal taxes are expected to be paid from the Company's cash flows during the NOI Proceeding. Any pre-NOI Filing municipal taxes, to the extent that they constitute priority claims, will be dealt with accordingly.

84. The Proposal Trustee has also become aware that certain other noteholders (separate from the noteholders represented by Mr. Nishimura from Field Law) are of the opinion they hold security interests that may rank ahead of other known secured creditors. Again, the Proposal Trustee reiterates that payments to any creditors will be subject to a further distribution order by this Honourable Court.

85. The Proposal Trustee is aware that Summit is a secured creditor and that there are also two registered builder's liens that may rank in priority of Summit. The

Proposal Trustee has not yet conducted an independent security review of Summit nor a review of the builder's liens to determine the validity and/or enforceability.

86. The Proposal Trustee is also aware that certain noteholders have asserted trust claims against HoldCo and these noteholders are represented by Mr. Nishimura from Field Law (as described in the First Affidavit of Meer Taher Shabani-Rad sworn October 14, 2020). It is not expected that there will be any recovery to unsecured creditors or shareholders of either HoldCo or OpCo.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

87. The Third NOI Period Extension will expire on December 15, 2020 and the Company is seeking an extension of the period to January 28, 2021, in which it is required to take measures to close the Proposed Asset Sale Transaction, should this Court grant the AVO Order, pursuant to section 50.4 (9) of the BIA (the “**Proposed Fourth NOI Period Extension**”). The Company will need this time to address the Warner Appeal (as defined in the Fourth Report) and to work with the AER and purchaser to transfer the AER licences, while restarting operations and re-hiring employees.
88. The Proposal Trustee has considered the Proposed Fourth NOI Period Extension request . The Proposal Trustee would be supportive of a stay extension to January 28, 2021, in the event the Proposed Asset Sale Transaction, Proposed Interim Lender Facility and Proposed Interim Lender's Charge are approved by this Honourable Court.
89. The Proposal Trustee considered the following factors regarding the stay extension:
- a) whether the Company is acting in good faith and with due diligence;
 - b) whether the Company would likely be able to make a viable proposal if the Third NOI Period Extension were further extended; and

- c) whether any creditor in these proceedings will be materially prejudiced if the extension were to be granted.
90. It is the Proposal Trustee's respectful view that, to date, management has been acting in good faith and with due diligence in this matter. The Company has been made aware of the good faith and acting with due diligence obligations pursuant to s. 50.4(9) of the BIA.
91. The Proposal Trustee is of the view that, if the Proposed Asset Sale Transaction, Proposed Interim Lender Facility and Proposed Interim Lender's Charge are approved by this Honourable Court, then an extension to January 28, 2021 is appropriate and necessary to advance efforts to achieve a successful restructuring and that no stakeholder or creditor is likely to be materially prejudiced if an extension is granted.

APPLICATION TO INCREASE THE ADMINISTRATION CHARGE

92. On October 16, 2020, this Honourable Court granted the Administration Charge, of an amount not to exceed \$500,000.
93. Without an Interim Lender, the NOI Professionals have had to assume significant risk of non-payment of professional fees associated with the NOI Proceedings. Since the filing of the NOI, the NOI Professionals have worked closely with the Company to seek interim financing and offers to purchase the Company or its assets. In addition, the NOI Professionals have expended a great deal of time dealing with the Warner Matter (as defined in the Fourth Report).
94. As a result, the professional fees associated with the Greenfire file have been accruing, and, without the Proposed Interim Lender Facility, the Company will be unable to pay the invoices of the NOI Professionals. Therefore, should the Proposed Interim Lender Facility not be approved by this Honourable Court, the Company, with the support of the Proposal Trustee, is of the view that an increase of \$500,000 to the Administration Charge to a total of \$1 million is appropriate and necessary.

PROPOSAL TRUSTEE’S RECOMMENDATION

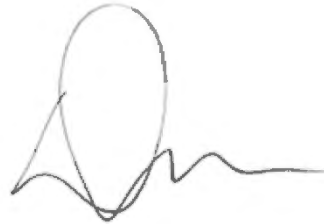
95. Based on the current information made available by management, the Proposal Trustee respectfully recommends that this Honourable Court
- a) approve the Proposed Interim Lender Facility and grant the Proposed Interim Lender’s Charge;
 - b) approve the Proposed Asset Sale Transaction, and authorize and the Company to close the transaction provided for therein; and
 - c) approve the extension of time in which the Company has to file a proposal to January 28, 2021, should the Court approve the Proposed Asset Sale Transaction, the Proposed Interim Lender Facility and the Proposed Interim Lender Charge; or
 - d) in the alternative, approve the increase in the Administration Charge to \$1 million.

All of which is respectfully submitted this 11th day of December, 2020

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of
Greenfire Oil and Gas Ltd. and Greenfire Hangingstone
Operating Corporation and
not in its personal or corporate capacity**



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



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

APPENDIX A

Greenfire Hangingstone Operating Corporation

		Forecast													
Weekly Cash Flow Statement ending March 5, 2021		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13-week total
Notes		11-Dec-20	18-Dec-20	25-Dec-20	1-Jan-21	8-Jan-21	15-Jan-21	22-Jan-21	29-Jan-21	5-Feb-21	12-Feb-21	19-Feb-21	26-Feb-21	5-Mar-21	Total
week ended															
Cash Receipts															
	1	-	-	-	-	-	-	-	-	-	934	-	934	-	1,868
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	934	-	934	-	1,868
Operating Cash Disbursements															
	2	-	-	-	-	-	-	-	-	-	20	-	20	-	40
	3	566	-	-	1,054	-	-	-	-	245	245	245	245	259	2,857
	4	45	-	-	273	45	-	273	-	284	11	284	11	284	1,512
	3	-	-	-	-	192	-	-	-	61	61	61	61	65	500
	3	176	-	-	-	176	-	-	-	44	44	44	44	44	571
	3	87	-	-	-	87	-	-	-	22	22	22	22	22	282
	3	76	-	-	-	76	-	-	-	19	19	19	19	19	246
	3	94	-	-	-	94	-	-	-	23	23	23	23	23	305
	5	-	-	-	-	-	-	-	-	-	-	-	45	-	45
		1,043	-	-	1,327	669	-	273	-	698	445	698	490	717	6,360
Operating Net Cash Flow		(1,043)	-	-	(1,327)	(669)	-	(273)	-	(698)	489	(698)	444	(717)	(4,492)
Capital Cash Disbursements															
	6	733	733	733	-	-	-	-	-	-	-	-	-	-	2,200
	7	-	-	-	-	-	-	-	-	175	175	175	175	-	700
		733	733	733	-	-	-	-	-	175	175	175	175	-	2,900
Non-Operating Cash Disbursements															
	8	-	-	-	78	-	78	-	78	-	78	-	78	-	390
	9	-	-	-	28	-	-	-	-	71	-	-	-	57	156
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	10	775	-	-	-	268	-	-	-	293	-	-	-	193	1,528
		775	-	-	106	268	78	-	78	364	78	-	78	249	2,073
Net Cash Flow		(2,551)	(733)	(733)	(1,433)	(937)	(78)	(273)	(78)	(1,236)	236	(873)	191	(966)	(9,465)
Cash															
Facility A - Escrowed Funds															
	11	-	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-
	11	4,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000
	11	-	-	-	-	-	-	-	-	-	-	-	-	(2,200)	(2,200)
	11	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	1,800	1,800
Facility B - Proposed Interim Financing															
Operating Expense Funding															
	11	-	1,449	715	1,982	549	1,862	1,784	1,511	1,433	197	433	60	251	-
	11	4,000	-	2,000	-	2,250	-	-	-	-	-	500	-	(1,485)	7,265
	11	(2,551)	(733)	(733)	(1,433)	(937)	(78)	(273)	(78)	(1,236)	236	(873)	191	(966)	(9,465)
	11	-	-	-	-	-	-	-	-	-	-	-	-	2,200	2,200
	11	1,449	715	1,982	549	1,862	1,784	1,511	1,433	197	433	60	251	-	-
Proposed Interim Financing Facility															
		-	4,000	4,000	6,000	6,000	8,250	8,250	8,250	8,250	8,250	8,250	8,750	8,750	-
		4,000	-	2,000	-	2,250	-	-	-	-	-	500	-	(1,485)	7,265
		-	-	-	-	-	-	-	-	-	-	-	-	(7,265)	(7,265)
		4,000	4,000	6,000	6,000	8,250	8,250	8,250	8,250	8,250	8,250	8,750	8,750	-	-

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS


 Robert. B Logan
 Director

December 11, 2020
 Date

In the Matter of the Notice of Intention
to make a Proposal of
Greenfire Hangingstone Operating Corporation

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending March 5, 2021**

Purpose and General Assumptions of the Cash Flow Statement

Greenfire Hangingstone Operating Corporation (“**Greenfire OpCo**” 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 have been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on October 8, 2020.

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 December 8, 2020 to March 5, 2021 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

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

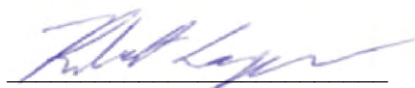
The projected cash flow statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. Cash receipts consist of forecast oil receipts based on forecast production beginning in January at strip pricing. Proceeds from production forecast are generally received on or around the 25th of the following month. Greenfire OpCo has connected with a third-party marketer that confirms the ability to receive 50% of the receipts on or around the 10th of the following month and the remaining 50% balance on or around the 25th of the following month. Earlier payment terms for production revenue, such as those outlined above, would allow the Company to manage its working capital but may come at a modest expense of profitability.
2. Marketing fees are based on forecast production and the fees provided in the most recent proposed agreement from the proposed marketer.
3. Operating cash disbursements consist of transportation, natural gas and electricity expenses and other operating expenses to facilitate the restart and operations of the facility. These disbursements are based on historical lease operating statements at the assumed production levels. Payments are assumed to be made in the week/month the goods or services are provided based on our assumption that parties will require “cash on delivery” payment terms or immediately after invoicing in the NOI filing. Certain expenses, such as natural gas and electricity may require prepayment for the forward month(s). There is less natural gas required during the restart of operations, but is also subject to weather conditions. In addition, municipal property taxes are accrued monthly and are included in operating expenses. While these amounts are accruals the Company expressly

acknowledges they are also responsible for amounts incurred since the NOI filing date of October 8, 2020 for both linear and non-linear amounts and that further penalties of 9% will begin to accrue on January 1, 2021 on outstanding balances.

4. Contractor and employee expenses are based on historical lease operating statements at the assumed production levels. Payments are assumed to be made on a bi-weekly basis following start dates.
5. Royalty expenses include Crown royalties plus GORR royalties at strip pricing.
6. Capital expenses for the restart of operations consist of repair costs associated with damages related to freezing. These payments are assumed to be made in the week/month the goods or services are provided based on our assumption that parties will require “cash on delivery” payment terms or immediately after invoicing in the NOI filing.
7. There is also the assumption of incurring capital expenses for an optional transfer pump to increase production levels, and is subject to production and cash flow performance and the decision to purchase and install this equipment will be made based on several considerations. These payments are assumed to be made in the week/month the goods or services are provided based on our assumption that parties will require “cash on delivery” payment terms or immediately after invoicing in the NOI filing.
8. Salaries, benefits and related source deductions based on expected timing of payment (a bi-weekly basis following start dates).
9. Based on the Proposed Interim Lending Facility interest rate and interest payment dates.
10. Includes the ongoing professional fees and expenses of the Company’s legal counsel and those of the Proposal Trustee and its legal counsel.
11. Forecast cash balance based on the Company’s net cash flow and borrowings of the Interim Lending Facility.



Robert B. Logan
Director

December 11, 2020
Date

APPENDIX B

File No. 4005
December 4, 2020

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

By email only

tel 780-826-5352
fax 780-826-2366

Mr. Robert B. Logan, Chairman
Greenfire Hangingstone Operating Corporation (A7P4)

www.aer.ca

Email: rlogan@greenfioilandgas.com

RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001
AER Clarification

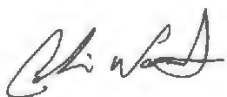
Mr. Logan:

The Alberta Energy Regulator (AER) hereby rescinds its letter to Greenfire Hangingstone Operating Corporation (Greenfire) issued November 25, 2020 (enclosed), in response to Greenfire's letter of November 23, 2020. For the purpose of clarity, the AER is not mandating Greenfire obtain interim financing as that is outside the jurisdiction of the AER. The AER was repeating an element contained in Greenfire's Surface Action Plan that remained outstanding.

The AER acknowledges receipt of Greenfire's Surface Action Plan, received November 23, 2020, as per *Order RCAM 2020-01* and accepts the plan as presented. Greenfire is required to provide a Surface Action Plan progress update to the AER on December 9, 2020. The AER may require Greenfire to update its Surface Action Plan should conditions warrant.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, as we indicated in our letter dated November 25, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

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Enclosure (1): AER letter to Greenfire dated November 25, 2020 (rescinded) with Greenfire Surface Action Plan and Request for Action Item #2 Extension attached

cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)

Maria Lavelle, Legal Counsel (Maria.Lavelle@aer.ca)

David Phung, Greenfire (dphung@greenfireoilandgas.com)

File No. 4005
November 25, 2020

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

By email only

tel 780-826-5352
fax 780-826-2366

Mr. Robert B. Logan, Chairman
Greenfire Hangingstone Operating Corporation (A7P4)

www.aer.ca

Email: rlogan@greenfireoilandgas.com

**RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001**

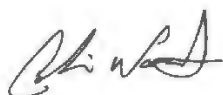
Mr. Logan:

The Alberta Energy Regulator (AER) acknowledges receipt of Greenfire Hangingstone Operating Corporation (Greenfire) Surface Action Plan, received November 23, 2020 (enclosed), as per *Order RCAM 2020-01*. The AER has reviewed and hereby accepts the plan as presented, contingent on Greenfire's anticipated debtor in possession financing, to be confirmed in court on December 8, 2020. Greenfire must update the AER on the outcome of this court proceeding by end of business day December 9, 2020, through the established Order communication process. Dependent on the outcome of these proceedings, the AER may require Greenfire to update its Surface Action Plan accordingly.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Should you have any questions or concerns, please don't hesitate to contact me at 780-826-8334 (office) or alternate contact at 780-201-1737 (cell).

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

CW/cla

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inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension

cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)

David Phung, Greenfire (dphung@greenfireoilandgas.com)



November 22, 2020

Manager, Compliance & Liability Management, Field Operations East

Alberta Energy Regulator

Suite 1000, 250 5 Street SW

Calgary, Alberta T2P 0R4

Email: fieldoperationseast@aer.ca

RE: Order RCAM 2020-001 – Surface Action Plan

On or before November 23, 2020, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

To whom it may concern,

Greenfire Hangingstone Operation Corporation ("**Greenfire**"), as the current holder of Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A of Order RCAM 2020-001

Greenfire's plan is to restart the Hangingstone site including making any repairs necessary to ensure the safety, integrity and operability of the SAGD plant and wells.

Greenfire has the majority of its former employees ready to restart operations and to protect the facility from further damages due to freezing. Restarting operations is contingent upon receiving debtor in possession (DIP) financing, which is currently expected to be on or about December 8th, 2020, subject to court approval.

During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored.

Action Item #2 from Order RCAM 2020-001 states:

*By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.*

As such, Greenfire is requesting an extension to Action Item #2 from **to December 15, 2020**, from **December 1, 2020**, to allow for time for Greenfire to obtain funds from the aforementioned DIP financing and begin implementation of the restart.

If you require any further information pertaining to the subject request, please contact the undersigned.

Best regards,

A handwritten signature in blue ink, appearing to read "Robert B. Logan".

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Hangingstone Operating Corporation

403-465-2321 (cell)

rlogan@greenfireoilandgas.com

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APPENDIX C

DIP FINANCING TERM SHEET

Dated as of December 1, 2020

WHEREAS Greenfire Hangingstone Operating Corporation (the "**Borrower**") has requested that the DIP Lender (as defined below) provide financing to the Borrower during the pendency of the Borrower's restructuring proceedings under Court of Queen's Bench of Alberta (the "**Court**") file nos. 25-2679073 and 25-2679074 (the "**BIA Proceedings**") commenced by way of a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), such financing to be provided in accordance with the terms and conditions set out herein;

AND WHEREAS, the DIP Lender has agreed to provide financing in order to fund certain obligations of the Borrower during the BIA Proceedings and for certain other purposes as hereinafter set forth;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWER:** Greenfire Hangingstone Operating Corporation
2. **GUARANTOR:** Greenfire Oil and Gas Ltd. (the "**Guarantor**" and, together with the Borrower, the "**Loan Parties**" and each a "**Loan Party**")
3. **DIP LENDER:** Trafigura Canada General Partnership (the "**DIP Lender**").
4. **DEFINED TERMS:** Unless otherwise defined herein, capitalized words and phrases used in this DIP Financing Term Sheet have the meanings given thereto in Schedule A hereto. Unless otherwise noted, all references to currency, "dollars" or "\$" shall be deemed to refer to Canadian dollars.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all present and after-acquired real and personal, tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document (including this DIP Financing Term Sheet and the other DIP Documents) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented, extended, amended and extended, renewed or otherwise modified (subject to any restrictions on such amendments, supplements, restatements, amendments and restatements, extensions, renewals or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended,

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supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this DIP Financing Term Sheet in its entirety and not to any particular provision hereof and (e) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this DIP Financing Term Sheet.

5. DIP FACILITY:

A senior secured superpriority debtor-in-possession, interim, credit facility (the "**DIP Facility**") in the aggregate principal amount of up to \$20,000,000 (the "**Facility Amount**"), which is comprised of two sub-facilities in the maximum amount of \$4,000,000 ("**Facility A**") and in the maximum amount of \$16,000,000 ("**Facility B**"), subject to the terms and conditions contained herein. For certainty, the maximum aggregate amount outstanding under Facility A and Facility B shall never exceed the Facility Amount.

Facility A is a non-revolving single draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions. Facility B is a revolving multiple draw credit facility that is available subject to the terms and conditions contained herein, including, without limitation, the completion of the Initial Funding Conditions and the Additional Conditions Precedent.

6. INTEREST:

The Borrower shall pay interest on each advance made under the DIP Facility in Canadian Dollars, after, as well as before, maturity, default and judgment at a rate equal to LIBOR plus eight percent (8%) per annum. Such interest shall accrue daily, be calculated and compound monthly, and shall be payable in arrears on the first (1st) Business Day of each month for the period from and including the date each such advance is made to and including the day preceding interest payment date and shall be calculated on the principal amount of the DIP Facility outstanding during such period.

LIBOR shall be determined on the date of this DIP Financing Term Sheet and shall be redetermined and reset on the first (1st) Business Day on each calendar month thereafter. Each determination by the DIP Lender of LIBOR shall, in the absence of manifest error, be *prima facie* evidence thereof and, where applicable, may be computed using any reasonable averaging and attribution method. Changes made by the DIP Lender upon the redetermination of LIBOR under this paragraph shall cause an immediate adjustment of the interest rate applicable to all advances outstanding hereunder without the necessity of any notice to the Borrower.

All interest and fees payable under this DIP Financing Term Sheet shall be computed on the basis of a year of 365 days or

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366 days, as applicable. Whenever a rate of interest or other rate per annum hereunder or in any DIP Document is expressed or calculated on the basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation (such as LIBOR, which is calculated on the basis of a 360 day year), such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing the resulting figure by the number of days in the deemed year.

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this DIP Financing Term Sheet. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, after as well as before maturity, default and judgment. The rates of interest specified in this DIP Financing Term Sheet are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the DIP Lender and any provision of the *Interest Act* (Canada) or the *Judgment Interest Act* (Alberta) which restricts any rate of interest set forth herein shall be inapplicable to this DIP Financing Term Sheet and is hereby waived by the Borrower

If any provision of this DIP Financing Term Sheet or any ancillary document in connection with this DIP Financing Term Sheet would obligate the Borrower to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the DIP Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the DIP Lender of interest at a criminal rate and any such amounts actually paid by the Borrower in excess of the adjusted amount shall be forthwith refunded to the Borrower.

7. DEFAULT INTEREST:

Notwithstanding any other provision hereof, after the occurrence of any Event of Default, the applicable interest rate payable hereunder will increase by an additional two percent (2.0%) per annum on all amounts owing hereunder until all such amounts are indefeasibly paid on demand in full in cash, after as well as before maturity, default and judgment. All such interest shall accrue daily, be calculated and compounded

monthly and be payable on demand.

8. COSTS AND EXPENSES

The Borrower will reimburse, without duplication, the DIP Lender for all expenses (including legal and professional fees and expenses of the DIP Lender on a full indemnity basis), in connection with the negotiation and development of: (i) this DIP Financing Term Sheet, (ii) the BIA Proceedings and, (iii) the on-going monitoring, administration and enforcement of the DIP Facility, including due diligence, review and negotiation of filing materials, negotiation and documentation of the DIP Documents and related documentation and the on-going monitoring and administration of each and the enforcement of the DIP Lender Charge and any other security for the DIP Financing Obligations.

All such expenses (including legal and professional fees and expenses on a full indemnity basis) of the DIP Lender under paragraphs (ii) and (iii) above shall be included in the DIP Financing Obligations and secured by the DIP Lender Charge and may be deducted from any advance under Facility B.

9. PURPOSE OF FACILITY A:

The Borrower shall use proceeds of Facility A solely to pay a portion of the Purchase Price in accordance with the APA, the Escrow Agreement, the DIP Order and the DIP Budget.

For the purpose of this Section 9 and subject to the satisfaction or waiver of the conditions precedent in Section 12 and Section 13, the DIP Lender will advance on the Escrow Closing Date an amount equal to \$4,000,000 less the aggregate amount of all Repair Costs incurred by the Borrower between the date of the first advance under Facility B and the Escrow Closing (the "**Escrowed Funds**").

The Escrowed Funds will be deposited with the Escrow Agent under the Escrow Agreement on Escrow Closing and dealt with in accordance with the Escrow Agreement. The amount of the Escrowed Funds to be released to the Borrower on Final Closing is an amount equal to the Escrowed Funds less the aggregate amount of all Repair Costs incurred by the Borrower between the Escrow Closing Date and the Final Closing Date.

Any portion of the Escrowed Funds which is not paid to the Borrower on the Final Closing in accordance with the Escrow Agreement shall be immediately repaid to the DIP Lender to be credited against amounts advanced under Facility A.

10. PURPOSE OF FACILITY B:

The Borrower shall use proceeds of Facility B solely for the following purposes:

- (a) to pay the expenses of the DIP Lender in accordance with Section 8 hereof;
- (b) to pay the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel;

- (c) to pay the fees and interest owing to the DIP Lender under this DIP Financing Term Sheet and the other DIP Documents;
- (d) to pay an instalment on the Purchase Price in accordance with the APA in an amount equal to \$1,000,000; provided, however, that such funds shall be used by the Borrower to pay for the administration of the BIA Proceedings (including the fees and expenses of the Borrower's legal counsel, the Trustee and the Trustee's legal counsel) (the "**Deposit**"); and
- (e) to pay for Repair Costs and restarting the operation of the Facilities; provided, however, that such Repair Costs are certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

The advances made for the purpose set forth in Section 10(e) shall be subject to the prior approval of the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, based upon the DIP Budget. All such advances made for the purpose set forth in Section 10(e) shall be in amounts of not less than \$500,000.

Without limiting the other provisions of this Section 10, each advance under Facility B shall be made in accordance, and subject to compliance, with the DIP Order, the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

11. CONDITION PRECEDENT TO EFFECTIVENESS:

Notwithstanding anything to the contrary herein, or the date, or date of execution, hereof, the effectiveness of this DIP Financing Term Sheet (other than this Section 11) is subject to the Court Approval having been obtained with immediate effect. For certainty, other than this Section 11, this DIP Financing Term Sheet shall be of no force and effect and create no legal obligations on any party hereto until the Court Approval has been obtained with immediate effect.

To the extent such Court Approval has not been obtained with immediate effect on or before December 15, 2020, the DIP Lender's obligations pursuant to this Section 11 shall be of no further force and effect; provided that a later Court Approval and/or deferred application of such approval may, at the DIP Lender's sole and exclusive election, satisfy the condition precedent to effectiveness contemplated by this Section 11.

12. CONDITIONS PRECEDENT TO FIRST ADVANCE:

The DIP Lender's agreement to fund any advance under the DIP Facility to the Borrower in accordance with Section 14 is subject to the satisfaction or waiver of the following conditions precedent prior to the first such advance (the "**Initial Funding Conditions**"):

- (a) the DIP Lender shall be satisfied with the DIP Budget;

- (b) the Loan Parties shall have executed and delivered this DIP Financing Term Sheet and all other DIP Documents shall have been duly executed and delivered by all parties thereto;
- (c) the DIP Lender shall be satisfied that each of the Loan Parties is in compliance in all material respects with Applicable Law in relation to its business other than as may be permitted under a Court Order or as to which any enforcement in respect of non-compliance is stayed by a Court Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default;
- (d) the Court shall have issued and entered an immediately effective order (the "**DIP Order**") in a form acceptable to the DIP Lender (or its counsel), which shall include the grant by the Court of a super-priority charge in favour of the DIP Lender (the "**DIP Lender Charge**") on the Collateral, securing all indebtedness, obligations, covenants or liabilities owing by the Borrower to the DIP Lender under this DIP Financing Term Sheet and any other DIP Document including, without limitation, all principal, interest, fees, indemnities and expenses owing to the DIP Lender as set out herein (collectively, the "**DIP Financing Obligations**") and providing, among other things, that the DIP Lender Charge shall have priority on the Collateral over all other Liens, other than solely and exclusively the Permitted Priority Liens, and the DIP Order shall not have been stayed, vacated or otherwise amended, restated or modified in any manner, without the prior written consent of the DIP Lender;
- (e) the DIP Lender (or its counsel) shall be satisfied that
 - (i) the entering into of this DIP Financing Term Sheet and the other DIP Documents, the granting of the DIP Lender Charge, the consummation of the transactions contemplated hereby has been approved by each Loan Party and
 - (ii) service has been effected on a list of parties acceptable to the DIP Lender;
- (f) the DIP Lender shall have received a certificate of a senior officer of the Borrower attaching a complete executed copy of the APA, together with all amendments or modifications thereto;
- (g) the DIP Lender shall have valid and perfected super-priority Liens on the Collateral pursuant to the DIP Order and the DIP Lender Charge granted thereby, and there shall be no Liens (including, without limitation, any ranking in priority to the DIP Lender Charge) over the property and assets of the Borrower, other than the Permitted Priority Liens;

- (h) the DIP Lender has received evidence satisfactory to it that applicable Governmental Authorities including, without limitation, the Alberta Energy Regulator and the Orphan Well Association, acknowledge and agree that the DIP Lender Charge will have super-priority to any Lien or priority that such Governmental Authorities can claim;
- (i) the DIP Lender and the Borrower shall have entered into a marketing agreement in form and substance satisfactory to the DIP Lender, with respect to marketing of all production from the assets and property of the Borrower (the “**Marketing Agreement**”); and
- (j) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full or will be paid from the proceeds of the requested advance within such period of time as is acceptable to the DIP Lender in its discretion and as and to the extent required under Section 8.

13. CONDITIONS PRECEDENT TO EACH ADVANCE:

In addition to the Initial Funding Conditions, the DIP Lender’s agreement to fund any advance under Facility A and/or Facility B to the Borrower in accordance with Section 14 (including, without limitation, the first advance under the DIP Facility but excluding the advance of that portion of Facility B which is comprised of the Deposit) is subject to the satisfaction or waiver of the following conditions precedent prior to each such advance (the “**Additional Conditions Precedent**”):

- (a) no Material Adverse Change shall have occurred since the date of the DIP Order, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (b) no Default or Event of Default shall have occurred, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (c) the representations and warranties of each of the Loan Parties herein and in any DIP Document shall be true and correct in all respects as of the date of such advance, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (d) the DIP Lender shall have received a Drawdown Request Certificate from the Borrower in accordance with the terms of this DIP Financing Term Sheet;
- (e) the requested advance shall not cause the aggregate amount of: (i) the outstanding advance under Facility A to exceed \$4,000,000, (ii) all outstanding advances

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under Facility B to exceed \$16,000,000, (iii) all outstanding advances under Facility A and Facility B collectively to exceed the Facility Amount, and (iv) all advances under Facility B to be greater than the amounts shown on the DIP Budget;

- (f) in respect of the advance under Facility A only, all conditions precedent to the Escrow Closing as contemplated by the APA, other than those which relate solely to the payment of the Escrowed Funds to the Escrow Agent in the manner contemplated by the APA and the Escrow Agreement, shall have been satisfied or waived, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same;
- (g) in respect of advances under Facility B only, the DIP Lender and Greenfire Acquisition Corporation, as purchaser under the APA, shall have approved each advance under Facility B and such advance shall be in accordance with the DIP Budget;
- (h) in respect of advances under Facility B only that relate to reimbursement for or the payment of Repair Costs, the DIP Lender shall: (A) have received a certificate in form and substance satisfactory to the DIP Lender from an independent engineering firm or such other party satisfactory to the DIP Lender which certifies the aggregate amount of the Repair Costs; and (B) be satisfied that the Repair Costs are consistent with the then current DIP Budget;
- (i) all expenses (including all legal fees and expenses) of the DIP Lender incurred in connection with the DIP Facility (to the extent invoiced on or prior to the applicable funding date) shall have been paid in full as and to the extent required under Section 8;
- (j) actual cash receipts received by the Borrower are not twenty percent (20%) or more below the cash receipt projections set out in the most recent Cash Flow Forecast or Revised Cash Flow Forecast delivered to the DIP Lender, and the DIP Lender shall have received a certificate of a senior officer of the Borrower confirming same; and
- (k) in respect of the advance under Facility A only, any claims, actions, suits, or proceedings (including any appeals thereof) by or on behalf of Warner Petroleum Corporation in relation to the Warner Contract shall be fully and finally dismissed, confirmed as terminated or disclaimed, abandoned or settled (and any and all appeal rights therefrom shall have expired without any such appeal having been initiated or shall have been fully determined).

14. DRAWDOWNS:

No portion of the DIP Facility shall be funded until the Initial Funding Conditions have been satisfied or waived by the DIP Lender. In addition, each advance under the DIP Facility shall be subject to the satisfaction or waiver by the DIP Lender of the Additional Conditions Precedent.

The Borrower may issue a Drawdown Request Certificate for an advance under Facility B no more than once each week with the amount of each drawdown to be in accordance with, and in amounts specified in, the DIP Budget (subject to the Permitted Variance), as requested by the Borrower from time to time and confirmed by the DIP Lender in writing (which may be by email).

For each advance under Facility A and Facility B, the DIP Lender shall have received from the Borrower a Drawdown Request Certificate at least three (3) Business Days prior to the date of such advance.

Each Drawdown Request Certificate shall certify: (i) that all representations and warranties of the Borrower contained herein and in each DIP Document are true and correct in all respects both before and after giving effect to such advance and the use of such proceeds, (ii) that no Default or Event of Default has occurred or would result from the making of such advance, and (iii) that the use of proceeds of such advance will comply with the provisions of this DIP Financing Term Sheet and the DIP Budget (subject to the Permitted Variance).

Advances under Facility B shall be in a minimum aggregate amount that is no less than \$500,000.

15. DIP FACILITY SECURITY:

All DIP Financing Obligations shall be secured by the DIP Lender Charge and, upon request of the DIP Lender, the Borrower shall enter into such additional security documentation as the DIP Lender shall request (initially consisting of a debenture made by the Borrower in favour of the DIP Lender granting a fixed charge on all real estate assets of the Borrower, a security interest in all present and after acquired personal property of the Borrower and a floating charge over any other property and assets of the Borrower). The DIP Lender may require or proceed with the execution, filing or recording of registrations or financing statements in respect of any such security.

In addition, all DIP Financing Obligations will be guaranteed by an unlimited guarantee granted by the Guarantor in favour of the DIP Lender in form and substance satisfactory to the DIP Lender.

16. EVIDENCE OF INDEBTEDNESS:

The DIP Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the obligations of the Borrower to the DIP Lender hereunder with respect to all advances made by the DIP Lender hereunder and all other amounts owing by the Borrower to the DIP Lender hereunder (including, without limitation, all interest payable

under this DIP Financing Term Sheet.

17. MANDATORY REPAYMENT:

The DIP Facility shall be repayable in full as follows:

- (a) at any time prior to the Final Closing on the earlier of:
 - (i) the occurrence of any Pre Final Closing Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower with a copy to the Trustee (and each of their respective counsel);
 - (ii) the implementation of a proposal within the BIA Proceedings (a "**Proposal**") or a plan of compromise or arrangement under the CCAA which has been approved by the requisite majorities of the Borrower's creditors (other than any Proposal, plan of compromise or arrangement which involves the completion of the sale pursuant to the APA);
 - (iii) the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order (other than the sale pursuant to the APA); or
 - (iv) the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA (the earliest of such dates being the "**Pre Final Closing Maturity Date**"); or

- (b) provided that no Pre Final Closing Maturity Date has then occurred, at any time following the Final Closing on the earlier of: (i) the occurrence of any Post Final Closing Event of Default hereunder and a demand for repayment in writing having been made by the DIP Lender to the Borrower (and its counsel); and (ii) the date which is six (6) months following the Final Closing (the earliest of such dates being the "**Post Final Closing Maturity Date**").

The Pre Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower, the DIP Lender and, in the case of any material amendments to the terms hereof, the Trustee, may agree. The Post Final Closing Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole discretion for such period and on such terms and conditions as the Borrower and the DIP Lender may agree.

In addition to, and without limiting the generality of, the foregoing, the Borrower shall within ten (10) Business Days of the end of each calendar month prior to the Maturity Date, pay to the DIP Lender all of the net income of the Borrower (as such net income is identified in the applicable Cash Flow Forecast) for such calendar month, determined on a consolidated basis in accordance with generally accepted accounting principles. All amounts paid by the Borrower pursuant to this paragraph shall be applied by the DIP Lender to amounts outstanding under Facility B as set forth in Section 18.

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

18. VOLUNTARY PREPAYMENTS:

The Borrower may, without notice, bonus, premium or penalty, prepay any amounts outstanding under the DIP Facility at any time prior to the Maturity Date upon one (1) Business Days' prior written notice to the DIP Lender.

Any amount repaid or prepaid under the DIP Facility shall be applied first towards accrued and unpaid interest, and second towards the principal of amounts outstanding.

19. DIP BUDGET AND CASH FLOW FORECAST:

Attached as Schedule B hereto is a copy of the agreed initial DIP Budget as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial DIP Budget**"). The DIP Budget shall contain a weekly line item budget covering the period of at least thirteen (13) calendar weeks following the date of the DIP Order. The DIP Budget shall set forth expected receipts and all of the operating and capital expenditures to be made during each calendar week and in the aggregate for the period of time covered by the DIP Budget. Such DIP Budget shall be the DIP Budget referenced in this DIP Financing Term Sheet until such time as a revised DIP Budget has been delivered to the DIP Lender in accordance with Section 19(b).

Attached as Schedule C hereto is a copy of the agreed initial Cash Flow Forecast as in effect on the date hereof, which the DIP Lender acknowledges and agrees has been reviewed and approved by the DIP Lender, and is in form and substance reasonably satisfactory to the DIP Lender (the "**Initial Cash Flow Forecast**"). The Cash Flow Forecast shall contain a projected statement of sources and uses of cash for the Borrower on a weekly basis for the thirteen (13) calendar weeks following the date of the DIP Order. Such Cash Flow Forecast shall be the Cash Flow Forecast referenced in this DIP Financing Term Sheet until such time as a Revised Cash Flow Forecast has been delivered to the DIP Lender in accordance with this Section 19(c).

On Thursday of each week by 5:00 p.m. (Calgary time), commencing on the Thursday of the calendar week following the date of this DIP Financing Term Sheet, the Borrower shall

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deliver to the DIP Lender:

- (a) a report showing actual cash receipts and actual expenditures for each line item in the DIP Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the DIP Budget for such line item during such one week period;
- (b) an update and extension to the DIP Budget for the period commencing from the end of the previous week through and including thirteen calendar weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial DIP Budget and subject to the approval of the DIP Lender and the Trustee; and
- (c) an update and extension to the Cash Flow Forecast for the period commencing from the end of the previous week through and including thirteen weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Initial Cash Flow Forecast and subject to the approval of the DIP Lender and the Trustee.

If the DIP Lender determines that the proposed revised DIP Budget or the proposed revised Cash Flow Forecast is not acceptable, it shall, within three (3) Business Days of receipt thereof, provide written notice to the Borrower and the Trustee stating that the proposed revised DIP Budget and/or the proposed revised Cash Flow Forecast, as applicable, is not acceptable and setting out the reasons why such revised DIP Budget and/or revised Cash Flow Forecast, as applicable, is not acceptable, and until the Borrower has delivered a revised DIP Budget and/or Cash Flow Forecast, as applicable, acceptable to the DIP Lender, the prior DIP Budget and/or prior Cash Flow Forecast, as applicable, shall remain in effect. In the event that the DIP Lender (or its counsel) does not deliver to the Borrower written notice within three (3) Business Days after receipt by the DIP Lender's counsel of a proposed revised DIP Budget or a revised proposed Cash Flow Forecast that such proposed revised DIP Budget or proposed revised Cash Flow Forecast, as applicable, is not acceptable to the DIP Lender, such proposed revised DIP Budget or proposed revised Cash Flow Forecast, as applicable, shall automatically and without further action be deemed to have been accepted by the DIP Lender and become the DIP Budget or Cash Flow Forecast, as applicable, for the purposes hereof.

The Borrower shall, and shall use commercially reasonable efforts, if requested by the DIP Lender, to cause its advisors to, participate on weekly conference calls with the DIP Lender, and its advisors, to discuss the revised DIP Budget, the revised Cash Flow Forecast, the Borrower's current and projected

operational performance, and any related financial matters.

The Borrower shall ensure that when measured as of each Variance Testing Date, the Borrower's cumulative expenditures (excluding the legal and professional fees incurred by the Trustee, the Trustee's counsel and counsel for the Borrower) shall not have exceeded one hundred and ten percent (110%) of the cumulative expenditures as set forth in the Initial DIP Budget or any revised DIP Budget, as applicable. Notwithstanding any other provision in this Section 19, the Borrower shall be permitted to incur extraordinary expenses not otherwise permitted under the cash flow test in this paragraph with the consent of the DIP Lender.

The Borrower shall provide detailed reconciliations (quantitative explanations of the budget-to-actual variances) for each variable line-item of the Initial DIP Budget (revenues, operating expenses and marketing costs) as well as for any other line item variances outside of the management's direct control (commodity prices, foreign exchange gains/losses) that impact the overall consolidated financial results (the "**Budget Variance Report**").

20. REPRESENTATIONS AND WARRANTIES:

Each Loan Party represents and warrants to the DIP Lender, upon which the DIP Lender is relying in entering into this DIP Financing Term Sheet, that:

- (a) Each Loan Party has been duly formed and is validly existing under the law of its jurisdiction of incorporation or amalgamation, as applicable.
- (b) Each Loan Party has all requisite corporate power and authority to own and operate its properties and assets and to develop, own and operate its business.
- (c) The execution, delivery by each Loan Party of, the performance by each Loan Party of its respective obligations under, and the transactions contemplated by, this DIP Financing Term Sheet and the other DIP Documents:
 - (i) are within the corporate power of each Loan Party;
 - (ii) have been duly executed and delivered by or on behalf of each Loan Party;
 - (iii) upon the granting of the DIP Order, shall constitute legal, valid and binding obligations of the Loan Parties party thereto, enforceable against them in accordance with their terms;
 - (iv) upon the granting of the DIP Order, do not require any material authorization from, the consent or approval of, registration or filing with, or any other

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action by, any Governmental Authority or any third party; and

- (v) will not violate the articles or by-laws of either Loan Party, any material contracts to which it is a party or any Applicable Law.
- (d) The Collateral is free and clear of all Liens other than Permitted Liens and, upon the granting of the DIP Order, the DIP Lender Charge.
- (e) None of the reports, financial statements, certificates or other written information furnished by or on behalf of either Loan Party to the DIP Lender or its advisors in connection with the negotiation of this DIP Financing Term Sheet or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading at such time; provided that to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, each Loan Party represents only that it has acted in good faith and utilized assumptions believed by it to be reasonable at the time made (it being understood that any such forecasts or projections are subject to significant uncertainties and contingencies, many of which are beyond the its control, that no assurance can be given that any such forecasts or projections will be realized and that actual results may differ from any such forecasts or projections and such differences may be material).
- (f) The business operations of each Loan Party have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which the business has been or is carried out.
- (g) Each Loan Party has obtained and is in material compliance with all material licences and permits required for the operation of its business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary, which licences and permits remain in full force and effect and no proceedings have been commenced or threatened to revoke or amend any of such licences or permits.
- (h) Each Loan Party owns, leases or has the lawful right to use all of the assets and properties necessary for the proper conduct of its business and (i) none of such assets or property is owned by a Related Party except as disclosed to the DIP Lender in writing prior to the

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effective date of this DIP Financing Term Sheet, (ii) such assets or property are located at the locations disclosed in writing to the DIP Lender and (iii) none of such assets or property has been sold, leased or otherwise disposed of.

- (i) Each Loan Party has, in respect of all prior fiscal periods (i) filed all tax returns, except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred and (ii) paid all taxes owing for all prior fiscal periods except for any taxes that are not yet due and payable or that are being diligently contested in good faith by the applicable Loan Party and for which sufficient reserves have been set aside.
- (j) Each Loan Party maintains adequate insurance coverage, as is customary with companies in the same or similar business (except with respect to directors' and officers' insurance in respect of which no representation is made regarding adequacy of coverage) of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (k) Each Loan Party has maintained and paid current its obligations for Crown royalty, payroll, source deductions, harmonized, goods and services and retail sales tax, and all other applicable taxes, and is not in arrears of its statutory obligations to pay or remit any amount in respect of these obligations.
- (l) No Loan Party has entered into any material transaction or other written contractual relationship with any party not dealing at arms-length with such Loan Party, except as publicly-disclosed by such Loan Party or disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.
- (m) No Loan Party has entered into any agreement with any Related Party (including any agreement involving the transfer of any assets or property of the Borrower to a Related Party or an option in favour of a Related Party to acquire any such assets or property) except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet and currently existing employment arrangements.
- (n) The commencement of the BIA Proceedings will not trigger any contractual provision that would entitle any officer or director of either Loan Party to claim additional compensation, bonus or severance.
- (o) Since the Filing Date, (i) there have been no extensions, supplements or amendments to the

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employment agreements of any senior officers or senior managers of either Loan Party earning \$200,000 (or its equivalent in an alternative currency) or more per annum, including all bonuses and other cash compensation, and (ii) there are no written employment agreements for any such senior officers or senior managers except as disclosed to the DIP Lender in writing prior to the effective date of this DIP Financing Term Sheet.

- (p) All material payments to shareholders, directors and senior executives of either Loan Party or any Related Party, whether under contract or otherwise, including bonus payments, transaction payments, change of control payments, management fees, consulting or advisory fees or amounts payable in respect of reimbursement, to the extent known and contemplated for future payments, have been included in the DIP Budget.
- (q) Other than as stayed pursuant to the BIA Proceedings, or as otherwise disclosed to the DIP Lender in respect of the Warner Contract, there is not now pending or, to the knowledge of any of the senior officers or directors of either Loan Party, threatened against a Loan Party, nor has either Loan Party received notice in respect of, any material claim, potential claim, litigation, action, suit, arbitration or other proceeding by or before any court or Governmental Authority.
- (r) All material contracts to which either Loan Party is a party are in full force and effect and are valid, binding and enforceable in accordance with their terms and no Loan Party has knowledge of any material default that has occurred and is continuing thereunder (other than those defaults arising as a result of the commencement of the BIA Proceedings).
- (s) As of the Filing Date, there are no agreements between any Loan Party and any other third party or any holder of debt or equity securities of such Loan Party with respect to the BIA Proceedings except for this DIP Financing Term Sheet.
- (t) No Loan Party has any defined benefit pension plans or similar plans.
- (u) Each Loan Party is and remains in compliance with the Court Orders.
- (v) No Loan Party is liable for any indebtedness for borrowed money, except as disclosed in the BIA Proceedings.

- (w) Each Loan Party has disclosed to the DIP Lender all liabilities in respect of its Liability Management Rating and such information is up to date and no further security deposit is required in connection therewith.
- (x) No Default or Event of Default has occurred and is continuing.

21. AFFIRMATIVE COVENANTS:

Each Loan Party agrees to do, or cause to be done, the following, unless otherwise consented to or waived in writing by the DIP Lender:

- (a) Make due and punctual payment to the DIP Lender of all amounts payable under this DIP Financing Term Sheet and all other DIP Documents when due.
- (b) In connection with matters reasonably related to the DIP Facility or compliance of each Loan Party with its obligations pursuant to this DIP Financing Term Sheet and the other DIP Documents, (i) provide a representative of the DIP Lender with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Borrower, (ii) allow the DIP Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Loan Party's assets and properties, and (iii) cause management, the financial advisor and legal counsel of each Loan Party, to cooperate with reasonable requests for information by the DIP Lender and its advisors, in each case subject to solicitor-client privilege, all Court Orders and applicable privacy laws and each Loan Party's confidentiality obligations to third parties.
- (c) Keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of each Loan Party and the BIA Proceedings.
- (d) Deliver to the DIP Lender's advisors the reporting and other information reasonably requested by them from time to time as set out in this DIP Financing Term Sheet including, without limitation, the Budget Variance Reports and other reports required pursuant to Section 19 at the times set out in Section 19.
- (e) Use the proceeds of the DIP Facility only in accordance with the requirements set forth in Section 9 and Section 10 and in accordance with the restrictions set out herein and pursuant to the DIP Budget and the Cash Flow Forecast.
- (f) Comply with the DIP Order and all other orders of the Court entered in connection with the BIA Proceedings (collectively, the "**Court Orders**" and each a "**Court**

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Order") and take all actions necessary or available to defend such Court Orders from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in writing in advance by the DIP Lender.

- (g) Preserve, renew and keep in full force its corporate existence.
- (h) Conduct its business in accordance in all material respects with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).
- (i) Promptly notify the DIP Lender of the occurrence of any Material Adverse Change, Default, Event of Default and any other event or circumstance that may negatively impact the DIP Budget or the Cash Flow Forecast, including any material change in its contractual arrangements or with relationships with third parties.
- (j) Comply in all material respects with Applicable Law, including, without limitation, payment on a timely basis of all municipal Taxes, utility charges or other amounts in relation to the Collateral charged by the DIP Lender Charge where the non-payment of same could give rise to a Lien and immediately notify the DIP Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of either Loan Party, threatened, against either Loan Party, before any court or Governmental Authority, except to the extent not required to do so pursuant to the DIP Order or any other Court Order.
- (k) Except where a stay of proceedings applies and subject to the terms of the DIP Order, pay when due all statutory Liens, trust and other Crown claims including employee source deductions, GST and workplace safety and insurance premiums.
- (l) Provide the DIP Lender's counsel with draft copies of all material motions, applications or proposed orders that either Loan Party intends to file in the BIA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the BIA Proceedings; provided that all such filings by a Loan Party shall be in form and substance acceptable to the DIP Lender and its counsel, acting reasonably and in good faith, to the extent that any such filings affect the rights and interests of the DIP Lender.
- (m) Take all actions necessary or available to defend the Court Orders from any appeal, reversal, modifications, amendment, stay or vacating to the extent that it would materially affect the rights and interests of the

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DIP Lender.

- (n) Comply with the DIP Budget, subject to the Permitted Variance.
- (o) Promptly provide notice to the DIP Lender and its counsel, and keep them otherwise apprised, of any material developments in respect of any material contract and of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender. In addition, to promptly provide the DIP Lender with regular status updates in respect of any Proposal, the closing of a BIA Sale within the BIA Proceedings which has been approved by Court Order, the conversion of the BIA Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA, the closing of the transaction under the APA and the termination of the BIA Proceedings.
- (p) Provide the DIP Lender with draft copies of all material letters, submissions, notices, or other materials or correspondence that either Loan Party intends to file with or submit to any regulatory authority having jurisdiction over either Loan Party that could materially and adversely impact the rights and interests of the DIP Lender, at least two (2) Business Days prior to such submission or filing or, where it is not practically possible to do so within such time as soon as possible.
- (q) Upon request of the DIP Lender, complete all necessary Lien and other customary searches against each Loan Party, together with all registrations, filings and recordings wherever the DIP Lender, acting reasonably, deems appropriate to satisfy the DIP Lender that there are no Liens affecting the Collateral except Permitted Liens.
- (r) At all times maintain adequate insurance coverage as is customary in the same or similar business of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.
- (s) At all times preserve, maintain and keep in full force its material contracts, 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 to in writing by the DIP Lender.

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- (t) Pay all DIP Lender costs and expenses pursuant to Section 8 no less frequently than every two (2) weeks following the delivery of a redacted invoice to the Borrower, provided that the DIP Lender shall provide reasonable estimates of such expenses for purposes of the DIP Budget.
- (u) Promptly upon becoming aware thereof, provide details of the following to the DIP Lender: (i) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against either Loan Party, by or before any court, tribunal, Governmental Authority or regulatory body, which would be reasonably likely to result, individually or in the aggregate, in a judgment in excess of \$200,000 to the extent not stayed by the Court Orders, and (ii) any default or dispute with respect to any of its material contracts, to the extent enforcement thereof is not stayed by the Court Orders.

22. NEGATIVE COVENANTS:

Each Loan Party covenants and agrees not to do, or cause not to be done, the following, other than with the prior written consent of the DIP Lender:

- (a) Transfer, lease or dispose of all or any part of its property, assets or undertaking, except such asset sales or dispositions as are permitted pursuant to the DIP Order.
- (b) Make any payment, including, without limitation, any payment of principal, interest or fees, in respect of pre-filing indebtedness, or in respect of any other pre-filing liabilities, other than such amounts as are permitted to be paid pursuant to the DIP Order and provided that the aggregate amount of all such pre-filing amounts shall not exceed the amount set out in the DIP Budget (subject to the Permitted Variance) and, other than in accordance with the DIP Budget and Cash Flow Forecast (subject to the Permitted Variance), make, incur or establish any retainer in respect of, any other payments (including with respect to the fees, expenses or disbursements of legal, financial or other advisor of any party) or other expenditures (including capital expenditures).
- (c) Create or permit to exist any indebtedness other than (A) the indebtedness existing as of the date hereof, (B) the DIP Financing Obligations, (C) indebtedness contemplated by this DIP Facility, and (D) post-filing trade payables or other unsecured obligations incurred in the ordinary course of business in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance).

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- (d) Make any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise), or any retirement, redemption, purchase, repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon).
- (e) Make any investments or acquisitions of any kind, direct or indirect.
- (f) Other than in accordance with the DIP Budget and the Cash Flow Forecast (subject to the Permitted Variance), (i) enter into, renew, amend or modify any transaction or contractual relationship with any Related Party or (ii) make any payment with respect to, or perform any obligation under, an agreement with a Related Party.
- (g) Make any loans, advances, financial assistance (including provision of a guarantee), capital contribution, investments or acquisitions whether direct or indirect.
- (h) Make any payment in respect of post-employment benefit payments.
- (i) Make any payment not consistent with the DIP Budget and Cash Flow Forecast.
- (j) Grant any royalties or overriding interests upon any lands of the Borrower.
- (k) Create or permit to exist any Liens on any of its properties or assets other than the Permitted Liens.
- (l) Take any steps to convert the BIA Proceedings to proceedings under the CCAA.
- (m) Challenge or fail to support the Liens and claims of the DIP Lender.
- (n) Terminate any material contract or amend any material contract in any material manner.
- (o) Amalgamate, consolidate with or merge into or sell all or substantially all of its assets to another entity, or change its corporate or capital structure (including its organizational documents) or enter into any agreement committing to such actions.
- (p) Seek, obtain, support, make or permit to be made any Court Order or any material change, amendment or modification to any Court Order affecting the DIP Lender. Without limiting the generality of the

foregoing, no Loan Party shall take any steps to advance or implement any transaction whether by way of a Proposal, Plan, BIA Sale, arrangement, reorganization or otherwise that would impair the Collateral, the DIP Facility, the DIP Documents or the DIP Lender Charge, or impair any amounts owing to the DIP Lender, or otherwise be materially adverse to the DIP Lender.

- (q) Without the approval of the Court, cease to carry on its business or activities or any material component thereof as currently being conducted or modify or alter in any material manner the nature and type of its operations or business.
- (r) Seek, or consent to the appointment of, a receiver or trustee in bankruptcy or any similar official in any jurisdiction, other than the Trustee.
- (s) Change any of its organizational documents, its name, fiscal year end or accounting standards.
- (t) Other than as consented to by the Trustee and approved by the Court on prior notice to the DIP Lender, (i) enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of either Loan Party or any Related Party, or make any payment to any such Person in respect of any bonus, change of control payment or severance package of any kind whatsoever, or (ii) implement any key employee retention program in any other manner.
- (u) Enter into any new agreements, transactions or arrangements with other parties that may result in a Material Adverse Change.
- (v) Seek, obtain or support any other restructuring transaction.

23. PRE FINAL CLOSING EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute a pre-Final Closing event of default (each a “**Pre Final Closing Event of Default**”) under this DIP Financing Term Sheet:

- (a) Failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor.

- (b) Failure by either Loan Party to (i) comply with the terms of any Court Order (including the DIP Order), (ii) deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (iii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in items (i) and (ii) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender.
- (c) Any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made.
- (d) Issuance of a Court Order: (i) dismissing the BIA Proceedings or lifting the stay in the BIA Proceedings to permit the enforcement of any security against either Loan Party or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order against or in respect of either Loan Party, in each case which order is not stayed pending appeal thereof, and other than in respect of a non-material asset not required for the operations of either Loan Party's business; (ii) granting any other Lien in respect of the Collateral that is in priority to or pari passu with the DIP Lender Charge other than for any Permitted Priority Liens, (iii) staying, reversing, vacating or otherwise modifying this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge, (iv) adversely impacting the rights and interests of the DIP Lender, as determined by the DIP Lender, or (v) directing either Loan Party to pay any post-employment benefits, in each case unless otherwise consented to by the DIP Lender.
- (e) Unless the DIP Lender has consented thereto in writing, the filing by either Loan Party of any motion, pleading or proceeding which (i) is not consistent with any provision of any of the DIP Documents or any Court Order, as applicable, (ii) could otherwise reasonably be expected to materially adversely affect the interests of the DIP Lender, (iii) seeks an order which, if granted, could reasonably be expected to result in a Material Adverse Change, (iv) seeks to continue the BIA Proceedings under the jurisdiction of a court other than the Court, (v) seeks to initiate any restructuring proceedings other than the BIA Proceedings in any court or jurisdiction, or (vi) relates to any matter set forth in Section 23(d).

- (f) any Proposal or other arrangement, compromise or restructuring is sanctioned by either Loan Party which is not consistent with or contravenes any provision of this DIP Financing Term Sheet or other DIP Document.
- (g) Except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities.
- (h) Unless consented to in writing by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the DIP Order.
- (i) As at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "**Permitted Variance**") since the most recent DIP Budget.
- (j) The DIP Lender Charge shall cease to be a valid, perfected and enforceable superpriority Lien senior to all other Liens other than Permitted Priority Liens.
- (k) The denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the DIP Lender Charge.
- (l) The aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount.
- (m) Either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course.
- (n) The making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget.
- (o) Except as stayed by order of the Court, a default under, revocation or cancellation of, any material contract, or other material licence or permit.
- (p) Either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be

owing by the DIP Lender or any affiliate thereof to either Loan Party or any affiliate thereof.

- (q) Except as stayed by order of the Court, the entry of one or more final judgments, writs of execution, garnishment or attachment representing a claim in excess of \$200,000 against either Loan Party or the Collateral that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy.
- (r) Any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender.
- (s) The occurrence of a Material Adverse Change.
- (t) The APA is terminated for any reason at any time prior to Final Closing.

24. REMEDIES:

Upon the occurrence of an Event of Default, the DIP Lender may (i) immediately terminate its commitments hereunder, and (ii) without any further notice or demand, and otherwise subject to the provisions of the Court Orders, declare the DIP Financing Obligations to be immediately due and payable and may thereafter, exercise any and all of its rights and remedies against any Loan Party or the Collateral under or pursuant to this DIP Financing Term Sheet, the other DIP Documents and the DIP Lender Charge, including, without limitation:

- (a) apply to a court for appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against either Loan Party or for the appointment of a trustee in bankruptcy of either Loan Party;
- (b) set-off or consolidate any amounts then owing by the DIP Lender to either Loan Party against the obligations of such Loan Party to the DIP Lender (in its capacity as such) hereunder;
- (c) subject to obtaining prior approval from the Court, exercise all powers and rights of a secured party under the *Personal Property Security Act* (Alberta), the *Law of Property Act* (Alberta), the *Mines and Minerals Act* (Alberta) or any legislation relating to creditors' rights; and
- (d) exercise all such other rights and remedies available under Applicable Law, by statute or in equity.

25. INDEMNITY AND RELEASE:

Each Loan Party jointly and severally agrees to indemnify and hold harmless the DIP Lender and its 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 DIP Facility, this DIP Financing Term Sheet or any other DIP Document (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, neither Loan Party shall be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (x) 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 (y) 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 either Loan Party. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 25 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor. All such indemnified amounts, if not immediately paid by the Loan Parties upon demand, will be secured by the DIP Lender Charge.

The indemnities granted under DIP Financing Term Sheet shall survive any termination of the DIP Facility.

26. CURRENCY:

If any payment is received by the DIP Lender hereunder in a currency other than Canadian dollars, or, if for the purposes of obtaining judgment in any court it is necessary to convert a sum due in Canadian dollars (the “**Original Currency**”) into another currency (the “**Other Currency**”), the parties hereby agree, to the fullest extent permitted by Applicable Law, that the rate of exchange used shall be the rate at which the DIP Lender is able to purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which such payment is made or final judgment is given.

27. DIP LENDER’S APPROVALS:

Any consent, agreement, amendment, approval, waiver or instruction of the DIP Lender to be delivered hereunder, may be delivered by any written instrument, including by way of electronic mail, by counsel on behalf of the DIP Lender. Any approval, consent or other determination made by the DIP Lender hereunder may, unless the contrary is indicated, be

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provided or made in the sole and absolute discretion of the DIP Lender.

28. FURTHER ASSURANCES:

Each Loan Party shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as the DIP Lender may reasonably request for the purpose of giving effect to this DIP Financing Term Sheet, any other DIP Document and the DIP Lender Charge.

**29. ENTIRE AGREEMENT;
CONFLICT:**

This DIP Financing Term Sheet together with the other DIP Documents, including any schedules thereto, constitute the entire agreement between the parties relating to the subject matter hereof.

To the extent that there is any inconsistency between this DIP Financing Term Sheet and any of the other DIP Document, this DIP Financing Term Sheet shall govern.

30. AMENDMENTS, WAIVERS, ETC.:

No amendment of any provision of the DIP Documents shall be effective unless agreed to by the Borrower, the Guarantor and the DIP Lender and, in the case of any material amendment, the Trustee.

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Document will operate as a waiver hereof or thereof unless made in writing by the DIP Lender and delivered in accordance with the terms of this DIP Financing Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

31. ASSIGNMENT:

The DIP Lender may, without notice or consent of the Borrower, assign this DIP Financing Term Sheet, the other DIP Documents and its rights and obligations hereunder or thereunder, in whole or in part, to any Person. Neither this DIP Financing Term Sheet, any other DIP Document nor any right or obligation hereunder or thereunder may be assigned by the Borrower or the Guarantor without the prior written consent of the DIP Lender, except for an assignment by the Borrower to Greenfire Acquisition Corporation on the Final Closing as specifically contemplated by the Escrow Agreement and on the terms contemplated by the APA and the Escrow Agreement (which include, for certainty, that Greenfire Acquisition Corporation agrees to be responsible for all Repair Costs advanced by the DIP Lender to the Borrower (whether such amounts for Repair Costs were advanced by the DIP Lender under this DIP Financing Term Sheet or were otherwise provided to the Borrower), and all such amounts shall comprise amounts owing by Greenfire Acquisition Corporation, as borrower, to the DIP Lender under this DIP Financing Term Sheet).

32. TAXES:

All payments by each Loan Party under the DIP Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an

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Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes (other than Excluded Taxes) are required by Applicable Law to be withheld ("**Withholding Taxes**") from any amount payable to the DIP Lender under the DIP Documents, the amount so payable to the DIP Lender shall be increased to the extent necessary so that after making all required deductions, including deductions applicable to amounts payable under this Section 32, the DIP Lender will receive an amount equal to the amount it would have received had no such deductions in respect of such Taxes been made, and the Loan Parties shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.

33. LIBOR REPLACEMENT:

If at any time the DIP Lender determines that the administrator of LIBOR or a governmental authority having jurisdiction over the DIP Lender has made a public statement identifying a specific date after which LIBOR will no longer be used for determining interest rates for loans, then the DIP Lender and the Borrower will promptly negotiate in good faith to establish an alternate rate of interest to LIBOR that is, at such time, broadly accepted as the prevailing recommended market practice for syndicated loans; provided that, if such alternate rate of interest will be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes hereof. Upon the Borrower and the DIP Lender agreeing on such a rate, the parties hereto shall enter into documentation to amend the provisions hereof to refer to such rate and make all other adjustments incidental thereto.

34. PRESS RELEASES:

No Loan Party shall issue any press releases naming the DIP Lender without the DIP Lender's prior approval.

35. SEVERABILITY:

Any provision in this DIP Financing Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

36. NO THIRD PARTY BENEFICIARY:

No person, other than the Borrower, the Guarantor, the DIP Lender and the Indemnified Persons, is entitled to rely upon this DIP Financing Term Sheet or the other DIP Document and the parties expressly agree that this DIP Financing Term Sheet and the other DIP Document does not confer rights upon any other party.

37. TRUSTEE:

The Trustee shall be authorized to communicate with the DIP Lender, and shall be entitled to share information, including confidential information with the DIP Lender as may be

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requested by the DIP Lender from time to time.

**38. COUNTERPARTS AND
FACSIMILE SIGNATURES:**

This DIP Financing Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission including "pdf email", each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

39. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the such Person at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Trustee and its counsel.

Any such notice shall be deemed to be given and received when received, unless received after 5:00 PM Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

40. GOVERNING LAW:

This DIP Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the ability of the DIP Lender to enforce this DIP Financing Term Sheet in any other proper jurisdiction, each Loan Party irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta, and further acknowledge and agree that any disputes arising in respect of the DIP Documents shall be heard by the Court.

[signature pages follow]

IN WITNESS HEREOF, the parties hereby execute this DIP Financing Term Sheet as at the date first above mentioned.


DIP LENDER:

TRAFIGURA CANADA GENERAL PARTNERSHIP

Per:

Name:

Title:


~~James Spang~~
VP Crude Oil

I have authority to bind the partnership.

Notice:

Trafigura Canada General Partnership

Attn:

Email:

BORROWER:

**GREENFIRE HANGINGSTONE OPERATING
CORPORATION**

Per: 

Name: Robert Logan

Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Hangingstone Operating Corporation

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8


Attn: Robert Logan, Director

Email: rlogan@greenfireoilandgas.com

GUARANTOR:

GREENFIRE OIL & GAS LTD.

Per: _____


Name: Robert Logan
Title: Chairman

I have authority to bind the corporation.

Notice:

Greenfire Oil & Gas Ltd.

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attn: Robert Logan, Director
Email: rlogan@greenfireoilandgas.com

SCHEDULE A

DEFINED TERMS

“Administration Charge” means an administration charge in an aggregate amount not to exceed \$500,000 or such other amounts as agreed to by the DIP Lender which shall rank in priority to the DIP Lender Charge.

“Affiliate” has the meaning ascribed thereto in the *Canada Business Corporations Act*.

“APA” means the asset purchase agreement dated on or about the date hereof between the Borrower, as vendor and Greenfire Acquisition Corporation, as purchaser.

“Applicable Law” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations and all applicable official directives, orders, judgments and decrees of any Governmental Authority having the force of law and binding on such Person.

“BIA” has the meaning given thereto in the Recitals.

“BIA Proceedings” has the meaning given thereto in the Recitals.

“BIA Sale” means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court, including the transaction contemplated by the APA.

“Budget Variance Report” has the meaning given thereto in Section 19.

“Borrower” has the meaning given thereto in the Recitals.

“Business Day” means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta or Toronto, Ontario are not open for business.

“Cash Flow Forecast” means a projected statement of sources and uses of cash for the Borrower and the Guarantor on a weekly basis for the thirteen (13) calendar weeks following the date of this DIP Financing Term Sheet.

“Cash Flow Test” has the meaning given thereto in Section 19.

“CCAA” means the *Companies' Creditors Arrangement Act* (Canada).

“Claims” has the meaning given thereto in Section 25.

“Collateral” means all of the Borrower's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof.

“Court” has the meaning given thereto in the Recitals.

“Court Approval” has the meaning given thereto in the APA; *provided that* such Court Approval must also be in form and content satisfactory to the DIP Lender, acting reasonably, and include the DIP Order.

“Court Order” and **“Court Orders”** have the meanings given thereto in Section 21(f).

“Default” means any event or condition which, with the giving of notice or lapse of time (or any combination thereof), would constitute an Event of Default

“Deposit” has the meaning given thereto in Section 10(d).

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“DIP Budget” means the financial projections prepared by the Borrower, which shall be in form and substance reasonably acceptable to the DIP Lender, which financial projections may be amended from time to time in accordance with Section 19.

“DIP Documents” means, this DIP Financing Term Sheet, and all other instruments, agreements and documents from time to time executed and delivered to the DIP Lender in connection with the DIP Financing Term Sheet.

“DIP Facility” has the meaning given thereto in Section 5.

“DIP Financing Obligations” has the meaning given thereto in Section 12(d).

“DIP Lender” has the meaning given thereto in Section 3.

“DIP Lender Charge” has the meaning given thereto in Section 12(d).

“DIP Order” has the meaning given thereto in Section 12(d).

“Drawdown Request Certificate” means a drawdown request certificate in a form satisfactory to the DIP Lender, acting reasonably.

“Energy Regulator” means (a) with respect to Alberta, the Alberta Energy Regulator, and (b) with respect to any other jurisdiction, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor agency, department, ministry or commission thereto.

“Escrow Agreement” has the meaning given thereto in the APA.

“Escrow Closing” has the meaning given thereto in the APA.

“Escrow Closing Date” has the meaning given thereto in the APA.

“Escrowed Funds” has the meaning given thereto in Section 9.

“Event of Default” means a Pre Final Closing Event of Default or a Post Final Closing Date Event of Default, as the case may be.

“Excluded Taxes” means any of the following Taxes, (A) any Tax on the Overall Net Income of the DIP Lender; (B) any Withholding Tax imposed under FATCA or Taxes imposed pursuant to Part XVIII of the ITA; (C) any Tax under the ITA that would not have been imposed but for a DIP Lender (i) not dealing at arm’s length for purposes of the ITA with the Loan Parties (other than as a result of the DIP Lender being a lender to the Borrower or any of its affiliated entities under this DIP Facility or under any other lending arrangement), or (ii) being a “specified shareholder” (as defined in subsection 18(5) of the ITA) of the Loan Parties or not dealing at arm’s length for purposes of the ITA with any such specified shareholder; (D) Taxes that would not have been imposed but for the failure of a DIP Lender to timely satisfy any certification, identification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the relevant taxing jurisdiction or otherwise establishing the right to the benefit of an exemption from, or reduction in the rate of, withholding or deduction, if such compliance is required by statute, treaty, regulation or administrative practice of a relevant taxing jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes, imposed by the relevant taxing jurisdiction.

“Facilities” has the meaning given thereto in the APA.

“Facility A” has the meaning given thereto in Section 5.

“Facility Amount” has the meaning given thereto in Section 5.

“Facility B” has the meaning given thereto in Section 5.

“Filing Date” means the date of commencement of the BIA Proceedings.

“Final Closing” has the meaning given thereto in the APA.

“Governmental Authority” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantor” has the meaning given thereto in Section 2.

“Indemnified Persons” has the meaning given thereto in Section 25.

“Initial Cash Flow Forecast” has the meaning given thereto in Section 19.

“Initial DIP Budget” has the meaning given thereto in Section 19.

“Initial Funding Conditions” has the meaning given thereto in Section 12.

“ITA” means the *Income Tax Act* (Canada), as amended.

“Liability Management Rating” means the environmental liability management rating (or equivalent) governing conventional upstream oil and gas wells, facilities, and pipelines for such jurisdiction, as determined in accordance with the rules and regulations of each applicable jurisdiction and its Energy Regulator for the then relevant period.

“LIBOR” means, for any day, the rate of interest per annum (expressed on the basis of a year of 360 days) determined by the DIP Lender by reference to the rate set by ICE Benchmark Administration Limited (or any successor thereto) for an interest period of one (1) month shown on the “LIBOR01 Page” of Reuters Limited (or any replacement page which displays such rate); provided that: (a) to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, “LIBOR” shall be the interest rate per annum determined by the DIP Lender to be the average of the rates per annum at which deposits in U.S. Dollars are offered for a one (1) month period to major banks in the London interbank market in London, England by such lender as is determined by the DIP Lender, in its sole discretion; and (b) if the rate determined as aforesaid shall ever be less than one percent (1%), such rate shall be deemed to be one percent (1%) for the purposes of this DIP Financing Term Sheet.

“Liens” means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever.

“Marketing Agreement” has the meaning given thereto in Section 12(i).

“Material Adverse Change” means any change, condition, event or occurrence, which, when considered individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to have a material adverse effect on: (i) the financial condition, business, performance, operation, assets or property of either Loan Party as a whole including, without limitation, (a) a material adverse qualification (other than a ‘going concern’ qualification resulting from the BIA Proceedings) to any of the financial statements of the Borrower, (b) a material adverse misstatement of the financial statements of either Loan Party, (c) after the effective date of this DIP Financing Term Sheet, it is determined by the Borrower, its auditors or accountants that a restatement of the Borrower’s financial statements is or is likely to be necessary, (d) there is a material adverse restatement of the Borrower’s financial statements or (e) either party to the APA breaches any of its covenants or obligations in the APA

up to and including Final Closing; (ii) the ability of either Loan Party to timely and fully perform any of its material obligations under any of the DIP Documents, or any Court Order; or (iii) the validity or enforceability of any of the DIP Documents or the Marketing Agreement, or the rights and remedies of the DIP Lender under any of the DIP Documents or the Marketing Agreement.

"Maturity Date" means the first to occur of either the Pre Final Closing Maturity Date or Post Final Closing Maturity Date occurs.

"Original Currency" has the meaning given thereto in Section 26.

"Other Currency" has the meaning given thereto in Section 26.

"Permitted Liens" means, prior to Final Closing (i) Permitted Priority Liens, (ii) the DIP Lender Charge, (iii) validly perfected Liens existing prior to the date hereof as in effect on the date hereof; and (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, subject to the obligation to pay all such amounts as and when due; provided, however, that at all times following Final Closing **"Permitted Liens"** shall only mean those Liens identified in paragraph (iv) in this definition.

"Permitted Priority Liens" means the (i) the Administration Charge, (ii) Liens in favour of secured parties that did not receive notice of the application for the DIP Order (to the extent the DIP Lender (or its counsel) agreed based on the service list that such secured parties would not be served), (iii) Liens in respect of claims that are individually and in the aggregate immaterial, solely to the extent such Liens are not registered under a personal property registry system, (iv) purchase money security interests, and (v) any amounts payable by the Borrower for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the Excise Tax Act (Canada) (net of input credits), income tax and workers compensation claims, in the case of this item (v) solely to the extent such amounts are given priority by Applicable Law and only to the extent that the priority of such amounts have not been subordinated to the DIP Lender Charge pursuant to the Court Orders.

"Permitted Variance" has the meaning given thereto in Section 23(i).

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, unlimited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Post Final Closing Event of Default" means the occurrence of any one or more of the following events:

- (a) failure by either Loan Party to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under this DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 8 hereof within ten (10) Business Days of receiving an invoice therefor;
- (b) failure by either Loan Party to (i) deliver any reports, budgets or statements set out therefor in Section 19 (including, without limitation, the Budget Variance Report) within five (5) days of the date set out therefor in Section 19 or (ii) perform or comply with any of the other covenants set out herein (other than as set out in paragraph (a) above or in item (i) of this paragraph (b)) or under any other DIP Document and such failure remains unremedied for ten (10) Business Days following receipt of notice thereof from the DIP Lender;
- (c) any representation or warranty by either Loan Party made in this DIP Financing Term Sheet or any other DIP Document is or proves to be incorrect or misleading in any material respect as of the date made;
- (d) any Loan Party:

- (i) admits in writing that it is insolvent or unable to pay its liabilities as they generally become due;
 - (ii) commits an act of bankruptcy under the BIA, files a voluntary assignment in bankruptcy under the BIA, makes a proposal (or files a notice of its intention to do so) under the BIA or seeks any other relieve in respect of itself under the BIA;
 - (iii) institutes any proceedings seeking relief in respect of itself under the CCAA;
 - (iv) institutes any proceeding seeking relief in respect of itself under the WURA;
 - (v) in addition to the forgoing, institutes any other proceeding seeking: (a) to adjudicate itself an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of itself under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides for plans or schemes of reorganization, plans or schemes of arrangement or plans or schemes of compromise, in respect of itself, to be submitted or presented to creditors (or any class of creditors);
 - (vi) applies for the appointment of, or has a receiver (either court or privately appointed), interim receiver, receiver/manager (either court or privately appointed), sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official appointed in respect of it, or any substantial part of its property; or
 - (vii) threatens to do any of the foregoing, or takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this paragraph (d);
- (e) any petition is filed, application made or other proceeding instituted against or in respect of any Loan Party:
- (i) seeking to adjudicate it an insolvent person;
 - (ii) seeking a bankruptcy order against it under the BIA;
 - (iii) seeking to institute proceedings against it under the CCAA;
 - (iv) seeking to institute proceedings against it under the WURA;
 - (v) seeking, in addition to the forgoing: (a) to adjudicate it an insolvent person or a bankrupt; (b) to liquidate, dissolve or wind-up its business or assets; (c) to compromise, arrange, adjust or declare a moratorium in respect of the payment of, its debts; (d) to stay the rights of creditors generally (or any class of creditors); (e) any other relief in respect of it under any federal, provincial or foreign applicable Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, receivership, restructuring of business, assets or debt, reorganization of business, assets or debt, or protection of debtors from their creditors (such applicable Law includes any applicable corporations legislation to the extent the relief sought under such corporations legislation relates to or involves the compromise, settlement, adjustment or arrangement of debt); or (f) any other relief which provides plans or schemes of reorganization, plans or schemes of arrangement or plans

or schemes of compromise in respect of it, to be submitted or presented to creditors (or any class of creditors); or

- (vi) seeking the issuance of an order for the appointment of a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official in respect of it or any substantial part of its property,

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that: (a) if the Loan Party fails to contest such petition, application or proceeding the 30 day grace period shall cease to apply; (b) if an order, decree or judgment is issued (whether or not entered or subject to appeal) against the Loan Party thereunder within the 30 day period, such grace period will cease to apply, and (c) if the Loan Party files an answer or other responding materials admitting the material allegations of a petition, application or other proceeding filed against it, such grace period will cease to apply;

- (f) any other event occurs which, under the Laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of paragraphs (d) and (e) of this definition;
- (g) except as set out in the DIP Budget, or as otherwise agreed to in writing by the DIP Lender, either Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental or abandonment or reclamation liabilities;
- (h) as at the date of any Budget Variance Report, there shall exist a net negative variance (excluding advisor fees and expenses) from the DIP Budget in excess of ten percent (10%) (the "**Permitted Variance**") since the most recent DIP Budget;
- (i) the Liens granted by any Loan Party to the DIP Lender shall cease to be a valid, perfected and enforceable first priority Liens senior to all other Liens, or if at any time there shall be any Liens whatsoever ranking or purporting to rank in priority to the Liens granted to the DIP Lender over the property and assets of the Borrower,
- (j) the denial or repudiation by either Loan Party of the legality, validity, binding nature or enforceability of this DIP Financing Term Sheet, any other DIP Document or the Liens granted to the DIP Lender;
- (k) the aggregate amount of the advances: (i) made under Facility A exceed \$4,000,000, (ii) made under Facility B exceed \$16,000,000, or (iii) made under the DIP Facility exceed the Facility Amount;
- (l) either Loan Party ceases (or threatens to cease) to carry on business in the ordinary course;
- (m) the making by either Loan Party of a payment of any kind that is not permitted by this DIP Financing Term Sheet or the other DIP Documents or is not consistent with the DIP Budget;
- (n) a default under, revocation or cancellation of, any material contract, or other material licence or permit;
- (o) either Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the DIP Lender or any affiliate thereof to either Loan Party or any affiliate thereof;
- (p) one or more final judgments, writs of execution, garnishment or attachment representing a claim or claims in excess of \$200,000 in the aggregate against either Loan Party or the Collateral that

are not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within thirty (30) days after their entry, commencement or levy;

- (q) any events or conditions occur that results in any indebtedness of a Loan Party in excess of \$200,000 in the aggregate becoming due prior to its scheduled maturity date or that enables or permits (with or without the giving of notice, lapse of time or both) the holder or holders of any such indebtedness or any trustee or agent on its or their behalf to cause any such indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;
- (r) any property of any Loan Party is seized (including by way of execution, attachment, garnishment, levy or distraint), or any Lien thereon is enforced, or such property has become subject to any charging order or equitable execution of a Governmental Authority, or any writ of execution or distress warrant exists in respect of any Loan Party or the property of any of them, or any sheriff or other person becomes lawfully entitled by operation of law or otherwise to seize or distraint upon such property;
- (s) this DIP Financing Term Sheet or any other DIP Document or any obligation or other provision hereof or thereof at any time for any reason terminates or ceases to be in full force and effect and a legally valid, binding and enforceable obligation of any Loan Party, is declared to be void or voidable or is repudiated, or at any time it is unlawful or impossible for any Loan Party to perform any of its material obligations hereunder or thereunder;
- (t) any addition, removal or replacement of directors from the board of directors (other than any resignation) of either Loan Party unless acceptable to the DIP Lender; or
- (u) the occurrence of a Material Adverse Change.

"Post Final Closing Maturity Date" has the meaning given thereto in Section 17.

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

"Pre Final Closing Maturity Date" has the meaning given thereto in Section 17.

"Proposal" has the meaning given thereto in Section 17.

"Purchase Price" means \$5,000,000.

"Related Party" means, with respect to any Person, such Person's Affiliates as well as the directors, officers and shareholders of such Person and of such Person's Affiliates.

"Repair Costs" means costs related to the damages caused to the assets of the Borrower, directly or indirectly, by cold temperatures and plant shut-down, as duly certified by an independent engineering firm or such other party satisfactory to the DIP Lender and as set forth in a DIP Budget.

"Tax on the Overall Net Income" of the DIP Lender means any Tax imposed on or measured by net income (however denominated), franchise Taxes, Canadian federal or provincial capital Taxes and branch profits Taxes (i) that is imposed as a result of the DIP Lender being organized under the laws of, or having its principal office located in, the applicable jurisdiction imposing such Tax (or any political subdivision thereof), or (ii) that is imposed as a result of a present or former connection between the DIP Lender and the jurisdiction imposing such Tax (other than connections arising solely from the DIP Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any DIP Documents or sold or assigned an interest in the DIP Facility or the advance of the Facility Amount).

"Taxes" has the meaning given thereto in Section 32.

"Trustee" means Alvarez & Marsal Canada Inc., in its capacity as trustee to the notice of intention to make a proposal of the Borrower under the BIA.

"Variance Testing Date" means, collectively, the first Thursday after the date of this DIP Financing Term Sheet and each Thursday thereafter.

"Warner Contract" has the meaning given thereto in the APA.

"Withholding Taxes" has the meaning given thereto in Section 32.

"WURA" means *Winding Up and Restructuring Act (Canada)*.

SCHEDULE B
INITIAL DIP BUDGET

See attached.

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SCHEDULE C
INITIAL CASH FLOW FORECAST

See attached.

000856

APPENDIX D

ASSET SALE AGREEMENT

- between -

GREENFIRE HANGINGSTONE OPERATING CORPORATION

as Vendor

- and -

GREENFIRE ACQUISITION CORPORATION

as Purchaser

December 1, 2020

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ASSET SALE AGREEMENT

THIS AGREEMENT is made as of the 1st day of December, 2020

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 ("**Vendor**")

– and –

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 ("**Purchaser**")

WHEREAS:

- A. Vendor is the owner of the Assets;
- B. Purchaser desires to purchase the Assets and Vendor has determined that it is in the best interests of its creditors and stakeholders to sell the Assets, pursuant to and in accordance with the terms and conditions of this Agreement and subject to the Court Approval; and
- C. Purchaser has conducted an investigation of the nature and extent of the Assets and desires to purchase the Assets on the terms and conditions set out herein.

NOW THEREFORE in consideration of the premises, the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.01 Definitions

In this Agreement, including the recitals and the Schedules, the following terms have the following meanings:

"Abandonment and Reclamation Obligations" means all past, present and future obligations under contracts or Applicable Laws to abandon, restore and reclaim the Assets, including:

- (a) any closing, decommissioning, dismantling or removing of any Assets and all structures, foundations, buildings, pipelines, equipment and other facilities used in respect of the Assets; and

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- (b) reclaiming, remediating and restoring the surface and subsurface locations and lands pooled or unitized therewith, or comprising all or part of the Assets, or that were used or previously used in respect of that portion of the Leases pertaining to the Lands;

all in accordance with generally accepted oil and gas industry practice in the jurisdiction in which the Assets are located and in compliance with Applicable Laws.

"Access Road" means the roads related to the Facilities and located within the Project Area as set out in the diagram attached hereto as Schedule "F".

"AER" means the Alberta Energy Regulator.

"AER Licences" means the Permits held by Vendor respecting the Wells, Facilities and certain of the Tangibles over which the AER has jurisdiction including as set forth in Schedule "A".

"Affiliate" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person is under common control.

"AFE" means authorities for expenditure, operations notices, or amounts budgeted pursuant to mail ballots.

"Agreement" means and refers to this agreement entitled "Asset Sale Agreement", including the recitals hereto and all Schedules, all as amended, supplemented or modified from time to time in accordance with the provisions hereof.

"Applicable Laws" means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by any Governmental Authority by which such Person is bound or having application to the transaction or event in question.

"Assets" means, collectively, Vendor's undivided interest in and to the Oil Sands Rights, the Tangibles and the Miscellaneous Interests.

"Assignable Agreements" means each of the agreements described in Schedule "D".

"Assignment and Assumption Agreement" means the assignment and assumption agreement to be entered into among Vendor, Lender and Purchaser providing for the assignment of the Interim Financing Term Sheet to Purchaser, Purchaser's assumption of all of Vendor's obligations thereunder, including the Interim Financing Debt, and Lender's full and final release and discharge of Vendor from all obligations and liabilities arising under the Interim Financing Term Sheet, including the Interim Financing Debt.

"Business Day" means a calendar day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta.

"Cash Portion" has the meaning ascribed to that term in Section 2.04.

"**Claim**" means, in relation to any Person, any and all claims, actions, causes of action, accounts, Liens, demands, lawsuits, suits, judgments, awards, decrees, determinations, adjudications, writs, orders, pronouncements, audits, proceedings, arbitrations, mediations, hearings, investigations or actions by any Governmental Authority, of every kind, nature or description brought against or suffered, sustained or incurred by such Person, in each case whether fixed or contingent or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery.

"**Consequential Damages**" means any Claims, Losses or Liabilities howsoever arising or occurring that are in the nature of consequential, special, indirect, punitive or exemplary damages, including compensation for business interruption, loss of profit, including business loss and economic loss, loss of revenue, loss of value, loss of opportunity, opportunity costs, and similar types of Losses and damages.

"**Court**" means the Court of Queen's Bench of Alberta.

"**Court Approval**" means the approval of the Transaction by the Court, including:

- (a) an order of the Court, substantially based on the form of the Alberta Standard Template Approval and Vesting Order, vesting the Assets in the name of Purchaser free and clear of any and all Encumbrances other than the Permitted Encumbrances (the "**SAVO**"); and
- (b) an order of the Court approving the Interim Financing, including the granting of a security interest in and to the Assets together with any other assets then held by Vendor to Lender, which security interest shall rank in priority to all other Liens in and over the Assets and such other assets to secure the payment and performance of Vendor's obligations under the Interim Financing (including the Interim Financing Debt), provided that such security interest shall at all times be junior to the Administration Charge (as defined in the order of the Court dated October 16, 2020)(the "**Interim Financing Approval**"),

all in form and content satisfactory to Vendor and Purchaser, acting reasonably.

"**Deposit**" means [REDACTED]

"**Dispute**" means any dispute or controversy arising out of this Agreement or the performance of any activities under this Agreement, and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability or breach of this Agreement.

"**DOA**" means the JACOS Hangingstone SAGD Operating Agreement dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Vendor.

"**Effective Time**" means 8:00 a.m. (Calgary time) on the Final Closing Date.

"**Encumbrance**" means any and all Liens, caveats, trusts or deemed trusts (whether contractual, statutory, or otherwise), royalties, options, privilege, interests, assignments, actions, executions, levies, Taxes, judgments, writs of execution, lease, reservation of ownership, rights of pre-emption, claims (whether financial, monetary or otherwise) or charges, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including any encumbrances or charges created by the *Bankruptcy and Insolvency Act* (Canada) and all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system.

"Environment" means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.

"Environmental Liability" means all present and future Losses and Liabilities pertaining to the Assets in respect of the Environment, whether or not caused by a breach of contract, the common law or the Applicable Laws and whether or not resulting from operations conducted with respect to the Assets (if any), including Losses and Liabilities related to:

- (a) the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield substances or waste;
- (b) the release, spill, escape or emission of toxic or hazardous substances;
- (c) any other pollution or contamination of the Environment,
- (d) Losses and Liabilities suffered by Third Parties as a result of the occurrences in Sections (a), (b) and (c) of this definition;
- (e) any obligations imposed by the Applicable Laws or the common law to protect the Environment or to rectify Environmental problems; and
- (f) any operations carried out in respect of the Assets which operations have caused damage to the Environment.

"Escrow Agent" means Burnet, Duckworth & Palmer LLP, in its capacity as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the escrow closing agreement to be entered into on the Escrow Closing Date among Vendor, Purchaser, Proposal Trustee, Lender and Escrow Agent, substantially in the form set forth in Schedule "C".

"Escrow Closing" means the delivery of the Escrowed Documents and the Escrowed Funds to Escrow Agent to be held in escrow for the Escrow Period.

"Escrow Closing Date" means the earlier of:

- (a) the tenth (10th) Business Day after obtaining Court Approval; and
- (b) any other Business Day as Vendor and Purchaser may agree,

provided that, following Escrow Closing, reference to "Escrow Closing Date" shall mean the date on which Escrow Closing actually occurred.

"Escrow Closing Place" means the office of Vendor's Counsel or such other place as Vendor and Purchaser may agree.

"Escrow Closing Statement" means a written statement prepared by Vendor and agreed by Purchaser and Lender setting forth the total amount of any Repair Costs advanced by Lender under the Interim Financing on or prior to the Escrow Closing Date.

"Escrow Closing Time" means 11:00am on the Escrow Closing Date or any other time as Vendor and Purchaser may agree.

"Escrow Conditions" means the LTA is approved by the AER without conditions such that the AER Licences have been registered in the name of Purchaser and Purchaser has provided Vendor with evidence that the transfer of the AER Licences is complete.

"Escrow Period" means the period from the Escrow Closing Time until the earlier of (i) the Final Closing Date, or (ii) the time that this Agreement is terminated in accordance with Section 6.01(a).

"Escrowed Documents" means all of the documents set forth in Sections 4.01(a)(i) and 4.01(b)(i) required to be delivered to Escrow Agent at the Escrow Closing Time.

"Escrowed Funds" has the meaning ascribed to that term in Section 2.06.

"Facilities" means the plants, facilities and utilities within or proximate to the Lands (including the Project Area), in each case as described in Schedule "A" under the heading "Facilities".

"Facilities Inspection" means the inspection of the Facilities by an independent expert agreed to by the Parties to confirm that the damage caused, directly or indirectly, by cold temperatures and plant shut-down does not render the Facilities beyond repair and is not, when taken together with the Repair Costs already incurred, [REDACTED].

"Final Closing" means the completion of the Transaction on the Final Closing Date in accordance with the provisions hereof.

"Final Closing Date" means the date upon which (i) the Escrow Conditions are satisfied or waived, as the case may be, and (ii) the Parties, the Escrow Agent and the Proposal Trustee have complied with the requirements of Section 6.01(b).

"Final Closing Joint Direction" has the meaning ascribed to that term in the Escrow Agreement.

"Final Closing Statement" means a written statement prepared by Vendor and agreed by Purchaser and Lender setting forth the total amount of any Repair Costs advanced by Lender under the Interim Financing at any time prior to the Final Closing Date.

"General Conveyance" means the agreement entitled "General Conveyance" to be delivered at Escrow Closing and entered into as of the Final Closing Date between Vendor and Purchaser providing for the conveyance of the Assets, which agreement shall be in the form set forth in Schedule "B", with only such changes thereto as are necessary to complete such agreement for execution.

"General Eligibility" means eligibility to hold licences for all types of wells, facilities and pipelines in Alberta as described in *AER Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*.

"GORR Agreement" means the agreement entitled "GORR Agreement" entered into as of the 3rd day of August, 2018 between Vendor and Japan Canada Oil Sands Limited.

"Governmental Authority" means, in relation to any Person, transaction or event, any: (i) federal, provincial, state, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (ii) agency, authority, commission, instrumentality, regulatory body,

court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event.

"Gross Negligence or Wilful Misconduct" by a Party means:

- (a) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct; or
- (b) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences;

of such Party, provided that a Party shall not be considered to have engaged in Gross Negligence or Wilful Misconduct if the actions or omissions of such Party (i) only constitute an act or omission of ordinary negligence, or (ii) were in accordance with the written instructions received from, or express concurrence of (to the extent evidenced in writing), the other Party or any of its Representatives.

"GST" means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada).

"Interim Financing" means the interim financing to be provided by Lender to Vendor pursuant to the Interim Financing Term Sheet between Lender, Vendor and Greenfire Oil & Gas Ltd. dated as of the date of this Agreement.

"Interim Financing Debt" has the meaning ascribed to that term in Section 2.04(a).

"Interim Financing Term Sheet" means the interim financing term sheet approved by and appended to the Court Approval.

"Interim Period" means the period from the date of this Agreement to the Escrow Closing Time.

"Interim/Escrow Period Marketing Agreement" means a marketing agreement to be entered into by Vendor and Lender immediately following Court Approval, providing for the marketing of all production from the Assets that is produced from the date hereof to the Final Closing Date, on terms and conditions that are agreeable to Vendor and Lender, in each case acting reasonably.

"Lands" means the lands, the legal descriptions of which are set forth in Schedule "A" and any lands with which the same have been pooled or unitized, and includes (a) unless the context otherwise requires, the surface of such lands and (b) the Petroleum Substances within, upon or under such lands, together with the rights to mine for, drill for, explore for, win, take, own or remove same, insofar as the same are granted by the Leases to such lands.

"Leases" means the leases, reservations, permits, licences or other documents of title, or the relevant portions of each, by virtue of which the holder thereof is entitled to drill for, explore for, mine, win, take, own or remove Petroleum Substances, pertaining to the Lands and in which Vendor holds any interest and includes any document of title issued in substitution for, amendment of or in addition to any of them, including those which are set forth in Schedule "A".

"Lender" means Trafigura Canada General Partnership.

"Liabilities" means any and all liabilities and obligations, whether under common law, in equity, under the Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise.

"Lien" means any lien, mortgage, Security Interest, pledge, hypothecation, garnishment, deposit, restriction, burden, encumbrance, right of conversion or reduction of interest, rights of a vendor under any title retention or conditional sale agreement, or lease or other arrangement substantially equivalent thereto.

"Losses" means, in respect of a Person, any and all losses, damages, costs, out-of-pocket expenses, charges, indebtedness, obligations, assessments, fines, penalties, fees and expenses of every kind, nature or description which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes (other than income taxes), as applicable, court costs and costs which such Person suffers, sustains, pays or incurs in connection with any Claims (including Professional Fees and reasonable costs of investigating and defending such Claims) arising from such Claims, regardless of whether such Claims are sustained, together with any interest which may be imposed in connection therewith.

"LTA" means the licence transfer application to be submitted to the AER in respect of the AER Licences to be transferred to Purchaser in connection with the Transaction pursuant to Directive 006 as amended from time to time, or other such AER Directive that may apply to the application, together with all other AER Licences which are under the jurisdiction of the AER and which are to be transferred to Purchaser pursuant to their applicable processes under the same or related application, as contemplated by the AER's Bulletin 2017-13 or other such AER Directive or AER Bulletin that may apply to the application.

"Material Adverse Effect" means any effect, change, event or occurrence, that, individually or in the aggregate, is material and adverse to the Assets taken as a whole, other than any effect, change, event or occurrence relating to:

- (a) the oil and gas industry in western Canada as a whole;
- (b) the market price of any Petroleum Substance;
- (c) the COVID-19 pandemic or state of emergency related to COVID-19;
- (d) general global or national political, market, economic or social conditions (or changes therein);
- (e) any change in financial, banking, capital or securities markets in general, including any disruption thereof and any change in the price of any security or any market index or any change in prevailing interest or currency rates;
- (f) any act of terrorism, war, military action or the escalation thereof, act of God, natural disaster, similar calamity or other force majeure event, excluding wildfire;
- (g) any change or proposed change in Applicable Law, applicable accounting principles (including IFRS) or applicable regulatory accounting rules (or, in each case, the adoption, enforcement, implementation or interpretation thereof);
- (h) any action required or contemplated by this Agreement or any action taken (or omitted to be taken) with the written consent or at the written request of the Purchaser;

- (i) any damage caused, directly or indirectly, to the Assets by cold temperatures and plant shut-down; or
- (j) any effect, change, event or occurrence directly resulting from the execution, delivery or performance of this Agreement or the announcement of the Transaction (including by reason of the identity of Purchaser or any communication by Purchaser regarding its plans or intentions with respect to the Assets),

provided, however, that the effect referred to in (a), (c), (d), (e) or (f) above does not disproportionately affect the Assets, taken as a whole, compared to other assets of similar size and nature, in which case, the relevant exclusion from this definition of material adverse effect referred to in (a), (c), (d), (e) or (f) above will not be applicable.

"Miscellaneous Interests" means, subject to any and all limitations and exclusions provided for in this definition, the entire right, title, estate and interest of Vendor in all property, assets and rights (other than the Oil Sands Rights or Tangibles) to the extent they pertain directly to the Assets, the Oil Sands Rights or the Tangibles to which Vendor is entitled as at the date hereof, including the following:

- (a) the Title and Operating Documents and all other contracts and agreements and all rights in relation thereto and including any interest of Vendor in and to the Assignable Agreements;
- (b) the Surface Rights;
- (c) the records, files, reports, data, correspondence, production and engineering information, or any of them;
- (d) all non-interpretive records, books, documents, licences, reports and data in respect of the Lands;
- (e) seismic data, engineering and technical information, to the extent relating to the Oil Sands Rights, the Tangibles or the Lands (if any);
- (f) the Wells, including the wellbores and casing;
- (g) all inventory and equipment located within, upon or under the Lands, or within or upon the Facilities as of the date hereof;
- (h) to the extent existing, warranties and guarantees from Third Parties in favour of the Vendor regarding the Facilities and the Tangibles, including the construction and installation thereof, and any other goods, services, equipment or materials incorporated into or acquired for the purpose of incorporation into the Facilities and Tangibles; and
- (i) all insurance proceeds described in Section 11.01,

however, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests shall not include the Warner Contract or any of the foregoing to the extent that:

- (j) they pertain to Vendor's proprietary technology, interpretations or economic evaluations or to Vendor's tax and financial records;

- (k) they are owned or licenced by a Third Party with restrictions on their deliverability, assignability or disclosure by Vendor to any assignee which is not an Affiliate of Vendor or which require the payment of any fees to transfer or disclose same;
- (l) they are legal opinions, or documents prepared by or on behalf of Vendor in contemplation of litigation; or
- (m) they are original records or documents that are required to be maintained by Vendor pursuant to the Applicable Laws, in which case copies thereof shall be delivered to Purchaser.

"Month" means a calendar month beginning at 08:00 a.m. (Calgary time) on the first day of such month and ending at 08:00 a.m. (Calgary time) on the first day of the following month.

"Oil Sands Rights" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land" of Vendor in and to the Lands and Leases, as more particularly set out in Schedule "A".

"Operating Expense Funding" means the funding of all costs and expenses incurred in relation to the restart and operations of the Assets (including in respect of Repair Costs and the Deposit) up to a maximum of \$16,000,000.

"Other Licences" has the meaning set forth in Section 9.03(a).

"Outside Date" means 5:00 p.m. (Calgary time) on February 12, 2021 or such other date as agreed to by the Parties in writing.

"Parties" means Vendor and Purchaser and **"Party"** means either of them.

"Permits" means all notices, notifications, registrations, requirements, filings, submissions, permits (including the AER Licences), licences, approvals, exemptions, orders, rulings, consents or other authorizations required to be made to, with, or obtained from, any Governmental Authority under Applicable Laws to own or operate the Assets and which are held by Vendor.

"Permitted Encumbrances" means:

- (a) the rights reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, permit or authorization or by any Applicable Law, to terminate any such lease, licence, franchise, grant, permit or authorization or to require annual or other periodic payments as a condition of the continuance thereof;
- (b) the rights of general application reserved to or vested in any Governmental Authority to levy Taxes on any of the Assets or the income therefrom, or to limit, control or regulate any of the Assets or operations (if any) in respect thereof in any manner;
- (c) easements, rights of way, servitudes and other similar rights in lands, including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains and electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables; provided in each case to the extent that such rights do not materially impair the use of, access to, or operation (if any) of the Assets;

- (d) statutory exceptions to title and the reservations, limitations, provisos and conditions in any original grants from the Crown of any mines and minerals within, upon or under the Lands;
- (e) the terms and conditions of the Title and Operating Documents; provided that any Encumbrance created under or pursuant to any such Title and Operating Document will be a Permitted Encumbrance only if it is set forth in Schedule "A" or also satisfies another provision of this definition;
- (f) contracts for the purchase, sale, handling processing, transportation or storage of Petroleum Substances or for the contract operation of any of the Assets terminable by any party thereto without penalty or other cost on 91 days' notice or less;
- (g) the terms of the GORR Agreement including the Lien granted therein; and
- (h) the royalties, burdens, reduction or conversion or alteration of interests and adverse claims and other Liens set forth in Schedule "A",

provided that in no circumstances shall the Warner Contract or any rights of Warner Petroleum Corporation related thereto be a Permitted Encumbrance.

"Person" means any natural person, corporation, company, partnership (general or limited), limited liability company, business trust, Governmental Authority, joint venture or other entity or association.

"Petroleum Substances" means crude oil and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids and related hydrocarbons and all other substances (whether hydrocarbon or not), including sulphur, capable of being produced in association with any of the foregoing; sands and other rock materials containing crude bitumen, any crude bitumen contained therein, and any other mineral substances, other than natural gas, in association with that crude bitumen or those sands and other rock materials, as well as any products obtained by processing oil sands, crude bitumen or derivatives of crude bitumen.

"Post-Closing Transfer Obligations" has the meaning set forth in Section 9.01(a).

"Professional Fees" means reasonable (a) fees and disbursements of legal counsel on a solicitor and his own client basis, and (b) fees and disbursements of any other professional advisors and consultants, including expert witnesses, and such other reasonable out-of-pocket expenses as are incurred in connection with such professional advisors and consultants.

"Project Area" means the area set out in the diagram attached hereto as Schedule "E".

"Proposal Trustee" means Alvarez & Marsal Canada Inc. in its capacity as trustee in the notice of intention to make a proposal proceedings of Vendor and not in its personal or corporate capacity.

"Purchase Price" has the meaning set forth in Section 2.02.

"Purchaser's Losses" has the meaning set forth in Section 12.01.

"Repair Costs" means the capital costs related to the damages caused to the Assets, directly or indirectly, by cold temperatures and plant shut-down, as duly certified by an independent engineering firm or such other party satisfactory to the Vendor, Purchaser and Lender.

"**Representatives**" means, in respect of a Party:

- (a) its Affiliates; and
- (b) the respective directors, officers, employees, agents and representatives of such Party and its Affiliates.

"**Retention Period**" shall have the meaning set forth in Section 14.02.

"**Rights of First Refusal**" means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase all or a portion of the Assets as a consequence of Vendor having agreed to sell the Assets to Purchaser in accordance with the terms of this Agreement.

"**Security Interests**" means security interests in the Assets or any portion thereof granted by Vendor, its Affiliates or predecessors in title to any Third Party, whether by way of mortgage, deed of trust, assignment under the *Bank Act* (Canada), debenture, general security agreement or land charge under personal property security legislation or otherwise, including any amendments thereto.

"**Specific Conveyances**" means all conveyances, assignments, transfers, novations, and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer Vendor's title to the Assets to Purchaser and to novate Purchaser into the Miscellaneous Interests that are contracts in the place and stead of Vendor to the extent they relate to the Assets.

"**Surface Rights**" means all rights of Vendor to use the surface of land in connection with the Assets, including the right to enter upon and occupy the surface of land on which the Tangibles are located and rights to cross or otherwise use the surface of land for access to the Assets, including the Access Road, together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing.

"**Survival Period**" means in respect of the representations and warranties of a Party set forth in Article 7, a period of six (6) months following the Final Closing Date.

"**Tangibles**" means the entire right, title, estate and interest of Vendor in and to the Facilities and any and all tangible depreciable property and depreciable assets other than the Facilities that are located within, upon, or under the Lands (including the Project Area) and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable Petroleum Substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Oil Sands Rights.

"**Taxes**" means any taxes, duties, fees, premiums assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Applicable Laws, all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, or including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, property, development, occupancy, all surtaxes, and all customs duties and import and export taxes.

"**Termination Joint Direction**" has the meaning ascribed to that term in the Escrow Agreement.

"**Third Party**" means a Person other than: (a) Vendor or Purchaser, or (b) any of their respective Affiliates.

"Title and Operating Documents" means, to the extent directly related to the Oil Sands Rights or Tangibles, all agreements and documents that relate to the ownership, operation or exploitation of the Oil Sands Rights or Tangibles, including:

- (a) the Leases;
- (b) the DOA;
- (c) agreements whereby Vendor derives any interest in, or affecting Vendor's interests and obligations in, the Oil Sands Rights or the Tangibles, including operating agreements, option agreements, participation agreements, sale and purchase agreements, trust agreements (whether Vendor is trustee or beneficiary), asset exchange agreements, agreements for the construction, ownership and/or operation of the Tangibles and agreements providing for the gathering, measuring, processing, compression or transportation of Petroleum Substances that are terminable on 31 days' notice or less without early termination penalty or other cost;
- (d) agreements pertaining to the Surface Rights;
- (e) service agreements for the operation of the Tangibles by a Third Party (if any); and
- (f) the Permits,

together with all extensions, renewals, replacements, substitutions or amendments of or to any of the foregoing; provided that, for greater certainty, in no circumstances shall the Warner Contract be a Title and Operating Document.

"Transaction" means the transactions contemplated by this Agreement.

"Vendor's Counsel" means Burnet, Duckworth & Palmer LLP.

"Warner Contract" means the marketing agreement dated April 15, 2019 between Vendor and Warner Petroleum Corporation.

"Water Wells" means the water wells identified in Schedule "A".

"Wells" means: (i) the Water Wells and (ii) all wells located in or under the Lands, including: (A) producing, shut in, injection, delineation, abandoned, observation, suspended, capped or other wells and (B) the wells identified in Schedule "A"; but, for certainty, excludes all wells which have been certified reclaimed and a reclamation certificate has been received.

1.02 Schedules

The following are the Schedules attached to and forming part of this Agreement:

- (a) Schedule "A" – Oil Sands Rights, Lands, Leases, Project Area, Facilities, Wells, Water Wells and AER Licences
- (b) Schedule "B" – Form of General Conveyance Agreement
- (c) Schedule "C" – Escrow Agreement

- (d) Schedule "D" – Assignable Agreements
- (e) Schedule "E" – Project Area Diagram
- (f) Schedule "F" – Access Road Diagram
- (g) Schedule "G" – Forms of Officer's Certificates
- (h) Schedule "H" – Disclosure

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.03 Extended Meanings

In this Agreement, unless the context requires otherwise:

- (a) words importing the singular number include the plural and vice versa;
- (b) words importing the masculine gender include the feminine and neuter genders;
- (c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning;
- (d) the terms "herein", "hereby", "hereof", "hereunder", "hereto" and similar expressions mean or refer to this Agreement and not to any particular provision of this Agreement;
- (e) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;
- (f) the use of the word "include" or "including" shall be deemed to mean "include, without limitation", or "including, without limitation", as applicable;
- (g) references to any Person (including any Governmental Authority) include such Person's permitted successors and assigns;
- (h) any reference to a Person in a particular capacity is and is deemed to be a reference to that Person in that capacity and not in any other capacity;
- (i) reference to any agreement, document or instrument means such agreement, document or instrument as amended, replaced, restated or modified and in effect from time to time in accordance with the terms thereof;
- (j) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;

- (k) Terms and expression that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom and usage of the petroleum and natural gas industry in Western Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement unless the contrary is specified or provided for elsewhere in this Agreement.
- (l) references to Articles, Sections, Sections or Schedules refer to articles, sections, clauses, or schedules of this Agreement;
- (m) headings and the table of contents are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents hereof;
- (n) the rule of contractual interpretation known as "*contra proferentem*" shall not apply to the interpretation or construction of this Agreement, such that in interpreting this Agreement, it shall be irrelevant which Party drafted any particular provision hereof;
- (o) all dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein;
- (p) unless otherwise indicated, payments are to be made in Canadian funds, in immediately available funds;
- (q) unless otherwise indicated, references to the time of day or date mean the local time or date in Calgary, Alberta;
- (r) unless otherwise specified herein, or as the context may require, computation of any period of time referred to in this Agreement shall exclude the first Day and include the last Day of such period; and
- (s) where any payment is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, then unless otherwise provided herein, such payment is to be made, or the other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next calendar Month, in which event the payment is to be made, or the other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

1.04 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, sub-sections, paragraphs and other sub-divisions and the insertion of headings for any of the foregoing are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.05 Interpretation If Closing Does Not Occur

In the event that Escrow Closing and/or Final Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets shall be construed as having been contingent upon Escrow Closing and/or Final Closing having occurred.

1.06 Conflicts

If there is any conflict, whether express or implied, or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document (including any Specific Conveyance), the provision of the body of this Agreement shall prevail.

1.07 Vendor's Knowledge

The knowledge or awareness of Vendor herein consists of the actual knowledge or awareness of Robert Logan and Allan Bezanson, without any obligation on such individuals to make any inquiry and without any personal responsibility whatsoever. For these purposes, knowledge and awareness does not include the knowledge of any other Person or constructive or imputed knowledge.

**ARTICLE 2
PURCHASE AND SALE, ESCROW CLOSING AND TAXES**

2.01 Purchase and Sale of Assets

Upon the terms and subject to the conditions of this Agreement, Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase and receive from Vendor, all of the right, title and interest of Vendor in and to the Assets on the Final Closing Date.

2.02 Escrow Closing

- (a) Subject to all other provisions of this Agreement, Escrow Closing shall take place at the Escrow Closing Place at the Escrow Closing Time.
- (b) Vendor and Purchaser agree that the Escrowed Documents shall not have any effect or confer any rights on Vendor, Purchaser or Lender until released from escrow in accordance with the terms of the Escrow Agreement and Final Closing occurs.

2.03 Form of Payment

All payments to be paid pursuant to this Agreement shall be made in immediately available funds by wire, certified cheque or bank draft.

2.04 Purchase Price

The aggregate consideration to be paid by, or on the behalf of, Purchaser to Vendor for the Assets (the "Purchase Price") shall be equal to:

- (a) 
- (b) 



2.05 Deposit

- (a) Pursuant to the terms and conditions of the Interim Financing, Lender (on behalf of Purchaser) shall advance the Deposit to Vendor as soon as reasonably practicable (and in any event within one (1) Business Day) following Court Approval.
- (b) Vendor covenants and agrees that, until the Final Closing, the Deposit or any portion thereof will only be used for the purpose of satisfying accrued and ongoing fees and expenses of Vendor directly related to the administration of the Bankruptcy Proceedings, including the Professional Fees of Vendor's Counsel, the Proposal Trustee and the Proposal Trustee's counsel; *provided that* Vendor will disburse no amounts in respect thereof from the Deposit unless copies of the invoices to which such fees and expenses relate are concurrently provided to Purchaser.

2.06 Payment of Escrowed Funds




At Escrow Closing, Purchaser shall cause Lender to, pay to Escrow Agent an amount equal to:

- (a) 
- (b) 

(the "**Escrowed Funds**") which amount, pursuant to and in accordance with the terms of the Escrow Agreement, will be held by the Escrow Agent in trust for the Escrow Period.

2.07 Allocation of Purchase Price

The Purchase Price shall be allocated among the Assets as follows:

- (a) to the Oil Sands Rights 
- (b) to the Tangibles 
- (c) to the Miscellaneous Interests 

2.08 Taxes

- (a) The Purchase Price does not include any applicable GST. With respect to the GST, the Parties shall jointly elect pursuant to section 167(1) of the *Excise Tax Act (Canada)* with respect to the transfer of the Assets. Purchaser shall file the prescribed form within the

time referred to in subsection 167(1.1) of the *Excise Tax Act* (Canada). If the election is not available to the Parties for any reason, Vendor shall invoice Purchaser for any GST payable by Purchaser to Vendor that is associated with transfer of the Assets and Purchaser shall pay such GST to Vendor. Vendor shall furnish the relevant information and details so requested for the purpose of the joint election in a timely manner without any additional charges or costs to Purchaser.

- (b) Subject to Section 2.08(a):
 - (i) Purchaser shall be solely liable for any and all sales and similar Taxes (including GST) imposed by provincial or federal legislation in respect of the purchase of the Assets pursuant hereto (but excluding for greater certainty Vendor's federal and provincial income taxes) and Purchaser shall indemnify, defend and save harmless Vendor from any GST, penalty, interest or other amounts which may be payable by or assessed against Vendor under the *Excise Tax Act* (Canada) or any Losses and Liabilities suffered, sustained, paid or incurred by Vendor or any of its Representatives or any Claims made against Vendor or any of its Representatives as a result of or in connection with the failure by Purchaser to pay or Vendor to collect any Taxes at Final Closing. Without limiting the generality of the foregoing, if subsequent to Final Closing, the section 167 election is rejected or overturned by the Minister of National Revenue, then the Purchaser shall pay the GST that is determined to be payable in respect of the transfer of the Assets, including any interest and penalties payable in respect thereof in accordance with Section 2.08(b)(ii); and
 - (ii) if Vendor, as agent for the Crown, is required to collect such Taxes, Purchaser shall pay the aggregate amount of such Taxes, as applicable to Vendor at Final Closing. Vendor shall remit such amount to the appropriate authorities in accordance with applicable legislation. The GST Registration Number of Vendor is 778306712 RT0001. The GST Registration Number of Purchaser is 702715475 RT0001.

2.09 Successor Election

Vendor shall execute and file the designation contemplated by Section 66.7(12.1) of the *Income Tax Act* (Canada) with respect to this Transaction within the time and in the manner prescribed the *Income Tax Act* (Canada). Vendor shall, subject to the limitations in the *Income Tax Act* (Canada), provide Purchaser with the maximum successored pools available and reflect same in the designation contemplated by Section 66.7(12.1) of the *Income Tax Act* (Canada).

2.10 No Adjustments

Notwithstanding any other provision in this Agreement, other than as provided pursuant to the Interim Financing there shall be no adjustments made between Vendor and Purchaser in respect of benefits and obligations of any kind and nature relating to the operation of the Assets conveyed pursuant to this Agreement, including maintenance, development, operating and capital costs, government incentives and administration fees, royalties and other burdens, and proceeds from the sale of production, whether accruing, payable or paid and received or receivable.

**ARTICLE 3
CONDITIONS TO ESCROW CLOSING**

3.01 Vendor's Conditions

The obligation of Vendor under this Agreement to proceed to Escrow Closing is subject to the following conditions, which are for the exclusive benefit of Vendor and may be waived in whole or in part by Vendor by written notice to Purchaser at or before the Escrow Closing Time:

- (a) Accuracy of Representations and Warranties. Purchaser's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Escrow Closing Date and are true in all material respects as of the Escrow Closing Date and Purchaser has delivered to Escrow Agent an officer's certificate in the form of Schedule "G" dated as of the Escrow Closing Date and signed by Purchaser to that effect;
- (b) Performance of Agreements. Purchaser has performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions contained in this Agreement to be performed or complied with by it at or prior to Escrow Closing and Purchaser has delivered to Escrow Agent an officer's certificate in the form of Schedule "G" dated as of the Escrow Closing Date and signed by Purchaser to that effect;
- (c) Payment. Vendor shall have received the Deposit from Lender (on Purchaser's behalf) and Lender on Purchaser's behalf shall have tendered payment of the Escrowed Funds to the Escrow Agent as contemplated herein in the form stipulated in this Agreement;
- (d) Court Approval. The Court Approval shall have been obtained;
- (e) No Action or Proceeding. At Escrow Closing, no Claim shall be pending before any Governmental Authority seeking to restrain or prohibit the Transaction or to obtain material damages or other relief from Vendor in connection with the consummation of the Transaction; and
- (f) Escrow Closing Deliveries. Purchaser shall have complied with Section 4.01(b).

3.02 Purchaser's Conditions

The obligation of Purchaser under this Agreement to proceed to Escrow Closing is subject to the following conditions, which are for the exclusive benefit of Purchaser and may be waived in whole or in part by Purchaser by written notice to Vendor at or before the Escrow Closing Time:

- (a) Accuracy of Representations and Warranties. Vendor's representations and warranties herein contained shall have been true when made and shall have continued to be true in all material respects from the date hereof to the Escrow Closing Date and are true in all material respects as of the Escrow Closing Date and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "G" dated as of the Closing Date and signed by Vendor to that effect;
- (b) Performance of Agreements. Vendor has performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions

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contained in this Agreement to be performed or complied with by it at or prior to Escrow Closing and Vendor has delivered to Purchaser an officer's certificate in the form of Schedule "G" dated as of Escrow Closing signed by Vendor to that effect;

- (c) Court Approval. The Court Approval shall have been obtained;
- (d) Key Employees. Purchaser shall have executed employment agreements with Robert Logan, Allan Bezanson and David Phung pursuant to which such individuals have accepted employment with Purchaser to commence as of the Effective Time.
- (e) Facilities Inspection. The Facilities Inspection has been performed [REDACTED]
- (f) Material Adverse Effect. No Material Adverse Effect shall have occurred from the date of this Agreement to the Escrow Closing Date;
- (g) No Action or Proceedings. At Escrow Closing, no Claim shall be pending before any Governmental Authority which seeks to refrain or prohibit the Transaction, or obtain material damages or other relief from Purchaser in connection with the consummation of the Transaction;
- (h) Escrow Closing Deliveries. Vendor shall have complied with Section 4.01(a); and
- (i) Payment. Vendor shall have received the Deposit from Lender (on Purchaser's behalf) and Lender on Purchaser's behalf shall have tendered payment of the Escrowed Funds to the Escrow Agent as contemplated herein in the form stipulated in this Agreement.

3.03 Facilities Inspection

The Parties shall use commercially reasonable efforts to arrange for the performance of the Facilities Inspection prior, but as close to reasonably practicable, to the Escrow Closing Date. All costs and expenses associated with the Facilities Inspection shall be incurred by Purchaser.

3.04 Efforts to Fulfill Conditions

Purchaser and Vendor shall proceed diligently, honestly and in good faith and use all commercially reasonable efforts to satisfy and comply with and assist in the satisfaction of the compliance with the conditions set forth in Sections 3.01 and 3.02; provided that the Parties acknowledge and agree that the results of the Facilities Inspection referred to in Section 3.02(e) are beyond the control of Vendor and Vendor shall have no liability under this Section 3.04 in respect of a failure to take any actions to satisfy such condition.

3.05 Failure to Fulfill Conditions

- (a) If any of the conditions precedent in Section 3.01 has not been satisfied, complied with or waived by Vendor at or before the Escrow Closing Time and Vendor is not otherwise in breach of this Agreement, then Vendor may terminate this Agreement by written notice to Purchaser prior to the Escrow Closing Time.
- (b) If any of the conditions precedent in Section 3.02 has not been satisfied, complied with or waived by Purchaser at or before the Escrow Closing Time and Purchaser is not otherwise in breach of this Agreement, then Purchaser may terminate this Agreement by written notice to Vendor prior to the Escrow Closing Time.

- (c) Following any termination of this Agreement by Vendor pursuant to Section 3.05(a) or by Purchaser pursuant to Section 3.05(b), Vendor and Purchaser shall be released and discharged from the further performance of any duties or obligations under this Agreement, except as provided in Article 10.

ARTICLE 4 ESCROW CLOSING DELIVERIES

4.01 Deliveries at Escrow Closing

- (a) At Escrow Closing, Vendor shall deliver, or cause to be delivered, the following:
 - (i) to Escrow Agent:
 - (A) a certified copy of the SAVO;
 - (B) the Proposal Trustee's certificate, substantially in the form of Schedule "A" to the Alberta Standard Template Approval and Vesting Order, duly executed (but not dated) by Proposal Trustee;
 - (C) the General Conveyance, duly executed (but not dated) by Vendor;
 - (D) the Assignment and Assumption Agreement, duly executed (but not dated) by Vendor;
 - (E) the Specific Conveyances, duly executed (but not dated) by Vendor;
 - (F) a Section 66.7(7) election under the *Income Tax Act* (Canada), duly executed (but not dated) by Vendor;
 - (G) a Section 167 election under the *Excise Tax Act* (Canada), duly executed (but not dated or completed with respect to amounts) by Vendor; and
 - (H) such other items as may be specifically required hereunder.
 - (ii) to Purchaser:
 - (A) a certified copy of the Interim Financing Approval;
 - (B) the Vendor's officer's certificate referred to in Sections 3.02(a) and 3.02(b) duly executed (and dated as of the Escrow Closing Date);
 - (C) the Escrow Agreement, duly executed (and dated as of the Escrow Closing Date) by Vendor and Proposal Trustee;
 - (D) a receipt for the Escrowed Funds, duly executed (and dated as of the Escrow Closing Date) by Escrow Agent; and
 - (E) such other items as may be specifically required hereunder.
- (b) At Escrow Closing, Purchaser shall deliver, or cause to be delivered, the following:

- (i) to Escrow Agent:
 - (A) the Escrowed Funds;
 - (B) the Assignment and Assumption Agreement, duly executed (but not dated) by Purchaser and Lender;
 - (C) the General Conveyance, duly executed (but not dated) by Purchaser;
 - (D) a Section 66.7(7) election under the *Income Tax Act* (Canada), duly executed (but not dated) by Purchaser;
 - (E) a Section 167 election under the *Excise Tax Act* (Canada), duly executed (but not dated or completed with respect to amounts) by Purchaser; and
 - (F) such other items as may be specifically required hereunder.
- (ii) To Vendor:
 - (A) the Purchaser's officer's certificate referred to in Sections 3.01(a) and 3.01(b) duly executed (and dated as of the Escrow Closing Date);
 - (B) the Escrow Agreement, duly executed (and dated as of the Escrow Closing Date) by Purchaser and Lender; and
 - (C) such other items as may be specifically required hereunder.

In addition, Purchaser will duly execute (but not date) the Specific Conveyances tabled by Vendor.

- (c) All deliveries of Vendor and Purchaser pursuant to this Article 4 shall, except as otherwise stated, be in a form acceptable to each of Vendor and Purchaser and their respective solicitors, acting reasonably.

4.02 Specific Conveyances

- (a) Prior to the Escrow Closing Time Vendor, at its own cost, shall prepare and execute the Specific Conveyances and deliver the Specific Conveyances to Escrow Agent at the Escrow Closing Time.
- (b) To the extent that Purchaser is required to execute any Specific Conveyances, it shall do so promptly after the delivery of such Specific Conveyances by Vendor to Escrow Agent at the Escrow Closing Time.

ARTICLE 5 INTERIM PERIOD AND ESCROW PERIOD

5.01 License Transfer Application

- (a) Subject to Section 5.01(e), Purchaser shall, at its sole cost and expense, both prior to and following Escrow Closing, take, or cause to be taken, any and all actions, and do, or cause to be done, any and all things reasonably necessary, proper or advisable to satisfy all

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regulatory qualification requirements to be eligible to accept the LTA and to receive and hold the AER Licences from and after Final Closing, in accordance with all applicable regulatory processes and Applicable Laws. Without limiting the generality of the foregoing, to the extent that Purchaser has not already done so prior to the execution of this Agreement, Purchaser shall promptly obtain and maintain a Business Associate Code from Petrinex and concurrently with the submission of the LTA to the AER Purchaser shall diligently apply for, and use commercially reasonable efforts to seek a General Eligibility designation, including obtaining the requisite insurance coverage and paying all associated filing fees, and the Parties shall communicate with the AER to determine all conditions which the AER will require in order for the AER to approve the LTA, if any.

- (b) Promptly, and in any event no later than one (1) Business Day, following Escrow Closing Vendor shall submit the LTA to the AER and Purchaser, will electronically ratify and sign such application if the information in such application is accurate.
- (c) Each of Purchaser and Vendor will cooperate with each other, including by way of furnishing such information as may be reasonably requested by a Party, in connection with any correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or in connection with any response or submissions to any statement of concern received by the AER) as may be or become necessary or desirable in connection with the application and approval of the LTA and Purchaser's application for a General Eligibility designation.
- (d) Each Party will:
 - (i) promptly inform the other Party of any material communication received by that Party from the AER in respect of obtaining or concluding LTA or Purchaser's General Eligibility designation;
 - (ii) use commercially reasonable efforts to respond promptly to any request or notice from the AER, or any one of them, to supply additional information that is relevant in respect of obtaining or concluding the LTA or Purchaser obtaining a General Eligibility designation;
 - (iii) permit the other Party to review in advance any proposed filings, submissions, correspondence and communications of any material nature (including responses to requests for information and inquiries from the AER or any Third Party in respect of any statement of concern received by the AER) in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation, and will provide the other Party a reasonable opportunity to comment thereon where timing permits and agree to consider those comments in good faith;
 - (iv) promptly provide the other Party with any filings, submissions, correspondence and communications of any material nature that were submitted to the AER or any Third Party in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation or addressing any statement of concern;
 - (v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the AER in respect of obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation unless it consults with the other Party in advance when possible; and

- (vi) keep the other Party promptly informed of the status of discussions relating to obtaining or concluding the LTA or obtaining Purchaser's General Eligibility designation.
- (e) For greater certainty and notwithstanding any other provision herein to the contrary, if the AER requires as a pre-requisite to or a condition of the LTA, a security deposit, guarantee or any kind of monetary payment (other than administrative filing fees required by Applicable Laws) or financial assurance, Purchaser shall not, by the terms of this Agreement, be obligated to pay or provide such amount or such assurance.

5.02 Interim Period and Escrow Period Operations

During the Interim Period and the Escrow Period Vendor will maintain the Assets in a prudent manner in accordance with Applicable Laws and the Title and Operating Documents, its past practices, as undertaken prior to the cessation of production from the Assets, and good oil and gas industry practices.

5.03 Material Commitments

During the Interim Period and the Escrow Period, Vendor will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed:

- (a) make any commitment or propose, initiate or authorize:
 - (i) any capital expenditure with respect to the Assets, including any Repair Costs; or
 - (ii) any expenditures to be included in the amount advanced by the Lender under the Interim Financing;in each case, of which Vendor's share is in excess of \$50,000, except in case of an emergency;
- (b) sell, transfer or otherwise dispose of any Assets; or
- (c) surrender or abandon any Assets, amend or terminate any of the Title and Operating Documents or grant any Security Interests.

ARTICLE 6 FINAL CLOSING

6.01 Escrow Conditions, Final Closing and Termination

- (a) If the Escrow Conditions are not satisfied on or prior to the Outside Date or if the AER closes the LTA prior to the Outside Date, Final Closing shall not be completed and each Party, the Lender and the Proposal Trustee shall immediately thereafter sign and deliver a Termination Joint Direction to the Escrow Agent, in which event the Agreement shall terminate, and the Escrow Agent shall within two (2) Business Days, in accordance with the terms of the Escrow Agreement:
 - (i) destroy all copies of the Escrowed Documents; and
 - (ii) deliver the Escrowed Funds to Lender on behalf of Purchaser.

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(b) If the Escrow Conditions are satisfied on or prior to the Outside Date, then Vendor shall immediately prepare the Final Closing Statement and the Parties, Lender and Proposal Trustee shall sign and deliver a Closing Joint Direction to the Escrow Agent, and

(i) the Escrow Agent shall within two (2) Business Days, in accordance with the terms of the Escrow Agreement:

(A) date each of the Escrowed Documents as of the Final Closing Date;

(B) deliver the Escrowed Documents to Vendor and Purchaser; and

(C) deliver from the Escrowed Funds:

(I)

[REDACTED]

(II)

[REDACTED]

as provided for in the Final Closing Joint Direction; and

(ii) the Proposal Trustee shall promptly, file the Proposal Trustee's certificate (referenced in Section 4.01(a)(i)(B)) with the Court and notify the Parties that such filing has occurred,

in which event Final Closing shall be deemed to have occurred as of the Final Closing Date.

6.02 Transfer of Possession

Subject to all other provisions of this Agreement, title to, operatorship and beneficial ownership, risk and possession of, the Assets shall pass from Vendor to Purchaser upon Final Closing.

6.03 Specific Conveyances

(a) On the Final Closing Date, Escrow Agent shall deliver the Specific Conveyances in accordance with the Escrow Agreement and promptly after Final Closing:

(i) In respect of any Specific Conveyances that require execution by Third Parties, Vendor shall co-operate with Purchaser and provide all reasonable assistance that Purchaser may reasonably request in connection with Purchaser's procurement of the execution of such Specific Conveyances by the parties thereto other than Vendor and Purchaser.

- (ii) In respect of any Specific Conveyances that do not require execution by Third Parties, Purchaser shall deliver such Specific Conveyances to the appropriate recipients thereof, including the registration with the appropriate Governmental Authorities of any such Specific Conveyances that require registration.
- (b) Except as otherwise expressly stated herein, Purchaser shall bear all costs, fees and deposits of every nature and kind in distributing and registering any Specific Conveyances and in providing any assurances or security required to convey, transfer and assign the Assets to Purchaser and to have Purchaser recognized as the holder thereof.
- (c) Notwithstanding the forgoing in this Section 6.03, in the case of any Specific Conveyances that are transfers of Permits or Crown lease transfers which may be filed electronically with the applicable Governmental Authority, other than Specific Conveyances forming part of the LTA, promptly following Final Closing, Vendor shall submit electronic transfers for such Permits and Crown leases and Purchaser shall accept such electronic transfers from Vendor without delay, provided that, if Purchaser in good faith determines or believes that any of the electronic transfers are not complete and accurate, or the applicable Governmental Authority refuses to process any such transfers because of some defect therein, the Parties shall cooperate to duly complete or to correct such incomplete or inaccurate electronic transfers as soon as practicable and, thereafter, Vendor shall promptly re-submit such electronic transfers and Purchaser shall accept such electronic transfers from Vendor without delay.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES

7.01 Representations and Warranties of Vendor

Purchaser acknowledges that it is purchasing the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party, except that and subject in all instances to the Permitted Encumbrances, or any matter disclosed in any of the Schedules, Vendor makes the following representations and warranties to Purchaser:

Regarding Vendor

- (a) Standing. Vendor is, and on the Escrow Closing Date, shall continue to be, duly organized, valid and subsisting, and registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) Requisite Authority. Provided that the Court Approval is obtained, Vendor has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) No Conflict. Provided that the Court Approval is obtained, the execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the articles, bylaws or other constating documents of Vendor,

- (ii) any agreement, instrument, permit or other governmental authorization to which Vendor is a party or by which Vendor is bound, or
- (iii) any Applicable Law applicable to Vendor or the Assets;
- (d) Execution and Enforceability. Vendor has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of the Escrow Closing Date, provided that the Court Approval is obtained, Vendor shall have taken all actions necessary to authorize and complete the sale of the Assets in accordance with the provisions of this Agreement. This Agreement and, provided that the Court Approval is obtained, any other agreement or document delivered in connection herewith, has been validly executed and delivered by Vendor and this Agreement and all other documents executed and delivered on behalf of Vendor hereunder shall constitute valid and binding obligations of Vendor enforceable in accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);
- (e) Residency. Vendor is a Canadian body corporate within the meaning of the *Income Tax Act* (Canada);
- (f) Finders' Fees. Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the sale of the Assets for which Purchaser will have any obligation or liability;
- (g) Employees. Vendor does not have any employees as of the date of this Agreement;

Regarding the Assets

- (h) Title to Assets. Vendor does not warrant title to the Assets but does warrant that the SAVO to be sought will be in a form which provides for the transfer of the Assets free and clear of all Liens, Encumbrances, royalties, conversions, rights and other Claims of Third Parties created by through or under Vendor other than the Permitted Encumbrances;
- (i) No Default Notices. Vendor has not received any notice of default under the Title and Operating Documents or any notice alleging its default thereunder, which default remains outstanding or unsatisfied at Escrow Closing;
- (j) Rights of First Refusal. None of the Assets are subject to any Rights of First Refusal;
- (k) Removal of Tangibles. No tangible depreciable property that would otherwise form part of the Tangibles has been removed from its location since the date hereof;
- (l) Environmental Matters. Other than AER Order RCAM 2020-001 dated November 17, 2020 (and the extension dated November 25, 2020) Vendor has not received:
 - (i) any order or directive under any Applicable Law which relates to Environmental Liabilities and which requires any work, repairs, construction or capital expenditures with respect to the Assets which remains outstanding, where such orders or directives have not been complied with in all material respects; or

- (ii) any demand or notice issued by any Governmental Authority with respect to the breach of any Applicable Law relating to the Environment, health or safety applicable to the Assets, including any Applicable Law respecting the use, storage, treatment, transportation or disposition of Environmental contaminants, which demand or notice remains outstanding;
- (m) Fee Simple Interests. Vendor does not have any fee simple interests in and to any of the Lands;
- (n) Surface Rights.
 - (i) the Surface Rights constitute all of the rights that are necessary for the Facilities to be affixed to, installed and/or to occupy the Lands and for Vendor to occupy, gain access to, operate, maintain and use the Assets substantially as operated, maintained and used on the date hereof; and
 - (ii) there is no pending or, to the knowledge of Vendor threatened, condemnation of the Surface Rights by any Third Party that would materially interfere with the overall operation, maintenance or use of the Assets substantially as operated, maintained and used on the date hereof;
- (o) Permits.
 - (i) the Permits include all permits, licences or other authorizations in respect of the ownership or operation of the Facilities that are required and necessary under Applicable Law to operate the Assets as presently operated;
 - (ii) to Vendor's knowledge, the consummation of the Transaction will not result in the cancellation, suspension, termination or otherwise require modification of any Permits; and
 - (iii) subject to Vendor's receipt of AER Order RCAM 2020-001 dated November 17, 2020 (and the extension dated November 25, 2020) Vendor has not received any written notice alleging any material violation of any Permit;
- (p) Insurance. Vendor maintains policies of property and casualty insurance insuring the Assets with policy limits, coverage provisions, deductibles, waiting periods and other provisions that a reasonably prudent operator of similar assets would maintain and all such insurance policies are in full force and effect; and
- (q) Information. To Vendor's knowledge, it has not withheld from Purchaser any document in its possession which it is permitted to disclose and which it knows to include information regarding the Assets that is material and adverse to the ownership, operation or maintenance of the Assets taken as a whole.

7.02 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor:

- (a) Standing. Purchaser is, and at Escrow Closing shall continue to be, duly organized, valid and subsisting, registered to carry on business in the jurisdiction(s) where the Assets are located;
- (b) Requisite Authority. Provided that the Court Approval is obtained, Purchaser has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject;
- (c) No Conflict. Provided that the Court Approval is obtained, the execution and delivery of this Agreement and the completion of the sale of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:
 - (i) any term or provision of the organizational documents of Purchaser,
 - (ii) any agreement, instrument, permit or authority to which Purchaser is a party or by which Purchaser is bound, or
 - (iii) any Applicable Law applicable to Purchaser or its assets;
- (d) Execution and Enforceability. Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of Escrow Closing, provided that the Court Approval is obtained, Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by Purchaser, and this Agreement and, provided that the Court Approval is obtained, all other documents executed and delivered on behalf of Purchaser hereunder shall constitute valid and binding obligations of Purchaser enforceable in accordance with their respective terms and conditions subject to (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or equity);
- (e) Finders' Fee. Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of its purchase hereunder for which Vendor will have any obligation or liability;
- (f) Availability of Funds: Purchaser has available to it sufficient cash, available lines of credit, or other sources of immediately available funds to enable Purchaser to make payment of the Escrowed Funds at Escrow Closing and all other amounts to be paid by Purchaser hereunder;
- (g) Investment Canada Act. Purchaser is a "WTO investor", within the meaning of the *Investment Canada Act*;
- (h) No Lawsuits or Claims. There are no material unsatisfied Claims in existence or threatened in writing by, on behalf of, or against Purchaser, or imposed by any Governmental Authority, whether or not insured and which may adversely affect Purchaser or the condition (financial or otherwise) of Purchaser to complete the Transaction;
- (i) Regulatory Approvals. Provided that the Court Approval is obtained, and subject to the approval of the LTA, to Purchaser's knowledge, other than as contemplated herein, there

are no regulatory approvals or rulings required to be obtained by Purchaser in respect of the Transaction;

- (j) Residency. Purchaser is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada); and
- (k) Acquiring as Principal. Purchaser is acquiring the Assets as principal and not on behalf of any Third Party.

ARTICLE 8

SURVIVAL AND LIMITATIONS OF REPRESENTATIONS AND WARRANTIES

8.01 Survival of Representations and Warranties

- (a) Except where a time is specified therein, the representations and warranties in Article 7 shall be true at the date hereof and at Escrow Closing and such representations and warranties shall continue in full force and effect and shall survive Final Closing for the Survival Period for the benefit of the Party for which such representations and warranties were made; provided that no Claim shall be commenced or enforceable by either Party with respect to a breach of any such representation or warranty except as expressly permitted in and in accordance with Article 12.
- (b) The Parties acknowledge and agree that an obligation under this Agreement to provide written notice of a Claim within the Survival Period and in a manner specified in this Agreement is intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and Liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provisions of Section 7(2) of the *Limitations Act* (Alberta).

8.02 No Merger

The representations and warranties in Article 7 shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Assets from Vendor to Purchaser. There shall not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

8.03 Limitation of Representations or Warranties by Vendor

- (a) Purchaser acknowledges to and agrees with Vendor that each of the representations and warranties of Vendor in this Agreement shall be qualified by, and Vendor will not be liable for, and Purchaser will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, or in the Bankruptcy Proceedings (as defined in Clause 15.01) that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 7.01; or

- (ii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Vendor representations and warranties set out in Section 7.01, Vendor makes no representations or warranties to Purchaser in addition to those expressly enumerated in Section 7.01 and, in particular and without limiting the generality of the foregoing, Vendor hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Purchaser or its Representatives in any manner, except for those expressly set forth in Section 7.01, including with respect to:
- (i) the Facilities Inspection or any other inspection of the Assets and any estimates of damage determined during such inspection(s);
 - (ii) any data or information provided or made available to Purchaser by Vendor or its Representatives on plant or site visits, in management presentations, in meetings with Vendor's management or employees or otherwise;
 - (iii) any estimates of the value of the Assets or the revenues applicable to future production therefrom;
 - (iv) any engineering or other interpretations or economic evaluations respecting the Assets;
 - (v) the Environmental condition of any asset or any Environmental Liability or Abandonment and Reclamation Obligations;
 - (vi) title to the Assets;
 - (vii) any Liabilities or Claims related to the Assets;
 - (viii) any Losses related to or associated with the Assets; or
 - (ix) the quality, condition or serviceability of the Assets or the suitability of their use for any purpose.

8.04 Limitation of Representations or Warranties by Purchaser

- (a) Vendor acknowledges to and agrees with Purchaser that each of the representations and warranties of Purchaser in this Agreement shall be qualified by, and Purchaser will not be liable for, and Vendor will not make or advance any Claim under this Agreement or in respect of the Transaction to the extent that:
 - (i) the Claim is based on any fact, matter, event or circumstance expressly disclosed in this Agreement, including in the Schedules, that in the absence of which disclosure would constitute or give rise to a breach of a representation or warranty set forth in Section 7.02; or

- (ii) the Claim is as a result of, in respect of or arises from any act, omission, transaction, fact, matter or circumstance which would not have occurred but for any Applicable Law not in force at the date of this Agreement or any change in any Applicable Law or any administrative practice of any Governmental Authority which takes effect retrospectively.
- (b) Without limiting the Purchaser representations and warranties set out in Section 7.02, Purchaser makes no representations or warranties to Vendor in addition to those expressly enumerated in Section 7.02 and, in particular and without limiting the generality of the foregoing, Purchaser hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other documents or instrument or in any statement or information made or communicated to Vendor or its Representatives in any manner, except for those expressly set forth in Section 7.02.

ARTICLE 9 COVENANTS

9.01 Post-Closing Conveyancing

- (a) It is acknowledged that, subject to Section 5.01, it may not be practicable to deliver all Specific Conveyances at Escrow Closing and that it shall not be necessary for assignment and novation agreements (for which consent to assign thereunder may not be unreasonably or arbitrarily withheld by the counterparties thereto) to have been executed prior to or at Escrow Closing or Final Closing by Third Parties. To the extent it is not reasonably practicable to deliver certain Specific Conveyances (for which consent to assign thereunder may not be unreasonably or arbitrarily withheld by the counterparties thereto) at Escrow Closing, including with respect to the ABSA registration set out in Schedule "A", then, after Final Closing, Vendor shall use diligent efforts to, as soon as is practicable, prepare and execute the Specific Conveyances and Vendor shall co-operate with Purchaser in its procurement of the execution of such documents and any substitutions, amendments or replacements thereof by Third Parties. Purchaser shall use all commercially reasonable efforts to become, as soon as reasonably practicable, the recognized and beneficial holder of the Assets in the place and stead of Vendor and shall promptly register all such Specific Conveyances; provided however, in furtherance thereof, Vendor may, after Final Closing, elect to register on behalf of Purchaser all transfers of permits and similar documents. Vendor, where Purchaser is the registering Party, and Purchaser, where Vendor is the registering Party, shall promptly take whatever steps are reasonably necessary to verify such registrations. The obligations of the Parties pursuant to this Section 9.01(a) are called the "**Post-Closing Transfer Obligations**". The Parties shall continue to use commercially reasonable efforts following Final Closing to complete the Post-Closing Transfer Obligations in an effort to have the same completed by no later than twenty (20) Business Days after Final Closing, provided that so long as a Party has used such commercially reasonable efforts and continues to use such commercially reasonable efforts, such Party shall not be in breach of this Section 9.01(a). For greater certainty and notwithstanding the foregoing, Purchaser shall not be obligated to pay any deposits or other like bonding amounts in order to complete the Post-Closing Transfer Obligations.
- (b) Purchaser shall bear all out of pocket costs and fees of every nature and kind incurred (whether by Vendor or Purchaser) in registering any Specific Conveyances and registering any further assurances required to convey the Assets to Purchaser.

- (c) Following Final Closing, until the Specific Conveyances have been delivered and/or registered, and until Purchaser is novated into the place and stead of Vendor in and to the Title and Operating Documents and any other documents comprising the Miscellaneous Interests, Vendor shall hold the benefit of Purchaser's interest in same in trust as bare trustee for Purchaser, and Vendor shall represent Purchaser and receive and hold, as bare trustee and agent of Purchaser, all proceeds, benefits and advantages accruing in respect of the Assets for the benefit, use and ownership of Purchaser.
- (d) Having regard to the Post-Closing Transfer Obligations, Vendor shall, as soon as is reasonably practicable following Final Closing, deliver to Purchaser the Title and Operating Documents and other documents and information comprising the Miscellaneous Interests which it has in its possession or control; provided that if Vendor retains any interest in any property to which any of the Title and Operating Documents relate, Vendor may retain the original copy of such Title and Operating Document and provide a photocopy of it to Purchaser in every case. At any time while Vendor remains in possession of such Title and Operating Documents and related information, it shall provide access thereto to Purchaser as reasonably requested from time to time.

9.02 Post-Closing Maintenance of Assets

Following Final Closing until such time as Purchaser is recognized by Third Parties under the applicable Title and Operating Documents or otherwise recognized as the owner of the applicable Assets, Vendor shall:

- (a) in a timely manner, forward to Purchaser all notices, specific information and other documents Vendor receives respecting such Assets;
- (b) in a timely manner, deliver to Third Parties all such notices and communications as Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of such Assets;
- (c) as agent of Purchaser, do and perform all such acts, operations and things and execute and deliver all such agreements, notices and other documents and instruments as Purchaser may reasonably request in writing for purposes of facilitating the exercise of rights incidental to the ownership of such Assets or required by any government or regulatory agency of appropriate authority having jurisdiction; and
- (d) not initiate or authorize any operations with respect to the applicable Assets, except upon the written direction of Purchaser or if Vendor reasonably determines that such operations are required for the protection of life or property, in which case Vendor may take any actions that it reasonably determines are required in the circumstances at Purchaser's sole cost and expense, provided that, in such latter case Vendor shall promptly notify Purchaser of such actions and Vendor's estimate of the costs and expenses associated therewith.

Purchaser shall be liable for and shall, in addition, as a separate and independent covenant indemnify Vendor and its Representatives from and against all Losses, Liabilities and Claims suffered, sustained, paid or incurred by such Vendor or its Representatives or made against them as a result of maintaining the Assets pursuant to and in accordance with this Section 9.02 or exercising any other rights as Purchaser's agent hereunder, insofar as those Losses, Liabilities and Claims are not a direct result of the Gross Negligence or Wilful Misconduct of Vendor or its Representatives. An act or omission will not be regarded as Gross

Negligence or Wilful Misconduct under this Article to the extent that it was done or omitted to be done in accordance with Purchaser's written instructions or written concurrence.

9.03 Other Permits

- (a) In respect of any Permits that are not transferred as part of the LTA, including those set out in Schedule "A" under the heading Other Licences (the "**Other Licences**"), no later than five (5) Business Days after Escrow Closing, the Parties shall:
 - (i) commence to use all commercially reasonable efforts and cooperate with each other to make all required filings and satisfy all requirements of an applicable Governmental Authority, to transfer the Other Licences from Vendor to Purchaser; provided that, for greater certainty, Purchaser shall not be obligated to pay any deposits or other like bonding amounts in order to satisfy any such requirements;
 - (ii) keep each other informed of the status of any process applicable pursuant to, or other communications with Governmental Authorities in connection with, this Section 9.03; and
 - (iii) each Party shall bear its own costs and expenses required to be incurred to satisfy its obligations under this Section 9.03,

provided that, for certainty, the transfer of any Other Licences shall not be a condition to Final Closing.

- (b) Unless otherwise agreed to by Vendor in writing, Purchaser and/or Vendor shall make all filings, and seek the transfer or issuance, as applicable, of any and all Other Licences to be transferred or obtained pursuant to this Section 9.03 on the same terms and conditions as apply to (i) the Other Licence prior to its transfer, or (ii) the existing Other Licence a new Other Licence replaces, as the case may be.

9.04 Governmental Security Deposits

For greater certainty and notwithstanding any other provision herein to the contrary, if, after Escrow Closing, a Governmental Authority requires as a pre-requisite to or a condition of the transfer of any Permit, a security deposit, guarantee or any kind of monetary payment (other than administrative filing fees required by Applicable Laws) or financial assurance from Purchaser, such security deposit, guarantee or any kind of monetary payment or financial assurance shall not, by the terms of this Agreement, be required to be paid by Purchaser.

ARTICLE 10 TERMINATION

10.01 Termination Prior to Escrow Closing

This Agreement may be terminated at any time prior to Escrow Closing:

- (a) by mutual written consent of both Parties;
- (b) by Vendor pursuant to Section 3.05(a); or

- (c) by Purchaser pursuant to Section 3.05(b).

10.02 Termination Following Escrow Closing

This Agreement may be terminated at any time prior to Final Closing by the Parties pursuant to Section 6.01(a).

10.03 Effect of Termination

If this Agreement is terminated pursuant to Section 10.01 or 10.02, then the Parties shall be released from all of their obligations under this Agreement, other than Sections 13.01, 17.01 and 17.02, which, together with any and all Liabilities and obligations of the Parties accruing prior to termination of this Agreement, shall survive such termination and remain in effect and be binding and enforceable in accordance with their terms. Following such termination, each Party shall be responsible for the costs and expenses incurred by it in connection with this Agreement and the Transaction.

ARTICLE 11 LOSS

11.01 Loss

If, during the Interim Period or Escrow Period, part of the Assets are damaged or destroyed by fire or other casualty, Vendor will promptly give Purchaser notice thereof. If the resulting loss is reimbursable to Vendor under its insurance policies or by a Third Party (including such Third Party's insurance policies), then, without limiting Purchaser's rights pursuant to Section 3.02(f) to the extent such event constitutes a Material Adverse Effect or otherwise, and provided Final Closing occurs, Vendor will, at Final Closing or upon receipt whichever is later, pay to Purchaser all insurance proceeds arising from the destruction pertaining to the Assets. In addition, Vendor at Final Closing will assign, transfer and set over to Purchaser all of the right, title and interest of Vendor to any unpaid insurance proceeds arising out of the destruction pertaining to the Assets. Vendor will not voluntarily compromise, settle or adjust any insurance Claim resulting from the destruction without first obtaining Purchaser's consent. If Final Closing does not occur for any reason whatsoever Purchaser shall have no right to such insurance proceeds.

ARTICLE 12 LIABILITIES AND INDEMNITIES

12.01 Indemnity by Vendor

Subject to Section 8.01, and provided that Final Closing has occurred, Vendor shall:

- (a) be liable to Purchaser and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Purchaser and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or connected with:

- (c) a breach of the representations and warranties of Vendor in Article 7, including in the certificate delivered pursuant to Section 3.02(a); or

- (d) a breach of any covenant of Vendor herein made in respect of or applicable to the Transaction, including in the certificate delivered pursuant to Section 3.02(b),

provided always that Vendor shall not be liable to or be required to indemnify and save harmless Purchaser nor its Representatives pursuant to this Section 12.01 in respect of any Losses, Liabilities and Claims: (i) that consist of Consequential Damages (provided, for greater certainty, that Purchaser and its Representatives shall not be precluded from entitlement to indemnification under this Section 12.01 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); (ii) to the extent that the same are reimbursed by insurance maintained by Purchaser; or (iii) that are caused by the Gross Negligence or Wilful Misconduct of Purchaser or its Representatives (collectively, "**Purchaser's Losses**").

12.02 Indemnity by Purchaser

Subject to Section 8.01, and provided that Final Closing has occurred, Purchaser shall:

- (a) be liable to Vendor and its Representatives for all Losses and Liabilities they suffer, sustain, pay or incur; and
- (b) as a separate and independent covenant, indemnify and save Vendor and its Representatives harmless from and against all Claims made against them,

insofar as such Losses, Liabilities and Claims are a result of any matter or thing arising out of, resulting from, attributable to or in any way connected with:

- (c) a breach of the representations and warranties of Purchaser in Article 7 made in respect of or applicable to the Transaction;
- (d) a breach of any covenant of Purchaser herein made in respect of or applicable to the Transaction; or
- (e) the Assets, to the extent such Losses, Liabilities and Claims occur or arise on or after the Effective Time;

provided always that Purchaser shall not be liable to or be required to indemnify and save harmless Vendor nor its Representatives pursuant to this Section 12.02 in respect of any Losses, Liabilities and Claims: (i) to the extent that the same are reimbursed by insurance maintained by Vendor; (ii) that are caused by the Gross Negligence or Wilful Misconduct of Vendor or its Representatives; (iii) that consist of Consequential Damages (provided, for greater certainty, that Vendor and its Representatives shall not be precluded from entitlement to indemnification under this Section 12.02 for final, determined and non-appealable liability to a Third Party for consequential, indirect or punitive damages); or (iv) that are matters or things for which Purchaser is entitled to indemnification under Section 12.01;

12.03 Assets Acquired On "As Is" Basis

- (a) In the determination of the Purchase Price, the Parties confirm and agree that past, present and future Environmental Liabilities, including Abandonment and Reclamation Obligations, are a future cost embedded in the Assets that is so associated or physically connected with the Assets that, while having been taken into account in establishing the value of the Assets, cannot be separated from the ownership rights in the Assets and moreover, that such obligations are not capable of quantification as of the Effective

Time. Accordingly, the Parties have not attributed a specific or agreed to value with regard to either: (i) such Environmental Liabilities or Abandonment and Reclamation Obligations; or (ii) any indemnities provided in respect thereof, nor shall there be any adjustments made to the Purchase Price in relation thereto. For greater certainty, neither the existence nor the amount of any accounting reserve for asset reclamation obligations or similar matters in the financial statements or accounting records the Parties has been of any relevance to either Party in determining the value of the Assets.

- (b) Purchaser acknowledges that it is acquiring the Assets on an "as is" basis and that Purchaser is not entitled to rely upon any representation or warranty of Vendor as to the condition, Environmental or otherwise, of the Assets, except as is specifically made pursuant to Section 7.01. Subject to the foregoing, and provided that Final Closing has occurred, Purchaser further agrees that it shall:
- (i) be solely liable to Vendor and its Representatives for any and all Losses and Liabilities they suffer, sustain, pay or incur; and
 - (ii) as a separate and independent covenant, indemnify and save Vendor and their Representatives harmless from any and all Claims made against them,

insofar as such Losses, Liabilities and Claims are a direct result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or Abandonment and Reclamation Obligations, whether occurring or accruing before, on or after the Effective Time, except to the extent that any such Losses, Liabilities and Claims are matters or things for which Purchaser is entitled to indemnification under Section 12.01 by virtue of any breach by Vendor of Section 7.01(l). Subject to the foregoing, once Final Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations as between Vendor and Purchaser in respect of the Assets. In addition, Purchaser hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all Environmental Liabilities and Abandonment and Reclamation Obligations in respect of Assets that occur or accrue on or after the Effective Time under the Applicable Laws, at common law or otherwise, including the right to name Vendor as a third party under any action commenced or enforcement proceeding against Purchaser. In addition, Vendor will also retain those other rights and remedies available to it under the Applicable Laws, under the common law or otherwise with respect to any Claim it may have against Purchaser under this Article 12.

12.04 No Merger

The indemnities set forth in Sections 12.01, 12.02 and 12.03 will be deemed to apply to, and will not merge in, any assignment, transfer, conveyance, novation or other document conveying the Assets to Purchaser.

12.05 Carriage of Litigation

If a Claim is made under this Article 12 involving a Claim by a Third Party, the Party with greater exposure under this Agreement in respect of the Claim will have carriage of the Third Party litigation. It will consult with the other Party, which will be entitled to retain its own counsel and participate in the litigation at its own expense.

12.06 Limitations on Liability

- (a) Notwithstanding any other provision contained herein, the total amount of the Liabilities and indemnities of Vendor to Purchaser in connection with any Purchaser's Losses or Claims pursuant to Section 12.01(c) shall not exceed \$1.
- (b) No Claim may be commenced by a Party in respect of a breach of a representation or warranty given by any other Party in Article 7 unless, within the Survival Period, written notice of a Claim specifying the breach in reasonable detail, the amount of the Claim and the provisions of the Agreement applicable to such Claim has been provided to the Party which made such representation and warranty, and each Party hereby waives any rights it may have at law or otherwise to commence a Claim or action for breach of representation or warranty or indemnification under this Article 12 in respect thereof after such Survival Period.
- (c) Notwithstanding anything to the contrary herein, in no event shall any Party be liable to the other for any Consequential Damages in connection with this Agreement. This limitation of liability shall apply regardless of whether the liability claim is based on a breach of contract, breach of representation or warranty, negligence, strict liability, tort or other legal or equitable theory or cause of action.

12.07 Sole Remedy

Provided that Final Closing has occurred, the sole and exclusive remedy of a Party in respect of all pre-Final Closing matters (including in respect of representations, warranties and covenants) of this Agreement shall be for indemnification pursuant to Section 12.01 or Section 12.02, as the case may be, and in connection therewith, Vendor and Purchaser each hereby waive all other rights and remedies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) that it may have against the other Party and the other Party's Representatives in connection with such pre-Final Closing matters.

ARTICLE 13 CONFIDENTIALITY

13.01 Confidentiality

- (a) Neither Party may disclose the terms or contents of this Agreement, including the name of the other Party, or any information concerning negotiations leading to this Agreement and the Transaction, without the prior written consent of the other Party.
- (b) Prior to Escrow Closing, all information obtained by Purchaser from Vendor respecting the Assets shall be retained in confidence by it and used by it only for the purposes of this Transaction; provided, however, that nothing contained herein shall prevent Purchaser from using or disclosing information pertaining to the Assets after Final Closing.
- (c) Notwithstanding Sections 13.01(a) and 13.01(b), a Party may release or provide information about the Transaction:
 - (i) as is required by Applicable Laws (including as may be required to obtain Court Approval) or stock exchange requirements applicable to the disclosing Party; provided that such disclosing Party shall make reasonable commercial efforts to

provide the other Party with the details of the nature and substance of such required disclosure as soon as practicable and in any event prior to such disclosure;

- (ii) as is required to enable such Party to fulfil its obligations under this Agreement, including obtaining any approvals or consents to the Transaction required from Governmental Authorities (including the AER and Court Approval) or Third Parties;
 - (iii) to the Proposal Trustee; and
 - (iv) to Lender, and to a bank or other financial institution to obtain financing or any required consent of the bank or other financial lender of such Party.
- (d) The Parties agree that this Agreement shall be filed with the Court on a confidential basis such that the Purchase Price, Purchase Price allocation and such other sensitive terms, as the Parties may agree, shall be sealed, kept confidential and not form part of the public record, and that Vendor shall seek a sealing order to that effect in respect of this Agreement. If this Agreement is terminated, each Party upon request will promptly return to the other Party all documents, contracts, records or other information received by it that disclose or embody confidential information of the other Party.

13.02 Public Announcements

The Parties shall consult with and obtain the consent (not to be unreasonably withheld) of each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transaction.

ARTICLE 14 ACCESS TO BOOKS AND RECORDS

14.01 Access to Information

- (a) After Final Closing, Purchaser shall, upon request from Vendor, provide reasonable access at Purchaser's offices during its normal business hours to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences and data included in the Miscellaneous Interests (including Title and Operating Documents) which are then in the possession of Purchaser and to make copies thereof, as Vendor may require for purposes relating to its ownership of the Assets prior to Closing (including taxation matters and Liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations (if any) prior to the Closing Date), including for purposes of:
- (i) audits relating to periods prior to Final Closing;
 - (ii) Taxes relating to periods prior to Final Closing;
 - (iii) compliance with the Applicable Laws in respect of a period prior to Final Closing;
or
 - (iv) any Claim commenced or threatened against Vendor or its Representatives in respect to periods prior to Closing;

provided that, Vendor may use and copy such documents and materials for such purposes after Final Closing and prior to delivery of same to Purchaser.

- (b) If Purchaser disposes of any of the Assets to a Third Party, Purchaser will take reasonable steps to enable Vendor to have continued reasonable access to those materials; provided that Purchaser will not be required to retain copies of those materials following any such disposition.

14.02 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be retained and kept in a reasonably accessible location by or on behalf of Purchaser for a period of two (2) years from the Final Closing Date or for any longer period as may be required under the Applicable Laws (the "**Retention Period**"). Vendor may, during the Retention Period, at its expense, make such copies of the information and materials described above as it may reasonably request.

ARTICLE 15 DISPUTES

15.01 Dispute Resolution

All Disputes between the Parties, which the Parties are unable to resolve themselves, shall be referred to the Court for resolution by application made in Estate No. 25-2679073 (the "**Bankruptcy Proceedings**").

ARTICLE 16 NOTICES

16.01 Notice

Any notice, Claim or other communication provided for in this Agreement or any notice that either Party may desire to give to the other shall be in writing and shall be: (i) sent by email transmission; (ii) delivered by hand; (iii) sent by Canada Post mail with all postage fully prepaid; or (iv) sent by courier with charges paid in accordance with the customary arrangements established by such courier, in each of the foregoing cases addressed to the Party at the following addresses:

To Vendor: **GREENFIRE HANGINGSTONE OPERATING CORPORATION**

1650, 444 5th Avenue SW
Calgary, Alberta, Canada,
T2P 2T8

Attention: Robert Logan, Director

Email: 

With a copy to: **BURNET, DUCKWORTH & PALMER LLP**
Vendor's Counsel

2400, 525-8th Ave SW
Calgary, Alberta, Canada

T2P 1G1

Attention: Natasha Wood
Email: nwood@bdplaw.com

To Purchaser: **GREENFIRE ACQUISITION CORPORATION**

4600, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Venkat Siva
Email: [REDACTED]

or at such other address as either Party may at any time designate by giving written notice to the other Party. Notices, invoices, allocation statements, Claims or other communications shall be deemed received as follows: (i) if delivered personally, upon delivery; (ii) if sent by Canada Post, whether by express mail, registered mail, certified mail or regular mail, the notice shall be deemed to have been received by the close of the third (3rd) Business Day after the day upon which it was postmarked and sent, or such earlier time as is confirmed orally or in writing by the receiving Party; (iii) if sent by a courier service, upon delivery; or (iv) if sent by email, the Business Day following the day on which it was transmitted.

ARTICLE 17 MISCELLANEOUS

17.01 Laws and Regulations

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

17.02 Jurisdiction and Venue

- (a) The Parties hereby irrevocably consent to the exclusive jurisdiction of the courts of the Province of Alberta and any appeal courts.
- (b) The Parties hereby irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Transaction in the courts of the Province of Alberta.
- (c) In respect of any action, cause of action, Claim, cross-claim or third-party Claim, each Party hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any such Claim or cause of action.

17.03 Entire Agreement, Amendments and Waiver

This Agreement, including all Schedules hereto, integrates the entire understanding between the Parties with respect to the subject matter covered and supersedes all prior understandings, drafts, discussions, or statements, whether oral or in writing, expressed or implied, dealing with the same subject matter. This

000902

Agreement may not be amended or modified in any manner except by a written document signed by the Parties that expressly amends this Agreement. No waiver by either Party of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless expressly provided. No waiver shall be effective unless made in writing and signed by the Party to be charged with such waiver.

17.04 Headings

The headings and captions in this Agreement have been inserted for convenience of reference only and shall not define or limit any of the terms and provisions hereof.

17.05 No Partnership

Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust, fiduciary or partnership duty, obligation or liability on or with regard to Vendor and Purchaser.

17.06 No Third Party Beneficiaries

This Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns, and shall not inure to the benefit of any other Person or entity whomsoever or whatsoever, it being the intention of the Parties that no third Person shall be deemed a third party beneficiary of this Agreement, except (i) for Persons expressly indemnified hereunder, and (ii) Section 17.14 shall be for the benefit of and enforceable by the Persons set forth therein.

17.07 Further Assurances

Each Party shall take such acts and execute and deliver such documents as may be reasonably required to effectuate the purposes of this Agreement.

17.08 Severability

If any provision of this Agreement is determined by Applicable Law to be void or unenforceable, in whole or in part, then (a) such provision shall be deemed inoperative to the extent it is deemed void or unenforceable, (b) the Parties agree to enter into such amendments to this Agreement in order to give effect to the greatest extent legally possible to the provision that is determined to be void or unenforceable, and (c) the other provisions of this Agreement in all other respects shall remain in full force and effect and binding and enforceable to the maximum extent permitted by law.

17.09 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall be deemed one and the same Agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

17.10 Time of Essence

Time shall be of the essence in this Agreement.

17.11 Survival

The obligations and Liabilities of the Parties accruing prior to termination of this Agreement shall survive such termination.

17.12 Assignment; Enurement

Neither Party shall assign this Agreement or any of its rights or obligations hereunder, in whole or in part to any Person without the advance written consent of the other Party, such consent not to be unreasonably withheld. This Agreement will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns, as the case may be.

17.13 Remedies Cumulative

Unless otherwise specified herein:

- (a) no reference to or exercise of any specific right or remedy by a Party hereunder shall prejudice or preclude such Party from exercising or invoking any other remedy in respect thereof, whether allowed under Applicable Law or expressly provided for herein; and
- (b) no such remedy shall be exclusive or dependent upon any other such remedy but either Party may exercise any one or more of such remedies independently or in combination.

17.14 Nonrecourse

This Agreement may only be enforced against, and any Claims or causes of action that arise out of this Agreement, or the negotiation, execution or performance of this Agreement, may only be made against the entities that are expressly identified as parties hereto. Except to the extent a named party to this Agreement, no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any party hereto shall have any liability for any obligations or Liabilities of any party hereto under this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first written above.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per:



Name: Robert Logan

Title: Chairman

**GREENFIRE ACQUISITION
CORPORATION**

Per:

Name:

Title:

IN WITNESS WHEREOF this Agreement has been duly executed by each Party as of the date first written above.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per:

Name:
Title:

**GREENFIRE ACQUISITION
CORPORATION**

Per:

Name: Julian A. McIntyre
Title: Director



SCHEDULE "A"

**OIL SANDS RIGHTS, LANDS, LEASES, PROJECT AREA, FACILITIES, WELLS, WATER
WELLS AND AER LICENCES**

Crown Lease	Land Description, Rights and Area	Working Interest	Encumbrances
Alberta Crown Oilsands Lease No. 072 728201AT70 Expiry: Section 13 Continuation	Twp. 84, Rge. 11 W4M: NW26, N27, N28, 33, 34, W35 (Oil Sands in the Wabiskaw-McMurray) Area: 3.75 sections; 960 ha	100%	Alberta Crown Sliding Scale Lessor Royalty Japan Canada Oil Sands Limited sliding scale GORR \$0/bbl - \$2/bbl based on WTI

PROJECT AREA SURFACE LEASES AND FACILITIES

See attached.

Project Area Surface Leases and Facilities

a) All Facilities within MSL 972290:

JACOS File No.	Facility Description	LLD/UWI (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Licence #	Comments/Status
S00022	Plant 1 Facility Site	LSD 16-Sec. 27 & LSD 1-Sec. 34		All associated Facilities.
	Plant 2 Facility Site	LSD 12 & 13-Sec. 26		All associated Facilities.
	Peat/Spoil Pile 1	LSD 12-Sec. 26		
	Plant 1 Main S - N Access Road	LSD 8-Sec. 27 to LSD 9-Sec. 27		
	Plant 2 Main S - N Access Road	LSD 12-Sec. 26		
	M Well Pair Road By-Pass	LSD 1-Sec. 34		
	Borrow Pit # 7	LSD 10-Sec. 34		
	Borrow # 8	LSD 15-Sec. 34		
	Pad 6 Borrow	LSD 9-Sec. 27		
	Pad 6 Sump	LSD 9-Sec. 27		
	Peat/Spoil Pile 6	LSD 9-Sec. 27		Soil Stockpile
	PCI PCEJ 13-27	LSD 13-Sec. 27		Camp
	Borrow Pit #6 & Old Sumps	LSD 10-Sec. 34		
	Power Line to Plant 2	LSD 5, 12 & 13-Sec. 26		ATCO EZE870319
	Power Line to Plant 1	LSD 8, 9 & 16-Sec. 27		ATCO EZE880742
	Cabling Corridor to Ph3 Obs Well Pads	LSD 6 & 7-Sec. 34		
	Pipe Racks between Wellpad's 1 to 6 and Plant's 1 and 2		53093	Misc Gas - Instrument Air
			53094	Misc Gas - Steam
			53109	Fresh Water
			53110	Fuel Gas
			53111	Glycol
			53112	Salt Water
			53137	Oil-Well Effluent
	New Road to Wellpad 4 Well Pad	LSD 7, 10 & 11-Sec. 34		
	Power Line to Wellpad 4	LSD 14, 15 & 16-Sec. 27		ATCO EZE060051
	Power Line to DEMO Camp	LSD 16-Sec 27; LSD 1, 2, 6, 7, 9-Sec. 34		ATCO EZE050291
	Wellpad 5 Access Road	LSD 9 & 10-Sec. 27		
	Road from Pad 5 to Blueberry Pit	LSD 11-Sec. 27		
	Pad 4 West Road	LSD 6 & 11-Sec. 34		
	Pad 6 Access	LSD 9-Sec. 27		
	Wellpad 6 Cable Tray Access	LSD 16-Sec. 27		
	Wellpad 6 Cable Tray ROW	LSD 16-Sec. 27		
	Peat/Spoil Pile 1	LSD 12-Sec. 26		Soil Stockpile
	Peat/Spoil Pile 4A	LSD 10-Sec. 34		Soil Stockpile
	Peat/Spoil Pile 4B	LSD 11-Sec. 34		Soil Stockpile
	Peat/Spoil Pile 5A	LSD 10-Sec. 27		Soil Stockpile
	Peat/Spoil Pile 5B	LSD 10-Sec. 27		Soil Stockpile
	Peat/Spoil Pile 5C	LSD 10-Sec. 27		Soil Stockpile
	Peat/Spoil Pile 5D	LSD 10-Sec. 27		Soil Stockpile
	Wellpad 1			All associated Facilities.
	Wellpad 2			All associated Facilities.
	Wellpad 3			All associated Facilities.
	Wellpad 4			All associated Facilities.
	Wellpad 5			All associated Facilities.
	Wellpad 6			All associated Facilities.
	OBA1	102/07-34-84-11W4/00	207217	
	OBA2	102/10-34-84-11W4/00	207219	
	OBA3	1AA/10-34-84-11W4/00	219027	
	OBA4	1AB/10-34-84-11W4/00	219028	
	OBA5	1AC/10-34-84-11W4/00	219030	
	OBB1	100/08-34-84-11W4/00	207216	
	OBB2	100/10-34-84-11W4/00	207213	
	OBB3	1AE/09-34-84-11W4/00	219031	
	OBC1	1AB/08-34-84-11W4/00	213576	
	OBC2	1AA/09-34-84-11W4/00	213579	
	OBC3	1AF/09-34-84-11W4/00	219032	
	OBC4	1AC/08-34-84-11W4/00	219033	
	OBD1	1AB/05-35-84-11W4/00	213575	
	OBD2	1AA/12-35-84-11W4/00	213618	
	OBD3	1AB/09-34-84-11W4/00	219019	
	OBD4	1AC/09-34-84-11W4/00	219020	
	OBD5	1AC/05-35-84-11W4/00	219021	
	OBE1	1AB/12-35-84-11W4/00	213532	
	OBE2	1AD/09-34-84-11W4/00	219022	
	OBE3	1AC/12-35-84-11W4/00	219023	
	OBE4	1AD/05-35-84-11W4/00	219024	
	OBF1	100/03-34-84-11W4/00	240021	
	OBF2	100/04-34-84-11W4/00	239728	
	OBF3	100/03-34-84-11W4/00	259088	
	OBF4	100/14-27-84-11W4/00	259090	
	OBF5	102/14-27-84-11W4/00	259091	
	OBF6	104/13-27-84-11W4/00	259092	
	OBG1	102/03-34-84-11W4/00	240022	

	OBG2	102/04-34-84-11W4/00	240026	
	OBH1	102/06-34-84-11W4/00	240025	
	OBH2	100/05-34-84-11W4/00	240024	
	OBH3	103/06-34-84-11W4/00	259093	
	OBH4	102/05-34-84-11W4/00	259094	
	OBI1	100/06-34-84-11W4/00	240023	
	OBI2	100/12-34-84-11W4/00	240020	
	OBI3	102/12-34-84-11W4/00	259095	
	K2	1AA/05-34-84-11W4/00	276823	Rec cert application submitted.
	K1	1AB/06-34-84-11W4/00	276825	Rec cert application submitted.
	K3	1AC/06-34-84-11W4/00	276828	Rec cert application submitted.
	J1	1AA/11-34-84-11W4/00	276829	Rec cert application submitted.
	N1	1AA/03-34-084-11W4/00	280318	Rec cert application submitted.
	L3	1AE/06-34-84-11W4/00	280321	Rec cert application submitted.
	M1	1AA/02-34-084-11W4/00	296877	Rec cert application submitted.
	M2	1AF/06-34-084-11W4/00	296878	Rec cert application submitted.
	L1	1AG/06-34-084-11W4/00	296879	Rec cert application submitted.
	L2	1AD/05-34-084-11W4/00	296880	Rec cert application submitted.
	OBO1	103/12-34-084-11W4/00	318834	
	OV13-26	1AB/13-26-084-11W4/00	319487	Rec cert application submitted.
	OV15-27	1AB/15-27-084-11W4/00	319534	Rec cert application submitted.
	OBP3 14-34	100/14-34-084-11W4/00	319542	Note both inside and outside of MSL972290
	OV16-34	1AA/16-34-084-11W4/00	319799	Rec cert application submitted.
	OV13-35	1AA/13-35-084-11W4/00	319802	Rec cert application submitted.
	OV14-27	1AA/14-27-084-11W4/00	319813	Rec cert application submitted.
	OV4-35	1AA/04-35-084-11W4/00	319956	Rec cert application submitted. Note both inside and outside of MSL972290
	U1	1AB/16-27-084-11W4/00	366962	Abandoned
	U2	1AB/04-35-084-11W4/00	366675	Abandoned
	V1	109/16-27-084-11W4/00	366965	
	W1	110/16-27-084-11W4/00	366961	
	Y1	1AE/13-26-084-11W4/00	366963	Abandoned
	Y2	1AF/13-26-084-11W4/00	367690	On Plant 2. Abandoned.
	X1	103/03-35-084-11W4/00	366964	Note both inside and outside of MSL972290
	PCEJ B 16-27	103/16-27-084-11W4/00	140078	
	OV3 13-26	1AD/13-26-084-11W4/00	323912	Rec cert application submitted.
	Z2 15-34	1AB/15-34-084-11W4/00	366330	Rec cert application submitted.
	S2	1AA/01-34-084-11W4/00	366530	Rec cert application submitted.
	S1	1AC/15-27-084-11W4/00	366960	Rec cert application submitted.
	HZAI Mon Well	LSD 1-Sec. 34		Related to 1F1/10-34-084-11W4/00.
	Water monitoring wells for reporting			As shown on attached "Demo GWM Well List" and/or listed as "ENV __" on Figure E"
	Roads within MSL 972290			Approximately 8.12 ha
	Cut Lines within MSL 972290			Approximately 10.37 ha
	2016 Ft. McMurray wildfire firebreak clearings			Approximately 15.72 ha. Some remediation work complete.

b) Facilities related to the Project Area but outside of MSL 972290

JACOS File No.	Facility Description	LLD/UWI (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Status/Licence #/Comments
S00019	LOC840643	LSD 10-Sec. 36 to LSD 13-Sec. 27	Main E - W Access Road from HW 63
S00076	MLL020204	LSD 8-Sec.11	Water source wells DQ 02-2, DQ06-7; Lic. No. 00229371-02-00 - includes monitoring wells, TW01-1, DQ05-5-50, DQ02-3, DQ05-4-100, DQ02-1, DQ10-15 Note 1: Specifically excludes water source well DQ 06-8; Lic. No. 00290926-01-00 located on MLL020204. An agreement granting Vendor access to DQ06-8 well to be agreed upon between parties. Note 2: Water monitoring wells are shared between Lic. No. 00229371-02-00 and Lic. No. 00290926-01-00. An agreement granting Vendor access to shared monitoring wells to be agreed upon between parties.
S00115	PLA061786	LSD 1-Sec.11	Tie in from PLA900097 to DQ02-2
S00055	PLA900868 R/W9023732	Lsd 15-Sec. 34-83-11W4	Water Source: Connector to TW9
S00081	LOC030619	-	TW01-2. Monitoring well.
S00080	LOC030620	LSD 12-Sec. 12-84-11W4	DQ02-1 & TW01-1. Monitoring well.
S00082	LOC030621	-	TW01-3. Monitoring well.
S00083	LOC030622	-	TW01-4. Monitoring well.
S00125	LOC070661	LSD 5-Sec. 12	DQ05-4. Monitoring well.
S00140	MSL090206	LSD 6-Sec. 23-83-11W4	Grand Rapid Water Well Site (cleared)

S00045	PLA 900072 R/W9021377	LSD 9-Sec. 27 to LSD 6-Sec. 13	24616	Combined Water Source & Disposal ROW
S00009	PLA900097 R/W9021383	LSD 6-Sec. 13-84-11W4 to LSD 5-Sec. 34-83-11W4	24616	Water Source: Pipeline ROW
	Remote Sump Ph2	LSD 5-Sec. 27		Remediation Activities Complete
	Remote Sump Ph3	LSD 3 & 4-Sec. 27		Remediation Activities Complete
S00072	MSL023235	LSD 13-Sec. 21		Remote Sump. Contributing wells from Demo. Remediation Activities Required
S00021	MSL012937	LSD 09-Sec. 33		OBI4. 103/09-33-84-11W4/00.
S00107	LOC051229	NE 34		HEAVE MON
S00108	LOC051230	NW 34		HEAVE MON
S00109	LOC051231	NW 34		HEAVE MON
S00110	LOC051233	NW 34		HEAVE MON
S00111	LOC051234	NW 34		HEAVE MON
S00105	LOC051227	LSD 14-Sec. 34		Site Q1. Remote Monument.
S00106	LOC051228	LSD 14-Sec. 34		Site P3. Remote Monument.
S00124	LOC070664	LSD 3-Sec. 35		Site X1. Remote Monument.
S00084	SML030035	LSD 11-Sec. 27		Borrow #4a. Reclamation Required
S00050	PLA850464 R/W0123976	LSD 2-Sec. 36 to LSD 14-Sec. 26		Old Fuel Gas Line. Inactive Operation
S00046	PLA860770	-		Tie in from 4-35 to 13-36. Inactive Operation
S00047	PLA900026 R/W9021376	LSD 2-Sec. 36 to 14-Sec. 26	21792	Fuel Gas line from Suncor (Phase 1 Gas Pipeline). Inactive Operation
	OV11-26	1AA/11-26-084-11W4/00	319741	Rec cert application submitted.
	Q4 13-34	103/13-34-084-11W4/00	324493	
	Q1 14-34	1AB/14-34-084-11W4/00	320619	Rec cert application submitted.

c) Other

	Facility Description or Disposition Number	LLD/Rights (within Twp. 84, Rge. 11 W4M unless otherwise stated)	Status/Comments
	Demo Heave Monuments for Annual Survey	n/a	See attached "Heave Monument List"

WELL LIST

See attached.

Well List

UWI	Well Name	AER License #	Status
100/01-34-084-11W4/00	JACOS C2 HANGST EX 1-34-84-11	131674	Abandoned
103/16-27-084-11W4/00	JACOS PCEJ B HANGST 16-27-84-11	140078	Abandoned
100/10-34-084-11W4/00	JACOS OBB2 (102) HANGST 10-34-84-11	207213	
100/08-34-084-11W4/00	JACOS OBB1 (102) HANGST 8-34-84-11	207216	
102/07-34-084-11W4/00	JACOS OBA1 102 HANGST 7-34-84-11	207217	
102/10-34-084-11W4/00	JACOS OBA2 HANGST 10-34-84-11	207219	
1F1/10-34-084-11W4/00	JACOS HANGSTN 10-34-84-11	212095	
104/10-34-084-11W4/00	JACOS HZBI (105) HANGST 10-34-84-11	212096	
105/10-34-084-11W4/00	JACOS HZAP (103) HANGST 10-34-84-11	212100	
106/10-34-084-11W4/00	JACOS HZBP (106) HANGST 10-34-84-11	212103	
1AB/12-35-084-11W4/00	JACOS OBE1 HANGST 12-35-84-11	213532	
1AB/05-35-084-11W4/00	JACOS OBD1 (102) HANGST 5-35-84-11	213575	
1AB/08-34-084-11W4/00	JACOS OBC1 (103) HANGST 8-34-84-11	213576	
1AA/09-34-084-11W4/00	JACOS OBC2 HANGST 9-34-84-11	213579	
102/12-35-084-11W4/00	JACOS OBD2 HANGSTN 12-35-84-11	213618	
100/09-34-084-11W4/00	JACOS HZCP HANGST(100) 9-34-84-11	214835	
102/09-34-084-11W4/00	JACOS HZCI HANGST(101) 9-34-84-11	214836	
103/09-34-084-11W4/00	JACOS HZDI HANGST(102) 9-34-84-11	214837	
104/09-34-084-11W4/00	JACOS HZDP HANGST(103) 9-34-84-11	214838	
104/09-34-084-11W4/02	JACOS HZDP HANGST(103) 9-34-84-11	214838	
105/09-34-084-11W4/00	JACOS HZEI HANGST(104) 9-34-84-11	214839	
106/09-34-084-11W4/00	JACOS HZEP HANGST(105) 9-34-84-11	214840	
1AB/09-34-084-11W4/00	JACOS OBD3 HANGST 9-34-84-11	219019	
108/09-34-084-11W4/00	JACOS OBD4 HANGST 9-34-84-11	219020	
100/05-35-084-11W4/00	JACOS OBD5 HANGST 5-35-84-11	219021	
107/09-34-084-11W4/00	JACOS OBE2 HANGST 9-34-84-11	219022	
100/12-35-084-11W4/00	JACOS OBE3 HANGST 12-35-84-11	219023	
1AD/05-35-084-11W4/00	JACOS OBE4 HANGST 5-35-84-11	219024	
1AA/10-34-084-11W4/00	JACOS OBA3 HANGST 10-34-84-11	219027	
107/10-34-084-11W4/00	JACOS OBA4 HANGST 10-34-84-11	219028	
1AC/10-34-084-11W4/00	JACOS OBA5 HANGST 10-34-84-11	219030	
1AE/09-34-084-11W4/00	JACOS OBB3 HANGST 9-34-84-11	219031	
1AF/09-34-084-11W4/00	JACOS OBC3 HANGST 9-34-84-11	219032	
104/08-34-084-11W4/00	JACOS OBC4 HANGST 8-34-84-11	219033	
100/04-34-084-11W4/00	JACOS OBF2 HANGST 4-34-84-11	239728	
100/12-34-084-11W4/00	JACOS OBI2 HANGST 12-34-84-11	240020	
100/03-34-084-11W4/00	JACOS OBF1 HANGST 3-34-84-11	240021	
102/03-34-084-11W4/00	JACOS OBG1 HANGST 3-34-84-11	240022	
100/06-34-084-11W4/00	JACOS OBI1 HANGST 6-34-84-11	240023	
100/05-34-084-11W4/00	JACOS OBH2 HANGST 5-34-84-11	240024	
102/06-34-084-11W4/00	JACOS OBH1 HANGST 6-34-84-11	240025	
102/04-34-084-11W4/00	JACOS OBG2 HANGST 4-34-84-11	240026	
102/13-27-084-11W4/00	JACOS HZFI HANGST 13-27-84-11	242480	
103/05-34-084-11W4/00	JACOS HZHI HANGST 5-34-84-11	242482	
100/09-33-084-11W4/00	JACOS HZII HANGST 9-33-84-11	242483	
103/13-27-084-11W4/00	JACOS HZFP HANGST 13-27-84-11	242486	
104/05-34-084-11W4/00	JACOS HZHP HANGST 5-34-84-11	242488	
102/09-33-084-11W4/00	JACOS HZIP HANGST 9-33-84-11	242489	
103/03-34-084-11W4/00	JACOS OBF3 HANGST 3-34-84-11	259088	
100/14-27-084-11W4/00	JACOS OBF4 HANGST 14-27-84-11	259090	
102/14-27-084-11W4/00	JACOS OBF5 HANGST 14-27-84-11	259091	
104/13-27-084-11W4/00	JACOS OBF6 HANGST 13-27-84-11	259092	
103/06-34-084-11W4/00	JACOS OBH3 HANGST 6-34-84-11	259093	
102/05-34-084-11W4/00	JACOS OBH4 HANGST 5-34-84-11	259094	
102/12-34-084-11W4/00	JACOS OBI3 HANGST 12-34-84-11	259095	
103/09-33-084-11W4/00	JACOS OB14 HANGST 9-33-84-11	259728	
1AA/05-34-084-11W4/00	JACOS K2 HANGST 5-34-84-11	276823	Rec cert application submitted.
1AB/06-34-084-11W4/00	JACOS K1 HANGST 6-34-84-11	276825	Rec cert application submitted.
1AC/06-34-084-11W4/00	JACOS K3 HANGST 6-34-84-11	276828	Rec cert application submitted.
1AA/11-34-084-11W4/00	JACOS J1 HANGST 11-34-84-11	276829	Rec cert application submitted.
1AA/03-34-084-11W4/00	JACOS N1 HANGST 3-34-84-11	280318	Rec cert application submitted.
1AE/06-34-084-11W4/00	JACOS L3 HANGST 6-34-84-11	280321	Rec cert application submitted.
105/05-34-084-11W4/00	JACOS HZKP HANGST 5-34-84-11	281685	
106/05-34-084-11W4/00	JACOS HZKI HANGST 5-34-84-11	281687	
104/09-33-084-11W4/00	JACOS HZJP HANGST 9-33-84-11	281688	
105/09-33-084-11W4/02	JACOS HZJI HANGST 9-33-84-11	281690	
100/11-34-084-11W4/00	JACOS HZJI HANGSTN 11-34-84-11	281690	
107/06-34-084-11W4/00	JACOS HZNP HANGST 6-34-84-11	296871	
104/06-34-084-11W4/00	JACOS HZMI HANGST 6-34-84-11	296872	

105/06-34-084-11W4/00	JACOS HZMP HANGST 6-34-84-11	296874	
108/05-34-084-11W4/00	JACOS HZLI HANGST 5-34-84-11	296875	
109/05-34-084-11W4/00	JACOS HZLP HANGST 5-34-84-11	296876	
1AA/02-34-084-11W4/00	JACOS M1 HANGST 2-34-84-11	296877	Rec cert application submitted.
1AF/06-34-084-11W4/00	JACOS M2 HANGST 6-34-84-11	296878	Rec cert application submitted.
1AG/06-34-084-11W4/00	JACOS L1 HANGST 6-34-84-11	296879	Rec cert application submitted.
1AD/05-34-084-11W4/00	JACOS L2 HANGST 5-34-84-11	296880	Rec cert application submitted.
106/06-34-084-11W4/00	JACOS HZNI HANGST 6-34-84-11	297267	
100/16-33-084-11W4/00	JACOS HZOP HANGST 16-33-84-11	314410	
102/16-33-084-11W4/00	JACOS HZOI HANGST 16-33-84-11	314411	
100/13-34-084-11W4/00	JACOS HZQP HANGST 13-34-84-11	318484	
103/16-33-084-11W4/00	JACOS HZPP HANGST 16-33-84-11	318485	
104/16-33-084-11W4/00	JACOS HZPI HANGST 16-33-84-11	318502	
102/13-34-084-11W4/00	JACOS HZQI HANGST 13-34-84-11	318503	
103/12-34-084-11W4/00	JACOS 01 HANGSTN 12-34-84-11	318834	
1AB/13-26-084-11W4/00	JACOS OV HANGST 13-26-84-11	319487	Rec cert application submitted.
1AB/15-27-084-11W4/00	JACOS OV HANGST 15-27-84-11	319534	Rec cert application submitted.
100/14-34-084-11W4/00	JACOS P3 HANGSTN 14-34-84-11	319542	
1AA/11-26-084-11W4/00	JACOS OV HANGST 11-26-84-11	319741	Rec cert application submitted.
1AA/16-34-084-11W4/00	JACOS OV HANGST 16-34-84-11	319799	Rec cert application submitted.
1AA/13-35-084-11W4/00	JACOS OV HANGST 13-35-84-11	319802	Rec cert application submitted.
1AA/14-27-084-11W4/00	JACOS OV HANGST 14-27-84-11	319813	Rec cert application submitted.
1AA/04-35-084-11W4/00	JACOS OV HANGST 4-35-84-11	319956	Rec cert application submitted.
1AB/14-34-084-11W4/00	JACOS Q1 HANGST 14-34-84-11	320619	Rec cert application submitted.
1AD/13-26-084-11W4/00	JACOS OV3 HANGST 13-26-84-11	323912	Rec cert application submitted.
103/13-34-084-11W4/00	JACOS Q4 HANGSTN 13-34-84-11	324493	
1AB/15-34-084-11W4/00	JACOS Z2 HANGSTN 15-34-84-11	366330	Rec cert application submitted.
1AA/01-34-084-11W4/00	JACOS S2 HANGSTN 1-34-84-11	366530	Rec cert application submitted.
1AB/04-35-084-11W4/00	JACOS U2 HANGSTN 4-35-84-11	366675	Abandoned
102/08-34-084-11W4/00	JACOS HZRP HANGSTN 8-34-84-11	366687	
1W2/04-35-084-11W4/00	JACOS HZTP HANGSTN 4-35-84-11	366688	
116/01-34-084-11W4/00	JACOS HZSP HANGSTN 1-34-84-11	366690	
102/04-35-084-11W4/00	JACOS HZUP HANGSTN 4-35-84-11	366691	
110/16-27-084-11W4/00	JACOS W1 HANGSTN 16-27-84-11	366961	
1AB/16-27-084-11W4/00	JACOS U1 HANGSTN 16-27-84-11	366962	Abandoned
1AE/13-26-084-11W4/00	JACOS Y1 HANGSTN 13-26-84-11	366963	Abandoned
103/03-35-084-11W4/00	JACOS X1 HANGSTN 3-35-84-11	366964	
109/16-27-084-11W4/00	JACOS V1 HANGSTN 16-27-84-11	366965	
1AC/15-27-084-11W4/00	JACOS S1 HANGSTN 15-27-84-11	366960	Rec cert application submitted.
1AF/13-26-084-11W4/00	JACOS Y2 HANGSTN 13-26-84-11	367690	Abandoned
103/08-34-084-11W4/00	JACOS HZRI HANGSTN 8-34-84-11	370724	
121/01-34-084-11W4/00	JACOS HZTI HANGSTN 1-34-84-11	370725	
118/01-34-084-11W4/00	JACOS HZSI HANGSTN 1-34-84-11	370726	
103/04-35-084-11W4/00	JACOS HZUI HANGSTN 4-35-84-11	370727	
100/14-26-084-11W4/00	JACOS HZYP HANGSTN 14-26-84-11	370901	
100/03-35-084-11W4/00	JACOS HZXP HANGSTN 3-35-84-11	370903	
100/03-35-084-11W4/02	JACOS HZXP HANGSTN 3-35-84-11	370903	
102/14-26-084-11W4/00	JACOS HZYI HANGSTN 14-26-84-11	370909	
102/14-26-084-11W4/02	JACOS HZYI HANGSTN 14-26-84-11	370909	
102/03-35-084-11W4/00	JACOS HZXI HANGSTN 3-35-84-11	370910	
100/15-34-084-11W4/03	JACOS HZZP HANGSTN 15-34-84-11	375327	
100/13-35-084-11W4/02	JACOS HZZP HANGSTN 16-34-84-11	375327	
100/13-35-084-11W4/04	JACOS HZZP HANGSTN 16-34-84-11	375327	
100/16-34-084-11W4/00	JACOS HZZP HANGSTN 16-34-84-11	375327	
1W0/13-35-084-11W4/00	JACOS HZZI HANGSTN 13-35-84-11	375428	
1AA/13-26-084-11W4/02	JACOS RE-ENTRY HANGSTN 13-26-84-11	419253	Abandoned
106/04-35-084-11W4/00	JACOS HZVP HANGSTN 4-35-84-11	424837	
107/04-35-084-11W4/00	JACOS HZWP HANGSTN 4-35-84-11	424838	
109/04-35-084-11W4/00	JACOS HZVI HANGSTN 4-35-84-11	424892	
110/04-35-084-11W4/00	JACOS HZWI HANGSTN 4-35-84-11	424893	
1F1/01-34-084-11W4/00	JACOS OBS JF-A HANGSTN 1-34-84-11	483436	

AER LICENCES

See attached.

AER Licences

Well Licences

Licence Number	Surface Location	Working Interest Participants	
0131674	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0140078	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207213	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207216	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207217	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0207219	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212095	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212096	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212100	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0212103	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213532	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213575	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213576	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213579	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0213618	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214835	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214836	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214837	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214838	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214839	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0214840	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219019	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0219020	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219021	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219022	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219023	12-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219024	05-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219027	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219028	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219030	10-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219031	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219032	09-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0219033	08-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0239728	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240020	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240021	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240022	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240023	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240024	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240025	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0240026	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242480	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242482	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242483	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242486	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242488	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0242489	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0259088	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259090	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259091	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259092	13-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259093	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259094	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259095	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0259728	09-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276823	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276825	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276828	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0276829	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0280318	03-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0280321	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281685	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281687	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281688	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0281690	07-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296871	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296872	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296874	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296875	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296876	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296877	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296878	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0296879	06-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0296880	05-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0297267	02-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0314410	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0314411	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318484	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318485	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318502	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318503	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0318834	12-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319487	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319534	15-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319542	14-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319605	08-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319741	11-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319794	14-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319799	16-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319801	04-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319802	13-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319813	14-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0319956	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0320619	14-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0323896	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0323912	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0324493	13-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0366330	15-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366530	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366675	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366687	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366688	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366690	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366691	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366960	15-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366961	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366962	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366963	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366964	03-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0366965	16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0367479	04-35-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0367690	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370724	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370725	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370726	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370727	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370901	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370903	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370909	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0370910	09-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0375327	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0375428	11-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Licence Number	Surface Location	Working Interest Participants	
0419253	13-26-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424837	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424838	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424892	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0424893	10-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0442436	10-33-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%
0483436	01-34-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Facility Licences

Licence Number	Surface Location	Working Interest Participants	
21408 Includes: ABBT0082311 ABIF0009286 BIF0009362	00/16-27-084-11W4	Greenfire Hangingstone Operating Corporation (A7P4)	100%

Pipeline Licences

Licence Number

21792
24616
53093
53094
53109
53110
53111
53112
53137

OTHER LICENCES

1. Oil Sands Conservation Act Commercial Scheme Approval No. 8788M, as amended.
2. Environmental Protection and Enhancement Act Approval No. 1604-03-00, as amended.
- Effective Date: January 27, 2020; Expiry Date: December 31, 2029.
3. Licence to Divert Water, Alberta Energy Regulator, Water Act, R.S.A. 2000, c.W-3, as amended.
- Licence No.: 00229371-02-00; File No.: 60460; Priority No.: 2006-03-06-001;
- Effective Date: January 29, 2016; Expiry Date: January 28, 2021.

ABSA REGISTRATION

ABSA Certificate of Authorization Permit, Reg No. AQP-8329 issued to Greenfire Hangingstone Operating Corporation on June 14, 2019

SCHEDULE "B"
FORM OF GENERAL CONVEYANCE

GENERAL CONVEYANCE

THIS GENERAL CONVEYANCE made the ___ day of _____, 202__.

BETWEEN:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 ("**Vendor**")

– and –

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 ("**Purchaser**")

WHEREAS pursuant to the provisions of an Asset Sale Agreement dated December [●], 2020 between the Vendor and the Purchaser (the "**Sale Agreement**"), the Purchaser has agreed to purchase the Vendor's interest in the "Assets", as defined in the Sale Agreement, subject to the terms and conditions set forth in the Sale Agreement;

NOW THEREFORE THIS GENERAL CONVEYANCE WITNESSES that the Vendor and Purchaser agree as follows:

1. **Definitions**

Unless otherwise defined in this General Conveyance, capitalized words when used in this General Conveyance have the meaning ascribed to them in the Sale Agreement.

2. **Conveyance**

Pursuant to and for the consideration provided for in the Sale Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser Vendor's entire right, title, estate and interest in and to the Assets, and Purchaser hereby purchases and accepts the Assets, to have and to hold the same absolutely, together with all benefits and advantages to be derived therefrom, subject to the terms and conditions of the Sale Agreement.

3. **Subordinate Documents**

This General Conveyance is executed and delivered by the parties hereto pursuant to and for the purposes of the provisions of the Sale Agreement and the provisions of the Sale Agreement shall prevail and govern in the event of a conflict between the provisions of the Sale Agreement and this General Conveyance.

4. **Enurement**

This General Conveyance shall be binding upon and shall enure to the benefit of the Parties hereto and their respective administrators, trustees, receivers, successors and permitted assigns.

5. **Further Assurances**

000923

Each Party hereto will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms of this General Conveyance.

6. Merger

Nothing contained in this General Conveyance shall in any way result in a merger of the terms and conditions of the Sale Agreement with the terms and conditions of this General Conveyance and the parties hereto specifically agree that all such terms and conditions of the Sale Agreement shall continue to apply to the within conveyance.

7. Governing Law

This General Conveyance shall be governed by and construed in accordance with the laws of the Province of Alberta.

8. Counterpart Execution

This General Conveyance may be executed and delivered in any number of counterparts with the same effect as if all signatories to the counterparts had signed one document. All such counterparts shall together constitute and be construed as one and the same instrument. For avoidance of doubt, a signed counterpart provided by way of facsimile transmission or other electronic means shall be as binding upon the Parties as an originally signed counterpart.

IN WITNESS WHEREOF the Parties hereto have executed this General Conveyance as of the date first written above.

GREENFIRE HANGINGSTONE OPERATING CORPORATION

GREENFIRE ACQUISITION CORPORATION

Per:

Per:

Name:
Title:

Name:
Title:

SCHEDULE "C"
ESCROW AGREEMENT

See attached.

ESCROW CLOSING AGREEMENT

THIS AGREEMENT made effective as of this • day of •, 2020.

AMONG:

GREENFIRE HANGINGSTONE OPERATING CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having an office at 1650, 444 5th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 2T8 (the "**Assignor**")

-and-

GREENFIRE ACQUISITION CORPORATION, a body corporate registered to carry on business in the Province of Alberta and having a registered office at 4600, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 (the "**Assignee**")

- and -

TRAFIGURA CANADA GENERAL PARTNERSHIP, a general partnership formed under the laws of the Province of Alberta and having an office at 1200, 250 – 2nd Street SW, Calgary, in the Province of Alberta, Canada, T2P 0C1 (the "**Interim Lender**")

-and-

BURNET, DUCKWORTH & PALMER LLP, a limited liability partnership carrying on the practice of law in the Province of Alberta and having a registered office at 2400, 525 – 8th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 1G1 (the "**Escrow Agent**")

- and -

ALVAREZ & MARSAL CANADA INC., in its capacity as proposal trustee in the Bankruptcy and Insolvency Act proposal proceedings of the Assignor, having an office at 1110, 250 – 6th Avenue SW, Calgary, in the Province of Alberta, Canada, T2P 3H7, and not in its personal or corporate capacity (the "**Proposal Trustee**")

WHEREAS:

- A. By an Asset Purchase and Sale Agreement made •, 2020 between Assignor and Assignee (the "**Sale Agreement**"), Assignor has agreed to sell, assign, transfer and convey and Assignee has agreed to purchase and receive the Assets on the terms specified in the Sale Agreement.
- B. By an Interim Financing Term Sheet dated [•], 2020, the Interim Lender agreed to, among other things, deliver the Escrowed Funds to the Escrow Agent on the Escrow Closing Date.
- C. In accordance with Sections 2.02 and 4.01 of the Sale Agreement, concurrent with the

execution hereof, Assignee has caused to be delivered by the Interim Lender the Escrowed Funds and the Parties have delivered the Escrowed Documents to the Escrow Agent to be held in escrow in accordance with the provisions of this Escrow Agreement.

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties hereto have agreed as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Sale Agreement and, in addition:

- (a) **"Direction"** means the Final Closing Joint Direction or the Termination Joint Direction.
- (b) **"Escrow Agreement"** means this Escrow Closing Agreement together with all schedules hereto.
- (c) **"Escrowed Funds"** means the Escrowed Funds paid pursuant to Section 2.06 of the Sale Agreement, being \$[•].
- (d) **"Expenses"** has the meaning provided in Clause 5.1(d).
- (e) **"Final Closing Joint Direction"** has the meaning provided in Clause 4.1(a)(i).
- (f) **"Party"** means a Party to this Agreement, and **"Parties"** means all of the Parties to this Escrow Agreement.
- (g) **"Proposal Trustee's Certificate"** means the Proposal Trustee's certificate, substantially in the form of Schedule "A" to the Alberta Standard Template Approval and Vesting Order, forming part of the Escrowed Documents.
- (h) **"Sale Agreement"** has the meaning provided in the recitals.
- (i) **"Termination Joint Direction"** has the meaning provided in Clause 4.1(a)(ii).

1.2 Headings

The expressions "Article", "Section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, Section, subsection, clause, subclause, paragraph and schedule of or to this Escrow Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Escrow Agreement into Articles, Sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Escrow Agreement.

1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the

plural and vice versa, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders. The word "including" shall be construed for all purposes of this Escrow Agreement as "including, without limitation."

1.5 Business Day

Whenever any payment to be made or action to be taken under this Escrow Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.

1.6 Currency

All dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein and unless otherwise indicated, payments are to be made in Canadian funds, in immediately available funds.

1.7 Schedules

The following schedules are appended to and form part of this Escrow Agreement:

Schedule "A" - Form of Final Closing Joint Direction

Schedule "B" - Form of Termination Joint Direction

ARTICLE 2 APPOINTMENT OF ESCROW AGENT

2.1 Appointment of Escrow Agent

The Parties hereby appoint the Escrow Agent as the escrow agent to receive, hold and administer the Escrowed Documents and the Escrowed Funds subject to the terms and conditions of this Escrow Agreement.

2.2 Acceptance of Appointment

The Escrow Agent hereby accepts such appointment and hereby declares that it will hold the Escrowed Documents and the Escrowed Funds, in escrow, subject to the terms and conditions of this Escrow Agreement.

2.3 Investment of Escrowed Funds

The Escrow Agent may deposit the Escrowed Funds into an interest-bearing trust account with a Canadian chartered bank. The Escrow Agent makes no representation as to the yield available upon the Escrowed Funds, shall bear no liability for any failure to achieve the maximum possible yield from the Escrowed Funds and shall not be responsible for any failure of the Canadian chartered bank with whom the Escrow Agent deposits the Escrowed Funds. If Assignor or Assignee receives interest, if any, on the Escrowed Funds, such Party shall pay all income and other taxes applicable thereto or exigible thereon *pro rata* to the portion of the Escrowed Funds released thereto.

**ARTICLE 3
DELIVERY INTO ESCROW**

3.1 Delivery into Escrow

Concurrent with the execution hereof:

- (a) the Escrowed Funds shall be delivered to the Escrow Agent by the Interim Lender on behalf of the Assignee;
- (b) the Escrowed Documents executed by Assignor, Assignee and Interim Lender, as applicable, shall be delivered to the Escrow Agent by Assignor and Assignee pursuant to Section 4.01(a)(i) and 4.01(b)(i) of the Sale Agreement; and
- (c) the Proposal Trustee shall deliver the signed and undated Proposal Trustee's Certificate to the Escrow Agent.

Assignee and Assignor agree that the Escrowed Documents shall not have any effect or confer any rights on Assignee or Assignor until released from escrow in accordance with the terms hereof.

**ARTICLE 4
ESCROW RELEASE PROVISIONS**

4.1 Operation of Escrow

- (a) Upon receiving:
 - (i) a joint direction to close executed by each of Assignor, Assignee, the Proposal Trustee and the Interim Lender in the form set out in Schedule "A" (a "**Final Closing Joint Direction**"); or
 - (ii) a joint direction to terminate executed by each of Assignor, Assignee, the Proposal Trustee and the Interim Lender in the form set out in Schedule "B" (the "**Termination Joint Direction**"),

the Escrow Agent shall comply with same within two (2) Business Days of receipt of the Direction.

- (b) Notwithstanding the foregoing in clause 4.1(a), if the Escrow Agent is of the view that the directions provided to it in connection with the Escrowed Documents or Escrowed Funds and any interest earned thereon, by Assignor, Assignee, Interim Lender and/or Proposal Trustee are unclear, incomplete or contradictory or may be contrary to the provisions of this Escrow Agreement, the Escrow Agent shall be entitled to make an application to the Court of Queen's Bench of Alberta for advice and direction and, to the extent the Escrow Agent acts in accordance with such advice and direction, neither the Escrow Agent nor its partners, associates or employees will have any liability to Assignor, Assignee, Interim Lender or Proposal Trustee for any claim, proceeding, loss, damages, liability or expense arising from such actions.

**ARTICLE 5
CONCERNING THE ESCROW AGREEMENT**

5.1 Duties, Liability and Indemnification of Escrow Agent

The acceptance by the Escrow Agent of its duties and obligations under this Escrow Agreement are subject to the following terms and conditions, which the Parties agree will govern and control the Escrow Agent with respect to its rights, duties, liabilities and immunities with respect to the Escrowed Funds and the Escrowed Documents:

- (a) neither the Escrow Agent nor its employees, servants, agents and associates will be liable or accountable for any loss or damage whatsoever to any Person, including but not limited to Assignor, Assignee, Interim Lender and Proposal Trustee and each of their officers, directors, shareholders and affiliates, caused by its performance of or its failure to perform its duties and responsibilities under this Escrow Agreement, save only to the extent that such loss or damage is attributable to the gross negligence or wilful misconduct of the Escrow Agent, having regard to the fact, which is hereby acknowledged by Assignor, Assignee, Interim Lender and Proposal Trustee, that the Escrow Agent is not engaged in the business of providing escrow services;
- (b) the Escrow Agent will have no duties or responsibilities except those which are expressly set forth herein, and the rights, duties, liabilities and immunities of the Escrow Agent may not be altered without its prior written consent;
- (c) upon release and delivery by the Escrow Agent of all of the Escrowed Funds and the Escrowed Documents as provided for in this Escrow Agreement, the Escrow Agent will be released and forever discharged from all of its duties and responsibilities hereunder;
- (d) in acting hereunder, the Escrow Agent will be jointly and severally indemnified and saved harmless by Assignor and Assignee from all expenses, liabilities, claims, suits, damages, costs (including any costs incurred by the Escrow Agent pursuant to paragraph (e) below) and demands whatsoever and howsoever arising (collectively, the "**Expenses**") in connection with the performance by it of its duties and responsibilities under this Escrow Agreement, save only to the extent that the Expenses arise directly from the gross negligence or wilful misconduct of the Escrow Agent, its servants, agents and associates, having regard to the fact that the Escrow Agent is not engaged in the business of providing escrow services. This indemnity shall survive the termination of the escrow arrangements provided for in this Escrow Agreement;
- (e) the Escrow Agent may act on the opinion or advice obtained from its counsel or other professional advisors duly qualified to practice in the Province of Alberta, and will not be responsible for any loss occasioned by doing so, nor will it incur any liability or responsibility for deciding in good faith not to act upon such opinion or advice; and
- (f) the Escrow Agent may rely upon any direction, document or instrument delivered to it in compliance or purporting to be in compliance with any provision of this Escrow Agreement without any obligation whatsoever for it to make any inquiry as to its genuineness or the correctness of any statement made therein.

5.2 Resignation of the Escrow Agent

The Escrow Agent may resign and be discharged from any further duties or liabilities hereunder by giving two (2) Business Days' written notice to Assignor, Assignee, Interim Lender and Proposal Trustee or such

shorter notice as Assignor, Assignee, Interim Lender and Proposal Trustee may accept. Upon the resignation of the Escrow Agent, its successor will be forthwith appointed by the Parties (other than Escrow Agent) jointly, and failing such appointment, the Escrow Agent may apply to the Court of Queen's Bench of Alberta, Judicial District of Calgary, on such notice as such court may direct for the appointment of a new escrow agent and upon such appointment, the Escrowed Funds and the Escrowed Documents will be transferred to the successor and the successor will be vested with the same powers, rights, duties and responsibilities as if the successor had been originally named as the escrow agent herein.

5.3 Actions Instituted by Escrow Agent

The Escrow Agent may, but is not obliged to, institute an action in any court of competent jurisdiction seeking instructions, inter alia, as to the release or retention of the Escrowed Funds and the Escrowed Documents and shall be entitled in its sole and arbitrary discretion, in the event of a dispute arising in respect of the Escrowed Funds and/or the Escrowed Documents, or any portion thereof, or otherwise in respect of this Escrow Agreement, to interplead any such dispute at the Court of Queen's Bench in Calgary, Alberta.

5.4 Acknowledgement Respecting the Escrow Agent

Assignee acknowledges that: (a) the Escrow Agent or its servants, agents or associates have provided legal advice and related services to Assignor in connection with the transactions contemplated in the Sale Agreement and this Escrow Agreement and agrees that the Escrow Agent may continue to provide legal advice and related services to Assignor in connection with such agreements; (b) the duties of the Escrow Agent hereunder are purely mechanical; and (c) the Escrow Agent is acting hereunder for the convenience of the Parties and shall not be impeached or accountable because of any conflicting or potentially conflicting duties to Assignor or any advice provided to it. Further, all costs and expenses incurred by the Escrow Agent in performing its duties hereunder shall be equally borne by Assignor and Assignee, and will be those usually charged in performing legal services which will be based on the Escrow Agent's standard hourly rates in effect from time to time.

5.5 Compliance with Judgments

If any dispute arises out of this Escrow Agreement or any process is commenced against the subject matter of this Escrow Agreement, including court orders, garnishees or any other processes, the Escrow Agent is hereby empowered and entitled to comply with any orders, writs, judgements or decrees or, if it sees fit, to deliver the subject matter of the escrow to the Court of Queen's Bench of Alberta.

ARTICLE 6 GENERAL

6.1 Governing Law

This Escrow Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. The Parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Escrow Agreement.

6.2 Enurement

This Escrow Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their

respective administrators, trustees, receivers, successors and permitted assigns and transferees.

6.3 Notices

The addresses for service and the email addresses of the Parties hereto shall be as follows:

Assignor: Greenfire Hangingstone Operating Corporation
1650, 444 5th Avenue SW
Calgary, Alberta, Canada
T2P 2T8
Attention: Robert Logan
Email: [REDACTED]

Assignee: Greenfire Acquisition Corporation
4600, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Venkat Siva
Email: [REDACTED]

Escrow Agent: Burnet, Duckworth & Palmer LLP
2400, 525 – 8th Avenue SW
Calgary, Alberta, Canada
T2P 1G1
Attention: Natasha Wood
Email: nwood@bdplaw.com

Interim Lender: Trafigura Canada General Partnership
1200, 250 – 2nd Street SW
Calgary, Alberta, Canada
T2P 0C1
Attention: •
Email: •

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;
- (b) by electronic mail transmission to a Party to the email address of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing.

A Party may from time to time change its address for service or its email address or both by giving written notice of such change to the other Parties in accordance with the provisions hereof.

6.4 Counterpart and Facsimile

This Escrow Agreement may be executed in separate counterparts and delivered by electronic mail and each counterpart when so executed and delivered, will be deemed to be an original all of which, when taken together, will constitute one and the same instrument and production of an originally executed or electronic mail copy of each counterpart execution page will be sufficient for purposes of proof of the execution and delivery of this Escrow Agreement. Any Party delivering this Escrow Agreement by electronic mail undertakes to deliver, within a reasonable time, an executed original.

Signature page follows.

IN WITNESS WHEREOF the Parties hereto have executed this Escrow Agreement as of the day and year first above written.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

**GREENFIRE ACQUISITION
CORPORATION**

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely
in its capacity of proposal trustee in the notice of
intention to make a proposal proceedings of
**GREENFIRE HANGINGSTONE
OPERATING CORPORATION** and not in its
personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**BURNET, DUCKWORTH & PALMER LLP,
in its capacity as Escrow Agent**

Per: _____
Name:
Title:

SCHEDULE "A"

FINAL CLOSING JOINT DIRECTION

TO: Escrow Agent


RE: Escrow Agreement (the "**Escrow Agreement**") dated as of ●, 2020, among Greenfire Hangingstone Operating Corporation ("**Assignor**"), Greenfire Acquisition Corporation ("**Assignee**"), Alvarez & Marsal Canada Inc. solely in its capacity as proposal trustee in the notice of intention to make a proposal proceedings of the Assignor and not in its personal or corporate capacity ("**Proposal Trustee**"), Trafigura Canada General Partnership (the "**Interim Lender**") and Burnet, Duckworth & Palmer LLP (the "**Escrow Agent**")

AND RE: Purchase and Sale Agreement (the "**Sale Agreement**") dated as of ●, 2020 between Assignor and Assignee

All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement or Sale Agreement, as applicable.

The undersigned hereby unconditionally and irrevocably direct the Escrow Agent, in accordance with clause 4.1(a)(i) of the Escrow Agreement, to:

(a) deliver the Escrowed Funds and any interest earned thereon as follows pursuant to Section 6.01(b)(i)(C) of the Sale Agreement:

(i) **[to the Interim Lender, on behalf of the Assignee,** 

Re:	Trafigura Canada General Partnership
Bank Name :	•
Canadian Routing Code:	•
SWIFT Code:	•
ABA Number :	•
Bank Number :	•
Transit Number :	•
Beneficiary Name :	Trafigura Canada General Partnership
Beneficiary Address :	1200, 250 – 2nd Street SW Calgary, Alberta, Canada
Beneficiary Account No. :	•

and]

(ii) to Assignor, [REDACTED] and [REDACTED]

(b) date the Escrowed Documents [•], 202[•] and deliver one copy of the Escrowed Documents to Assignor, one copy of the Escrowed Documents to the Proposal Trustee and the remaining copies of the Escrowed Documents to Assignee pursuant to Sections 6.01(b)(i)(A) and (B) of the Sale Agreement.

DATED this [•] day of [•], 202•.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

**GREENFIRE ACQUISITION
CORPORATION**

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely
in its capacity as proposal trustee in the notice of
intention to make a proposal proceedings of
**GREENFIRE HANGINGSTONE
OPERATING CORPORATION** and not in its
personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "B"

TERMINATION JOINT DIRECTION

TO: Escrow Agent

RE: Escrow Agreement (the "**Escrow Agreement**") dated as of ●, 2020, among Greenfire Hangingstone Operating Corporation ("**Assignor**"), Greenfire Acquisition Corporation ("**Assignee**"), Alvarez & Marsal Canada Inc. solely in its capacity as proposal trustee in the notice of intention to make a proposal proceedings of the Assignor and not in its personal or corporate capacity ("**Proposal Trustee**"), Trafigura Canada General Partnership (the "**Interim Lender**") and Burnet, Duckworth & Palmer LLP (the "**Escrow Agent**")

AND RE: Purchase and Sale Agreement (the "**Sale Agreement**") dated as of ●, 2020 between Assignor and Assignee

All capitalized terms used herein will have the meaning ascribed to such terms in the Escrow Agreement or the Sale Agreement, as applicable.

The undersigned hereby unconditionally and irrevocably direct the Escrow Agent, in accordance with clause 4.1(a)(ii) of the Escrow Agreement, to:

- (a) return the Escrowed Funds and any interest earned thereon to the Interim Lender, on behalf of the Assignee, pursuant to Section 6.01(a)(ii) of the Sale Agreement by wire transfer as follows:

Re:	Trafigura Canada General Partnership
Bank Name :	•
Canadian Routing Code:	•
SWIFT Code:	•
ABA Number :	•
Bank Number :	•
Transit Number :	•
Beneficiary Name :	Trafigura Canada General Partnership
Beneficiary Address :	1200, 250 – 2 nd Street SW Calgary, Alberta, Canada
Beneficiary Account No. :	•

and

- (b) destroy all copies of the Escrowed Documents as contemplated by Section 6.01(a)(i) of the Sale Agreement.

DATED this [●] day of [●], 202●.

GREENFIRE HANGINGSTONE

GREENFIRE ACQUISITION

OPERATING CORPORATION

CORPORATION

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**TRAFIGURA CANADA GENERAL
PARTNERSHIP**

ALVAREZ & MARSAL CANADA INC. solely
in its capacity as proposal trustee in the notice of
intention to make a proposal proceedings of
GREENFIRE HANGINGSTONE
OPERATING CORPORATION and not in its
personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "D"

ASSIGNABLE AGREEMENTS

1. **JACOS Hangingstone SAGD Operation Agreement** dated January 25, 2005 among Petro-Canada, Nexen Inc., Imperial Oil Resources Ventures Limited and Greenfire Hangingstone Operating Corporation
2. **Electricity: Site D41666**
 - o Sites D18535 will need to be shared between Greenfire and JACOS
3. **Electrical Service Agreements**

ATCO Project #	Legal Land Description	Site ID	Effective Date	Expiration Date	Contract Demand	Price Schedule	Notes
					Distribution		
D41666	13-26-84-11W4M	0010455587412	14-Sep-2013	13-Sep-2038	898 kW	D31 [Option H(b)]	
D18535	SE-11-84-11-W4M	0010049061621	10-Jan-2006	9-Jan-2031	32 kW	D31	<i>Shared meter between HE (~5%) and Demo (~95%). Parties to discuss logistics of allowing JACOS to use meter on limited basis</i>

4. **Natural Gas: Firm Transport at Delivery Point Meter 6012.**

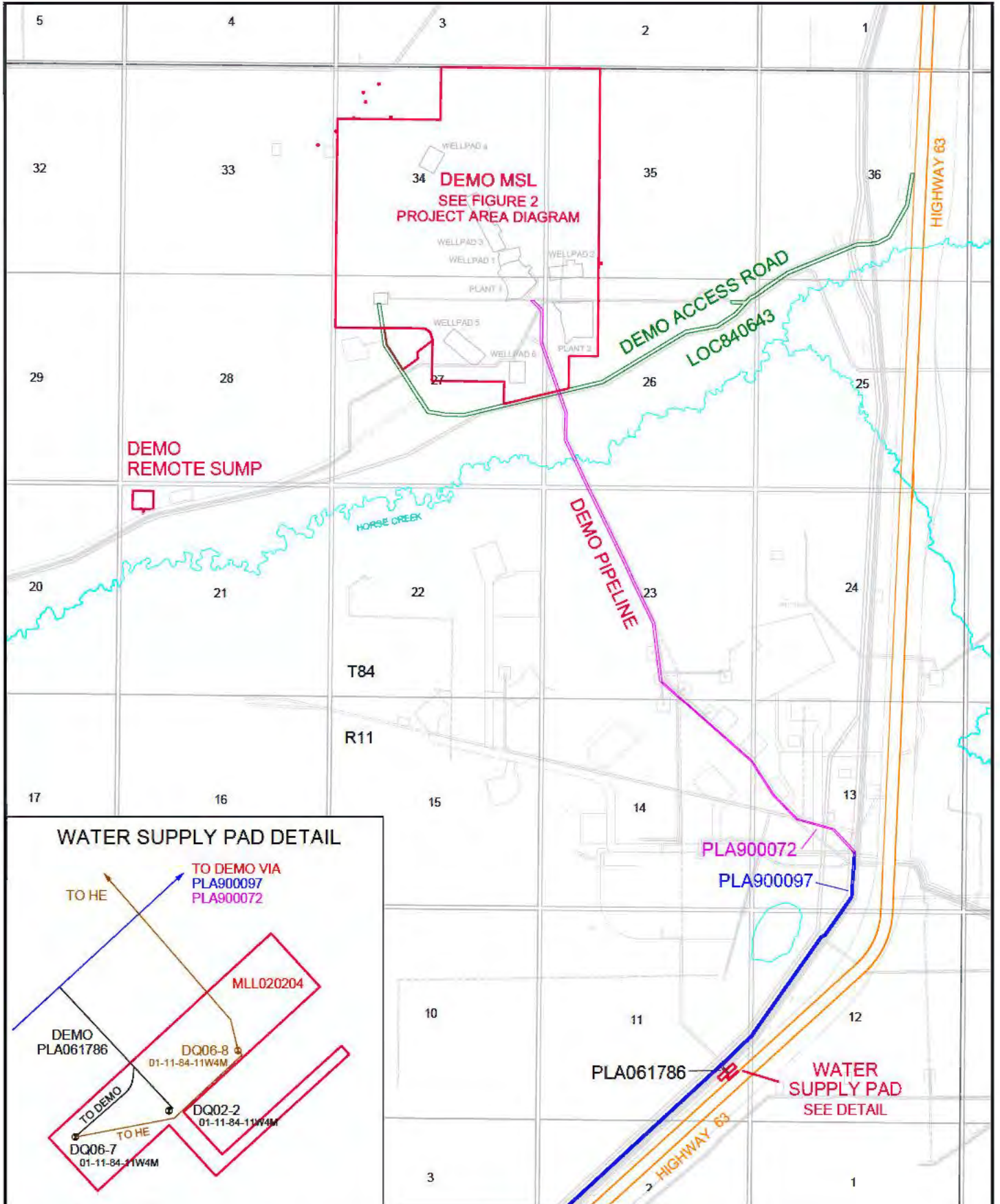
Pipeline	Delivery Point	Transportation Type	GJ/Day	Price Point	Start Date	End Date	Secondary Term Eligibility	Notes
NGTL	6012: JAPAN CANADA SALES	FT-D2	2,000	X	1-Nov-14	31-Oct-19	1-Nov-14	
NGTL	6012: JAPAN CANADA SALES	FT-D2	8,000	Z	1-Nov-15	31-Oct-19	1-Nov-10	<i>* ONE YEAR RENEWAL TO 10/31/2019</i>

5. **Master Road Use Agreement** dated July 31, 2018 between Greenfire Hangingstone Operating Corporation and JACOS
6. **Non Convertible Gross Overriding Royalty Agreement** dated August 3, 2018 between Greenfire Hangingstone Operating Corporation and JACOS

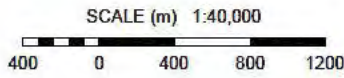
7. **Master Road Use Agreement** dated January 1, 2019 between Greenfire Hangingstone Operating Corporation and Pembina Pipeline Corporation
8. **Water Sale Agreement** dated July 1, 2019 between JACOS Greenfire Hangingstone Operating Corporation
9. **Master Road Use Agreement** dated July 1, 2019 between Greenfire Hangingstone Operating Corporation and Northland Forest Products Ltd.
10. **Master Road Use Agreement** dated May 13, 2020 between Greenfire Hangingstone Operating Corporation and NOVA Gas Transmission Ltd.

SCHEDULE "E"
PROJECT AREA DIAGRAM

See attached.



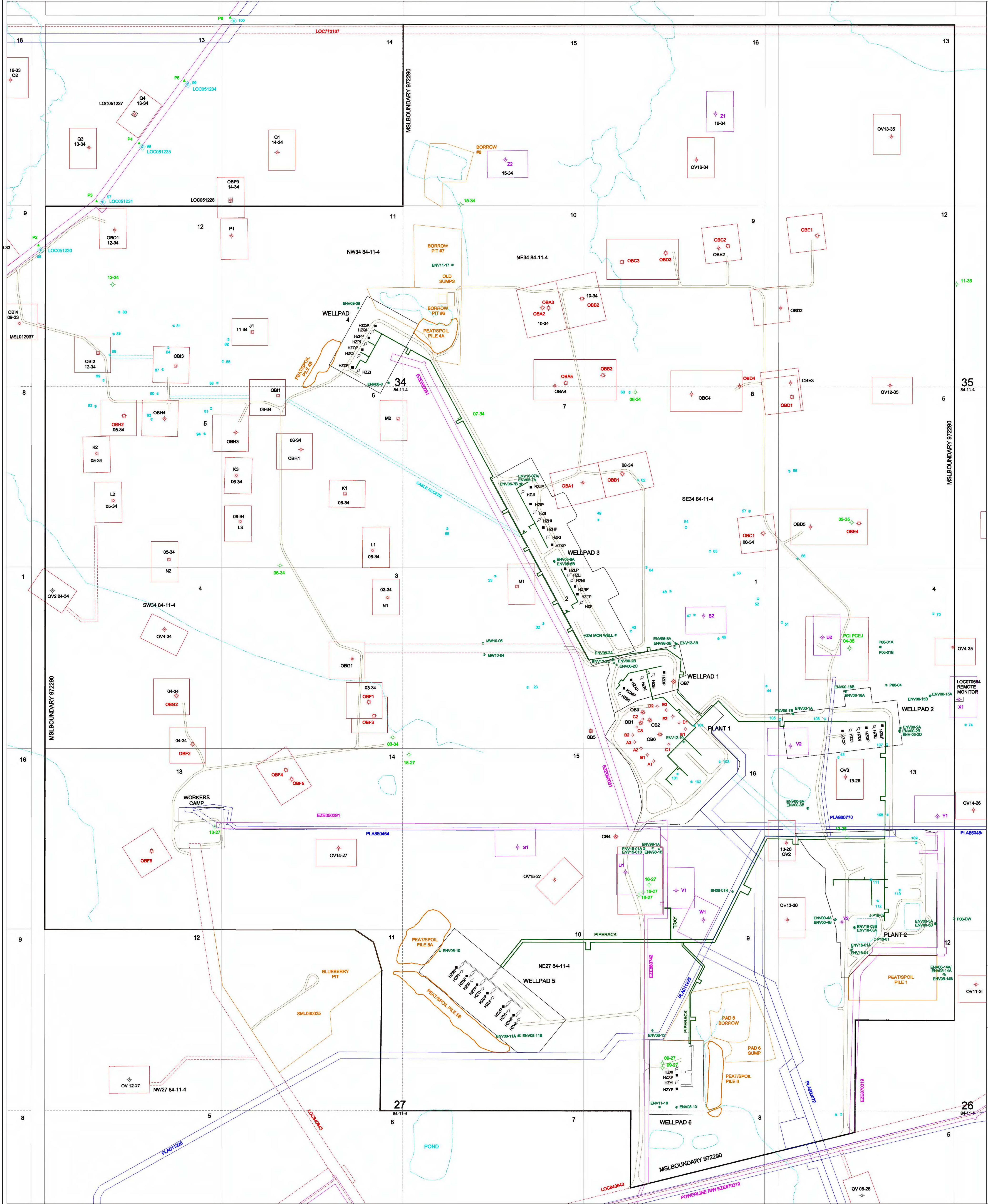
Drawn By:
RWC
Date:
2018-03-15



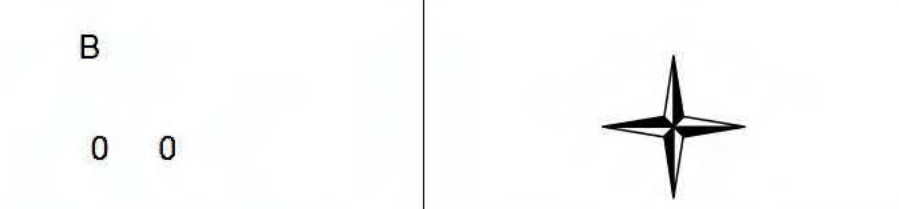
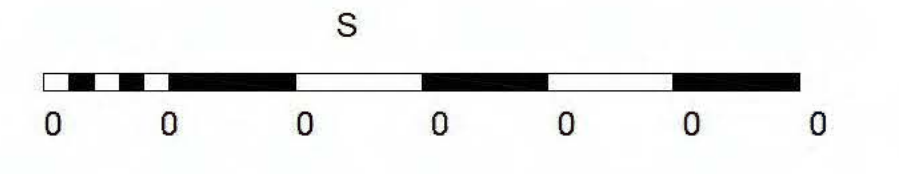
JACOS
Japan Canada Oil Sands Limited
DEMOPOTENTIAL SALES/OVERVIEW MAP

FIGURE 1
OVERVIEW MAP

000942



- Y
- S
- S
- S
- S
- S
- V
- 00 00
- Y B
- BS V
- BS V
- BS V
- B









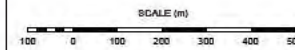
JACOS
Japan Canada Oil Sands Limited

**GURE 2
SCHEDULE "E"
RO EC AREA
DIAGRAM**

SCHEDULE "F"
ACCESS ROAD DIAGRAM

See attached.

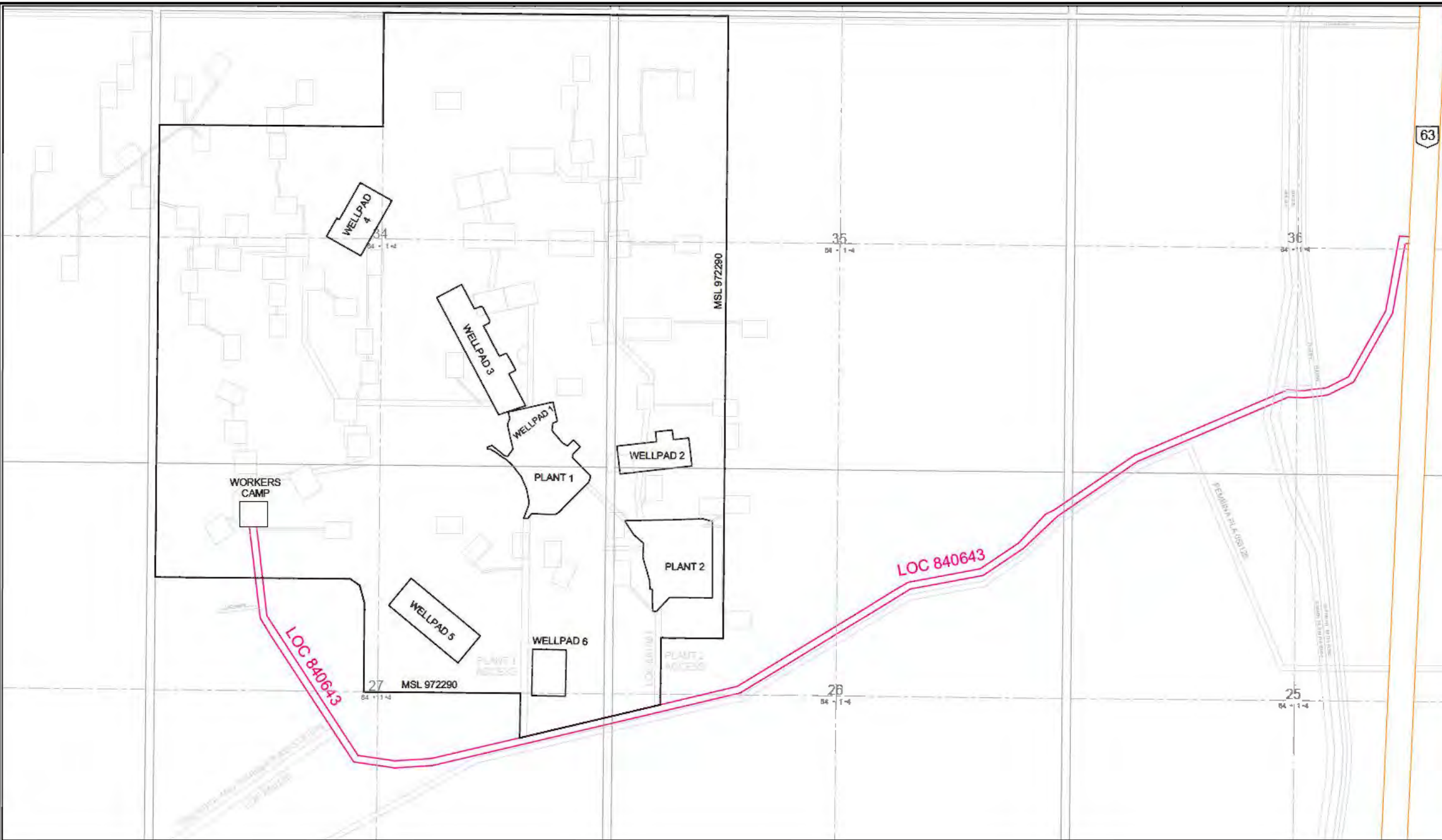
- LEGEND**
-  HIGHWAY
 -  ACCESS ROAD
 -  OTHER ROAD
 -  SECTION LINE
 -  QUARTER SECTION LINE
 -  JACOS WELL SITE



Drawn By: RWC
 Checked By:
 Date: 2010-03-08



SCHEDULE "F"
 ACCESS ROAD
 DIAGRAM
 000945



SCHEDULE "G"

FORM OF CERTIFICATE FOR VENDOR

TO: Greenfire Acquisition Corporation ("Purchaser")

RE: Asset Sale Agreement made as of December _____, 2020 between Greenfire Hangingstone Operating Corporation as Vendor and Greenfire Acquisition Corporation as Purchaser. (the "**Sale Agreement**")

The undersigned, [●], being the [Title] of Vendor hereby certifies, for and on behalf of Vendor and not in their personal capacity, as follows:

1. The undersigned is personally familiar, in their capacity as an officer of Vendor, with the matters hereinafter certified.
2. This certificate is made and delivered pursuant to Section 4.01(b)(ii)(A) of the Sale Agreement.
3. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
4. Each of Vendor's representations and warranties set forth in Section 7.01 of the Sale Agreement:
 - (a) was true and correct in all material respects as of the date of the Sale Agreement; and
 - (b) is true and correct in all material respects as of the date of this Certificate;or, in each case, was true and correct in all material respects as of such other date or dates as specified therein (disregarding all qualifications in Vendor's representations and warranties as to "material", "material adverse effect" or similar references to materiality).
5. All obligations and covenants of Vendor to be performed or complied with prior to or at Escrow Closing (other than in respect to the agreements, certificates and other instruments and documents to be delivered at Escrow Closing by Vendor pursuant to Section 4.01(a) of the Sale Agreement) have been performed or complied with in all material respects.
6. No Material Adverse Effect has occurred from the date of the Sale Agreement to the Escrow Closing Time.
7. Each of Vendor's conditions set forth in Section 3.01 of the Sale Agreement has been satisfied or waived as of the Escrow Closing Time.

DATED at Calgary, Alberta, as of the _____ day of _____, 2020.

**GREENFIRE HANGINGSTONE
OPERATING CORPORATION**

Per: _____
Name:
Title:

000946

FORM OF CERTIFICATE FOR PURCHASER

TO: Greenfire Hangingstone Operating Corporation ("Vendor")

RE: Asset Sale Agreement made as of December _____, 2020 between Greenfire Hangingstone Operating Corporation as Vendor and Greenfire Acquisition Corporation as Purchaser. (the "**Sale Agreement**")

The undersigned, [•], being the [Title] Purchaser, hereby certifies, for and on behalf of Purchaser and not in their personal capacity, as follows:

1. The undersigned is personally familiar, in their capacity as an officer of Purchaser, with the matters hereinafter mentioned.
2. This certificate is made and delivered pursuant to Section 4.01(b)(ii)(A) of the Sale Agreement.
3. The definitions contained in the Sale Agreement are adopted and in this Certificate wherever used shall have the meanings ascribed to them in the Sale Agreement.
4. Each of Purchaser's representations and warranties set forth in Section 7.02 of the Sale Agreement:
 - (a) was true and correct in all material respects as of the date of the Sale Agreement; and
 - (b) is true and correct in all material respects as of the date of this Certificate;or, in each case, was true and correct in all material respects as of such other date or dates as specified therein (disregarding all qualifications in Purchaser's representations and warranties as to "material", "material adverse effect" or similar references to materiality).
5. All obligations and covenants of Purchaser to be performed or complied with prior to or at Escrow Closing (other than in respect to the agreements, certificates and other instruments and documents to be delivered at Escrow Closing by Purchaser pursuant to Section 4.01(b) of the Sale Agreement) have been performed or complied with, in all material respects.
6. Each of Purchaser's conditions set forth in Section 3.02 of the Sale Agreement has been be satisfied or waived as of the Escrow Closing Time.

DATED at Calgary, Alberta, as of the _____ day of _____, 2020.

**GREENFIRE ACQUISITION
CORPORATION**

Per: _____
Name:
Title:

000947

SCHEDULE "H"
DISCLOSURE SCHEDULE

Bankruptcy Proceedings

- On October 8, 2020, each of On October 8, 2020, each of Greenfire Oil and Gas Ltd. ("**GOGL**") and Greenfire Hangingstone Operating Corporation ("**GHOPCO**" and collectively, "**Greenfire**") filed a Notice of Intention to Make a Proposal (collectively, the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) with the Office of the Superintendent of Bankruptcy. Alvarez & Marsal Canada Inc. is the Proposal Trustee of both GOGL and GHOPCO.
- On October 16, 2020, Greenfire applied to the Alberta Court of Queen's Bench (the "**Court**") for an Order, among other things, consolidating, for procedural purposes only, the Alberta Court of Queen's Bench in Bankruptcy and Insolvency Estate Nos. 25-2679073 and 25-2679074 into Estate No. 25-2679073 (the "**Consolidated Proposal Proceeding**"). Accordingly, pursuant to the October 16, 2020 Order, any pleadings or other documents served or filed in the Consolidated proposal Proceeding by any party shall be deemed to have been served or filed in each of the proceedings comprising the Consolidated Proposal Proceeding.
- Greenfire continues to be subject to the Consolidated Proposal Proceeding and Greenfire remains subject to the *Bankruptcy and Insolvency Act* (Canada) and the supervision of the Court.

Warner Litigation

- Vendor issued a notice to Warner Petroleum Corporation ("**Warner**") on November 6, 2020 to disclaim the April 15, 2019 Marketing Agreement entered into between GHOPCO, GOGL and Warner (defined in this Agreement as the "**Warner Contract**") (the "**Disclaimer Notice**").
- On November 17, 2020 Greenfire obtained an Order from the Court, declaring, among other things:
 - the Disclaimer Notice was valid and effective;
 - pursuant to s.65.11(6)(b) of the *Bankruptcy and Insolvency Act* (Canada), the Warner Contract is disclaimed or resiliated on December 6, 2020;
 - the Warner Cotntract is not an "eligible financial contract" within the meaning of the *Bankruptcy and Insolvency Act* (Canada); and
 - the Marketing Agreement does not grant Warner an "interest in land" in any of Greenfire's property.
- On November 27, 2020, Warner filed a Civil Notice of Appeal in Court of Appeal File No. 2001-0228AC. Warner has both filed its appeal as of right under ss.193(a),(b) and (c) of the *Bankruptcy and Insolvency Act* (Canada) as well as filing an Application for leave to appeal pursuant to s.193(e), scheduled for January 19, 2021.

AER Order

- See attached:
 - Order RCAM 2020-001 issued by the AER and dated November 17, 2020
 - AER Response Letter dated November 25, 2020 re RCAM 2020-001 Extension

000948

Made at Bonnyville AB, in the
Province of Alberta, on

November 17, 2020

ALBERTA ENERGY REGULATOR

Under section 26.2 of the *Oil and Gas Conservation Act (OCGA)* and section 22.1 of the *Pipeline Act*

Greenfire Hangingstone Operating Corporation (A7P4)

Suite 1650, 444 – 5 AVE SW
Calgary, AB T2P 2T8

WHEREAS Greenfire Hangingstone Operating Corporation (Greenfire) is the holder of the Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A (the Sites);

WHEREAS on October 8, 2020, Greenfire filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS on November 6, 2020, Greenfire obtained an extension to November 20, 2020, to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*;

WHEREAS Greenfire has an Active status in the Alberta Corporate Registry as of November 17, 2020.

WHEREAS Greenfire has reported to the AER that in spring of 2020 Greenfire suspended operations at the Sites without protection from freezing temperatures;

WHEREAS freezing temperatures may result in harm to the integrity of the Sites and release of substances to the environment;

WHEREAS Greenfire has reported to the AER that no subsurface monitoring has occurred since operations were suspended in spring of 2020;

WHEREAS Colin Woods, Manager, Compliance & Liability Management Field Operations East (Director) has authority for the purpose of issuing Orders under the *OCGA* and *Pipeline Act*;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at the Sites;

Therefore, I, Colin Woods, Manager, Compliance & Liability Management Field Operations East, under section 26.2 of the *OCGA*, and section 22.1 of the *Pipeline Act*, DO HEREBY ORDER the following:

Action Items

1. Greenfire shall **immediately** report in writing that Greenfire's posted emergency number 000949 will remain active and will initiate an immediate response when called.

2. By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.

Action Plan

3. On or before **November 23, 2020**, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

4. On or before **December 7, 2020**, Greenfire shall submit to the satisfaction of the AER, a Subsurface Action Plan to monitor or take preventative action to detect or prevent a subsurface loss of containment.

5. Implement the above Action Plans as authorized until otherwise directed by the AER in writing.

Reporting

6. All Plans and Reports to be submitted to the Director under this order shall be submitted to fieldoperationseast@aer.ca

General

7. In carrying out the requirements of this Order, Greenfire shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt.

8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Bonnyville in the Province of Alberta, the 17th day of November, 2020.



Colin Woods

Manager, Compliance & Liability Management, Field Operations East
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA* or *Pipeline Act* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliance's from occurring.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix A

Table 1: Well Licences

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0483436	F1/01-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424893	10/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424892	09/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424838	07/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0424837	06/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0419253	AA/13-26-084-11W4/2	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0375428	W0/13-35-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0375327	00/13-35-084-11W4/2 00/13-35-084-11W4/4 00/15-34-084-11W4/3 00/16-34-084-11W4/0	11-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0370910	02/03-35-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370909	02/14-26-084-11W4/0 02/14-26-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370903	00/03-35-084-11W4/0 00/03-35-084-11W4/2	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370901	00/14-26-084-11W4/0	09-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370727	03/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370726	18/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0370725	21/01-34-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0370724	03/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0367690	AF/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0367479	AC/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000952

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0366965	09/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366964	03/03-35-084-11W4/0	03-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366963	AE/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366962	AB/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0366961	10/16-27-084-11W4/0	16-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366691	02/04-35-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366690	16/01-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366688	W2/04-35-084-11W4/0	10-27-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0366687	02/08-34-084-11W4/0	10-27-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0366675	AB/04-35-084-11W4/0	04-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0324493	03/13-34-084-11W4/0	13-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0323896	AC/13-26-084-11W4/0	13-26-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0319542	00/14-34-084-11W4/0	14-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318834	03/12-34-084-11W4/0	12-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0318503	02/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318502	04/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318485	03/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0318484	00/13-34-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314411	02/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0314410	00/16-33-084-11W4/0	11-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0297267	06/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000953

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0296876	09/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296875	08/05-34-084-11W4/0	02-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296874	05/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296872	04/06-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0296871	07/06-34-084-11W4/0	02-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281690	00/11-34-084-11W4/0 05/09-33-084-11W4/2	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0281688	04/09-33-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281687	06/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0281685	05/05-34-084-11W4/0	07-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259728	03/09-33-084-11W4/0	09-33-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0259095	02/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259094	02/05-34-084-11W4/0	05-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259093	03/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0259092	04/13-27-084-11W4/0	13-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259091	02/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259090	00/14-27-084-11W4/0	14-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0259088	03/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242489	02/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242488	04/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242486	03/13-27-084-11W4/0	02-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0242483	00/09-33-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

000954

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0242482	03/05-34-084-11W4/0	07-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0242480	02/13-27-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240026	02/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240025	02/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240024	00/05-34-084-11W4/0	05-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240023	00/06-34-084-11W4/0	06-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0240022	02/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240021	00/03-34-084-11W4/0	03-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0240020	00/12-34-084-11W4/0	12-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0239728	00/04-34-084-11W4/0	04-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219033	04/08-34-084-11W4/0	08-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219032	AF/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219031	AE/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219030	AC/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219028	07/10-34-084-11W4/0	10-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219027	AA/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219024	AD/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0219023	00/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219022	07/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219021	00/05-35-084-11W4/0	05-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0219020	08/09-34-084-11W4/0	09-34-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0219019	AB/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0214840	06/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214839	05/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214838	04/09-34-084-11W4/0 04/09-34-084-11W4/2	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214837	03/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214836	02/09-34-084-11W4/0	04-35-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0214835	00/09-34-084-11W4/0	04-35-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0213618	02/12-35-084-11W4/0	12-35-084-11W4	Amended	Greenfire Hangingstone Operating Corporation	100.00%
W0213579	AA/09-34-084-11W4/0	09-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213576	AB/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213575	AB/05-35-084-11W4/0	05-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0213532	AB/12-35-084-11W4/0	12-35-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212103	06/10-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0212100	05/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0212096	04/10-34-084-11W4/0	01-34-084-11W4	Issued	Greenfire Hangingstone Operating Corporation	100.00%
W0212095	F1/10-34-084-11W4/0	01-34-084-11W4	Suspension	Greenfire Hangingstone Operating Corporation	100.00%
W0207219	02/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207217	02/07-34-084-11W4/0	07-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207216	00/08-34-084-11W4/0	08-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0207213	00/10-34-084-11W4/0	10-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%
W0140078	03/16-27-084-11W4/0	16-27-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

000956

Licence Number	UWI	Surface Location	Well Status	Responsible Party	Responsible Party Percent Interest
W0131674	00/01-34-084-11W4/0	01-34-084-11W4	Abandoned	Greenfire Hangingstone Operating Corporation	100.00%

Table 2: Facility Licences

Licence Number	Surface Location	Responsible Party	Percent Interest
F21408	16-27-084-11W4	Greenfire Hangingstone Operating Corporation	100%

Table 3: Pipeline Licences

Licence Number	From Location	To Location	Line Number
P53137	01-34-084-11W4	13-26-084-11W4	S-1
P53137	01-34-084-11W4	01-34-084-11W4	S-2
P53137	01-34-084-11W4	16-27-084-11W4	S-3
P53137	07-34-084-11W4	01-34-084-11W4	S-4
P53137	11-34-084-11W4	07-34-084-11W4	S-5
P53137	10-27-084-11W4	13-26-084-11W4	S-6
P53137	09-27-084-11W4	09-27-084-11W4	S-7
P53137	01-34-084-11W4	13-26-084-11W4	S-8
P53137	01-34-084-11W4	16-27-084-11W4	S-9
P53137	07-34-084-11W4	01-34-084-11W4	S-10
P53137	11-34-084-11W4	07-34-084-11W4	S-11
P53137	10-27-084-11W4	13-26-084-11W4	S-12
P53137	09-27-084-11W4	09-27-084-11W4	S-13
P53112	13-26-084-11W4	04-35-084-11W4	S-1
P53112	01-34-084-11W4	04-35-084-11W4	S-2
P53112	01-34-084-11W4	07-34-084-11W4	S-3
P53112	01-34-084-11W4	01-34-084-11W4	S-4
P53112	16-27-084-11W4	16-27-084-11W4	S-5
P53112	07-34-084-11W4	11-34-084-11W4	S-6
P53112	13-26-084-11W4	10-27-084-11W4	S-7
P53112	09-27-084-11W4	09-27-084-11W4	S-8
P53112	16-27-084-11W4	16-27-084-11W4	S-9
P53112	01-34-084-11W4	01-34-084-11W4	S-10
P53112	13-26-084-11W4	01-34-084-11W4	S-11
P53111	01-34-084-11W4	01-34-084-11W4	S-1
P53111	01-34-084-11W4	01-34-084-11W4	S-2
P53110	16-27-084-11W4	01-34-084-11W4	000957-1

Licence Number	From Location	To Location	Line Number
P53110	01-34-084-11W4	16-27-084-11W4	S-2
P53110	01-34-084-11W4	04-35-084-11W4	S-3
P53110	01-34-084-11W4	07-34-084-11W4	S-4
P53110	07-34-084-11W4	11-34-084-11W4	S-5
P53110	13-26-084-11W4	10-27-084-11W4	S-6
P53110	09-27-084-11W4	09-27-084-11W4	S-7
P53109	04-35-084-11W4	01-34-084-11W4	S-1
P53109	04-35-084-11W4	13-26-084-11W4	S-2
P53109	07-34-084-11W4	01-34-084-11W4	S-3
P53094	16-27-084-11W4	01-34-084-11W4	S-1
P53094	13-26-084-11W4	01-34-084-11W4	S-2
P53094	01-34-084-11W4	01-34-084-11W4	S-3
P53094	01-34-084-11W4	07-34-084-11W4	S-4
P53094	07-34-084-11W4	11-34-084-11W4	S-5
P53094	13-26-084-11W4	10-27-084-11W4	S-6
P53094	09-27-084-11W4	09-27-084-11W4	S-7
P53094	11-34-084-11W4	07-34-084-11W4	S-8
P53094	11-34-084-11W4	07-34-084-11W4	S-9
P53094	10-27-084-11W4	13-26-084-11W4	S-10
P53094	10-27-084-11W4	13-26-084-11W4	S-11
P53094	01-34-084-11W4	13-26-084-11W4	S-12
P53093	13-26-084-11W4	04-35-084-11W4	S-1
P53093	01-34-084-11W4	04-35-084-11W4	S-2
P53093	01-34-084-11W4	16-27-084-11W4	S-3
P53093	01-34-084-11W4	01-34-084-11W4	S-4
P53093	01-34-084-11W4	07-34-084-11W4	S-5
P53093	07-34-084-11W4	11-34-084-11W4	S-6
P53093	13-26-084-11W4	10-27-084-11W4	S-7
P53093	09-27-084-11W4	09-27-084-11W4	S-8
P24616	05-34-083-11W4	01-34-084-11W4	S-1
P24616	15-34-083-11W4	15-34-083-11W4	S-2
P24616	01-11-084-11W4	13-26-084-11W4	S-3
P24616	16-27-084-11W4	16-27-084-11W4	S-4
P24616	12-13-084-11W4	12-13-084-11W4	S-5
P21792	02-36-084-11W4	13-26-084-11W4	S-5
P21792	13-26-084-11W4	01-34-084-11W4	S-6

File No. 4005
November 25, 2020

Field Operations East
4903 – 51A Street
PO Box 5169
Bonnyville, Alberta T9N2G4
Canada

By email only

tel 780-826-5352
fax 780-826-2366

Mr. Robert B. Logan, Chairman
Greenfire Hangingstone Operating Corporation (A7P4)

www.aer.ca

Email: rlogan@greenfireoilandgas.com

**RE: Surface Action Plan and Request for Action Item #2 Extension
Order RCAM 2020-001**

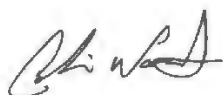
Mr. Logan:

The Alberta Energy Regulator (AER) acknowledges receipt of Greenfire Hangingstone Operating Corporation (Greenfire) Surface Action Plan, received November 23, 2020 (enclosed), as per *Order RCAM 2020-01*. The AER has reviewed and hereby accepts the plan as presented, contingent on Greenfire's anticipated debtor in possession financing, to be confirmed in court on December 8, 2020. Greenfire must update the AER on the outcome of this court proceeding by end of business day December 9, 2020, through the established Order communication process. Dependent on the outcome of these proceedings, the AER may require Greenfire to update its Surface Action Plan accordingly.

With respects to Greenfire's request to extend the deadline of Action Item #2 from December 1, 2020, to December 15, 2020, this request is approved. The AER may rescind this deadline extension approval at any time should conditions warrant.

Should you have any questions or concerns, please don't hesitate to contact me at 780-826-8334 (office) or alternate contact at 780-201-1737 (cell).

Regards,



Colin H.D. Woods, Manager, Compliance & Liability Management Field Operations East
Designated Director under the *OGCA* and *Pipeline Act*

CW/cla

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inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension
cc: Carole Hachey, Specialist Orphaning & Insolvency (Carole.Hachey@aer.ca)
David Phung, Greenfire (dphung@greenfireoilandgas.com)



November 22, 2020

Manager, Compliance & Liability Management, Field Operations East

Alberta Energy Regulator

Suite 1000, 250 5 Street SW

Calgary, Alberta T2P 0R4

Email: fieldoperationseast@aer.ca

RE: Order RCAM 2020-001 – Surface Action Plan

On or before November 23, 2020, Greenfire shall submit to the satisfaction of the AER, a Surface Action Plan that addresses all actions that Greenfire will take to ensure reasonable care and measures are being taken at all Sites.

To whom it may concern,

Greenfire Hangingstone Operation Corporation ("**Greenfire**"), as the current holder of Alberta Energy Regulator (AER) well, facility, and pipeline licences listed in Appendix A of Order RCAM 2020-001

Greenfire's plan is to restart the Hangingstone site including making any repairs necessary to ensure the safety, integrity and operability of the SAGD plant and wells.

Greenfire has the majority of its former employees ready to restart operations and to protect the facility from further damages due to freezing. Restarting operations is contingent upon receiving debtor in possession (DIP) financing, which is currently expected to be on or about December 8th, 2020, subject to court approval.

During the interim period prior to receiving DIP financing, Greenfire has at least one contractor or individual onsite who is monitoring the impact of freezing. Additionally, we have drained some of the critical pieces of equipment, allowed for controlled seepage from flange gaskets with appropriate containment, have a partial energization of heat trace, and rotate pumps as part of maintenance. Greenfire's emergency number on its website is in operation and continuously monitored.

Action Item #2 from Order RCAM 2020-001 states:

*By **December 1, 2020**, Greenfire shall ensure all substances at the Sites are safely contained or removed within facility piping, tankage, pipelines and containers during winter weather conditions.*

As such, Greenfire is requesting an extension to Action Item #2 from **to December 15, 2020**, from **December 1, 2020**, to allow for time for Greenfire to obtain funds from the aforementioned DIP financing and begin implementation of the restart.

If you require any further information pertaining to the subject request, please contact the undersigned.

Best regards,

A handwritten signature in blue ink, appearing to read "Robert B. Logan".

Robert B. Logan, MPBE, P.Eng, PE

Chairman

Greenfire Hangingstone Operating Corporation

403-465-2321 (cell)

rlogan@greenfireoilandgas.com

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APPENDIX E

Greenfire - Marketing Process

Contacted Party	Post-NOI	Trustee Involvement	Contacted Party (cont'd)	Post-NOI	Trustee Involvement
Alexander Energy			Open Water Capital		
ARC Financial			Parminder Kalirai		
Arena	Yes		PBF Energy		
Arkview			Pillar Capital	Yes	Yes
BEST Funds	Yes	Yes	Prax and Assurety Finance		
Brett Wilson	Yes		RCM Capital	Yes	Yes
Bridging Finance	Yes		Rev Energy		
Bryce Moen			RevMidstream	Yes	Yes
Caraval	Yes		Scott Sinclair	Yes	
Caribou Capital	Yes		Steven Mintz	Yes	Yes
Centurion	Yes		Stream Asset Financial	Yes	Yes
Cibolo			Summit Energy	Yes	
Commonwealth Bank of Australia			Tallahassee	Yes	Yes
Darko Horvat London			Tallinn	Yes	
Earlston			Third Eye Capital		
Empire Oil	Yes		TMS Energy		
Enbridge			Tom Bugg	Yes	
EOR Energy			TOM Capital		
George Amoyan	Yes		Tonka Partners		
Greran Group			Torquest	Yes	
Harrington Capital	Yes		USD Group		
Invico	Yes	Yes	Vicenza Energy		
Jim Riddell	Yes		Warburg Pincus		
Joozdani Group	Yes	Yes	Waterous		
Lowe II			Waygar	Yes	
Maynbridge	Yes	Yes	West Face Capital	Yes	
McIntyre Partners	Yes	Yes	Wexford		
Meer Taher Shabani Rad			Winsor Capital	Yes	
NewGen	Yes		York Capital	Yes	
			Count: 57	Count: 31	Count: 11
			Post-NOI NDAs		Count: 14
			Post-NOI Corporate Meetings		Count: 10

APPENDIX F

Winterization Considerations Memo

Greenfire Hangingstone Plant 2

Full Disclosure

I have over 30 years of industry experience spanning three continents, while consulting for large multinational corporations and small start up companies. I worked on conventional as well as heavy oil and gas projects covering all the phases from design and engineering to operation support. I have published and presented papers at various conferences, and lectured at the University of Calgary. I acted as subject matter expert supporting a major law firm in Calgary in a thermal project related case.

In terms of thermal oil and gas experience relevant to this report, I have been involved and significantly contributed to the following:

- Greenfire Hangingstone (Greenfire) SAGD– supported the C&SU, engineering and operation groups as well as various other groups within the organization
- ConocoPhillips Surmont 2 SAGD – largest single SAGD project in the world, as well as Surmont 1 where I supported the C&SU as well as design optimization
- Sunshine Oilsands SAGD– various projects, developments
- MEG Energy SAGD – supported the investigation for the steam pipeline rupture, made changes for the pilot design, Phase 1, 2 and 2B designs as well as other developments
- Devon Energy/CNRL SAGD – standardizing the pad design, Jackfish 1,2,3 support training
- Murphy Oil – Peace River development – CSS process design and operation support
- Husky Caribou Lake as well as Tucker project support
- Various other SAGD projects in the industry (ie. Grizzly) – peer reviews

I have known Robert Logan since 2012; we met while consulting for Sunshine Oilsands. I have been consulting for Greenfire since 2018 with the Commissioning & Start Up (C&SU) activities, overall operation and projects support, asset integrity as well as regulatory and production accounting support as required. My official title with Greenfire was Senior Manager Technical Services.

My consulting company has a small investment in Greenfire Oil and Gas. Presently, I am not under contract with Greenfire Oil and Gas or Greenfire Hangingstone Operating Corporation.

Scope of Work

Greenfire asked for a memo on the reasonableness of the data shown in the table below (Table 1):

Table 1

Average Temperature (°C) for Extended Period over 3-5 Days	Impacts/Damages	Estimated Additional Cost (\$ USD)	Estimated Additional Restart Time (Months)
-5	Risk of potential light freezing on piping, pumps, vessels and tanks. WAC Resin (used for water softening) can freeze, causing it to crack and will need to be replaced	0-1,000,000	1
-10	Piping dead legs and isolated runs can freeze (split piping), crack pump casings, tank and vessels. Media and resin damage.	1,000,000-3,000,000	2
-20	Split piping, split heat exchanger tubes, ruptured tanks, vessels and pipelines	10,000,000-20,000,000	4-6
-30	Significant damage to major equipment and pipelines in addition to the above	20,000,000 +	6-9

It is my understanding that Greenfire operations were shut down in May 2020, with the intent to restart the plant during the summer. The plant was laid up wet meaning that the piping, vessels and tanks were left with fluids inside. The fuel gas and electrical power were shut down.

Discussion

The Greenfire SAGD plant has glycol heat tracing as well as electrical heat tracing designed to protect piping and equipment from freezing. During normal operation of a SAGD plant there is also significant process heat in the system.

Based on the information from Greenfire, the two main damage mechanisms to consider are:

- Freeze up cases
- Corrosion either internal or external cases – not part of this memo

Winterization Considerations

The plant was shut down back in the spring of 2020 with the intent of starting up during the summer. The plant has been in operation for about two decades.

The plant was laid up wet, meaning that the piping and the vessels were left with pressurized fluid inside. Similarly, the tanks were left with liquid in storage.

In general, freezing issues are well known within the Oil and Gas industry in Alberta because they can occur during winter months on operating facilities. The fluid contained within pipe, vessels, and tanks will freeze up and expand, resulting in damage of the fluid containment, in cases where the expansion of the fluid is not possible.

It is known in the industry that the freezing up process creates significant forces that can crack pipe, vessels, valves and other assets.

Based on:

- plant being laid up in wet condition as well as location of the plant
- my overall industry experience,
- my knowledge of the plant while supporting Greenfire,
- the fact that the plant is over 20 years old

I conclude that, if nothing is done in terms of winterization, the asset integrity for the overall plant will be significantly compromised throughout the winter season.

Cases Review Table 1

Below is a review for the various cases considered by Greenfire Hangingstone Operating Corporation. I am assuming that the overall temperatures used are averages over 24 hours. When considering the costs, the following is assumed to be included: identification of the damage, engineering, procurement, construction (labor and materials), scaffolding, crane, inspection services. No major environmental clean up costs were considered at this point.

-5 C for extended period of time case

- the impact/damages from the above Table1 are possible, the outdoor small diameter pipe (1") will begin freezing up first, then the drains and tubing.
- The resin in the water treatment building might be damaged if exposed to freezing conditions. I expect this to be a low probability scenario, as the water treatment building will provide some additional protection
- Some freeze up may start to occur on outdoor installed equipment (shell and tube exchangers)
- Some potential freeze up on tanks starting with the very small sized tanks first. No major issues expected for the large tanks due to the large volume of liquid inside
- Due to the expected damage, the additional time to start up the plant (listed in table 1) appears reasonable, as well as the overall cost range

-10 C for extended period of time case

- All of the problems listed above are becoming more acute
- Due to isolations of the fluid between valves, the freezing could damage the large diameter pipe, valves and instruments and equipment damage becomes real (mainly exchangers and any other outdoor equipment and piping)
- For any equipment damage, additional internal inspection will be required to further identify and evaluate the freezing damage

ILINCUTA PROJECT MANAGEMENT INC.

- Assuming that the cold outdoor temperatures will lower the inside building temperatures to negative values:
 - I expect that some of the pumps may see some damage
 - The resin in the water treatment building potentially gets damaged. Once damaged the resin needs to be replaced.
 - Most of the indoor small diameter pipe, and drains may see damage
- Depending on the overall damage across various systems within the plant, additional time will be required before starting up the plant, assuming man power and materials are available, as well as third party contractors
- The costs could range between 1,000,000-5,000,000 US \$
 - The overall costs variability is due to the unknowns and the multiple factors involved.

-20 C case for extended period of time

- This case is similar to the above scenario, but the lower temperature exposure will lead to significant additional damage to the plant
- Extensive overall pipe and equipment damage is to be expected. Potentially the storage tanks and the Hot Lime Softener equipment can become damaged.
- Potentially, valves and instruments will be damaged throughout the plant and pads
- The raw water pipeline from the source water well can see some damage especially the aboveground riser (pipeline material is HDPE plastic)
- Significant additional time and cost will be incurred to restart the plant. The costs and restart schedule will need to cover not only the repairs but also the potential cleaning required.
- The costs and schedule delay used in the table are acceptable

-30 C case for extended period of time

- This is the worse case that will potentially see significant additional equipment damage in various parts of the plant. Examples are: inlet separators, steam generators (OTSGs), induced gas flotation (IGFs) and many other systems within the Central Plant Facility (CPF)
- Extensive damage to pipe indoor and outdoors, valves and instruments will occur
- Most likely the storage tanks and the Hot Lime Softener equipment could incur damage.
- Equipment at pads will be damaged
- Significant additional time and cost will be incurred to restart the plant. The costs and restart schedule will need to cover not only the repairs but also significant regulatory work and inspection.
- The costs and schedule delay used in the table are acceptable

It is my opinion that the data from Table 1 and the related statements, anticipated costs and assumptions by Greenfire are extremely valid.

Exclusions and Limitations

When reviewing the overall Table 1 from Greenfire, the items below were not included due to lack of information but will have significant impact on the overall cost and time estimates:

- Large scale hydrotesting on site for the replaced damaged pipe and pipelines. Alternative options should be considered after the damaged is assessed.
- Some of the isolation valves will be damaged (leaking) complicating the isolation/repair process
- Some of the damage will not be visible until the plant will restart the glycol heat tracing and the electrical tracing and have some process heat in the system (assume a lot of unknown issues)
- The time of the year for the start up and repairs (ie. holiday season) plays a role in adding extra costs.
- Availability of materials, labor and significant restrictions from the Covid 19 was not considered
- Some of the equipment might be removed or replaced if repairs on site are not an option driving the costs and schedule up
- I assumed that the overall plant process equipment and associated piping as well as the pads equipment and skids and the pipelines were in operating conditions when the plant was shut down
- All the pipelines from the Central Plant Facility (CPF) to pads and from pads to the CPF are assumed not to incur any damage (aside of the raw water pipeline riser)
- No subsurface equipment was assumed to be damaged (ESPs) or any significant damage to the wells
- Potential damage on the existing transformers (not own by Greenfire)
- Plant 1 equipment was not included in any assessment as it was not in operation

In reviewing the Table 1 from Greenfire I relied on my industry experience as well as my experience with the existing plant while consulting for Greenfire Hangingstone Operating Corporation.

Industry Benchmarking

In terms of benchmarking for the costs and schedule, it is extremely difficult to come up with similar cases that can be used as an analog. This is due to the fact that each SAGD thermal facility has its own uniqueness based on the design, size, location, age of the plant. Most importantly the plants are generally winterized and preserved when they are shut down for long time.

The only comparable case was during forest fires in Fort McMurray area a few years ago but the damage mechanism was different therefore no real benchmarking was possible especially in the short timeframe allowed for this memo and with the information provided.

ILINCUTA PROJECT MANAGEMENT INC.

Summary

This high level memo addresses the request from Greenfire for a high level review of the Greenfire Table 1 costs and schedule impact due to freeze up damage. It is my opinion that the Greenfire considerations are valid and real and the overall cost estimates and schedule impact are within the expected range. The variability of the costs and schedule are high due to many unknown factors for each case.

This report was done in good faith, based on the experience I have with the operating plant while consulting for Greenfire Hangingstone Operating Corporation as well as my industry experience. The estimate has no industry benchmarking as it is a unique case.

I am not a cost estimator but I have significant SAGD experience in preparing and reviewing cost estimates and schedules for other similar operations. My review is based on the information provided. No liability for errors and omissions contained in this memo is accepted.

Please feel free to contact me directly if there is a need for more information or clarifications.



Adrian Ilincuta, M.Sc., P.Eng

Date: December 11, 2020

President
Ilincuta Project Management Inc.

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SUMMARY

- Problem solver with great analytical, interpersonal and leadership skills
- Energetic and results oriented Senior Professional in the oil and gas industry with over 30 years of diverse expertise
- Proven technical, operations, development and project management experience in SAGD as well as conventional oil and gas and pipelines
- Specialist in OPEX optimization and complex projects
- Significant experience on conducting integrity assessments (inline pipeline inspections, pressure equipment) as well as operation audits (ABSA, AER)
- Proven leader with significant knowledge of pipelines and facilities regulations, codes and standards, technology development and implementation
- Experience with most of the operators systems (Maximo, SAP, RCA, HAZOPs etc.)

EDUCATION

MSc. in Project Management - The University of Calgary. 1994-1996
B.Eng. Civil/Mechanical Engineering - The Institute of Civil Engineering, Romania 1982-1987

PROFESSIONAL AFFILIATIONS

Active Member of APEGA

PROFESSIONAL DEVELOPMENT

- Regular publication and presentation of project management technical papers in conferences and symposia
- Various technical and development industry courses
- ISO training
- HYSIM certificate
- Pipe flow course
- Contract negotiations

PROFESSIONAL EXPERIENCE

Greenfire Oil and Gas Jan. 2018 – April 2020

Senior Manager Technical Services and Operation Excellence

- Support C&SU efforts and capital projects strategy and execution
- Provide technical support to Operation as well as Engineering and Projects groups
- Create Pressure Integrity as well as Pipeline Integrity Programs for the corporation
- Responsible for ongoing review of asset integrity for the company and technical and operation audits
- Support the regulatory compliance efforts (environmental, AER, OH&S, ABSA)
- Lead OPEX optimization initiatives

The University of Calgary, Calgary, Canada

Jan. 2017 - 2018

Subject Matter Expert

- Lecturing 3rd and 4th year and graduate engineering students on OPEX and other operational related topics

Canadian Petroleum Center (CPC)/China National Petroleum Corporation, Canada & China
Subject Matter Expert May 2017 – 2018

- Presented two papers for the Heavy Oil Conference in China
- Develop Project Management training for Chinese senior professionals

PTTEP, Calgary, Canada March 2017 – June 2017
Senior Operation Manager

- Participated in HAZOP review for the FEED phase of Mariana Thornbury 22,000 bbl/d SAGD project
- Supported the production profile development in conjunction with the C&SU activities
- Supported the Operation Philosophy Document development

ConocoPhillipsCanada, Calgary, Canada June 2014 – July 2016
Senior C&SU Operations Manager for Surmont 2

- Supported the start up and ramp up of the largest SAGD plant in the world (120,000 bbl/d) with one of the most complex steam pipelines in the world
- Advise the executive and senior management team on strategic decisions related to the capital projects strategy and execution
- Provide technical support to various groups supporting the C&SU and operation of the Surmont 2 SAGD project
- Provided technical ideas for OPEX optimization for the LRP (Long Range Plan) and follow up on implementation

Sunshine Oilsands Ltd., Calgary, Canada Nov. 2012 – Nov. 2016
Senior Operation Production Manager

- Commissioned and started up 5,000 bbl/d SAGD operation
- Provided project leadership, supporting all phases of the project from original strategy to day to day execution
- Responsible for internal training for external audits (ABSA, AER)
- Advise the executive leadership team on how to set up and develop the company assets working directly with the C&SU and operation team, production team, production accounting and financial teams as well as the projects group

Murphy Oil Company Ltd., Calgary, Canada Jan. 2013- Jan. 2015
Senior Adviser

- Advise the executive team on the development of the oil sands properties in Peace River
- Provide technical support for choosing the proper technology as well as advancing the regulatory application

Devon Canada, Calgary, Canada 2013 – Sep. 2016
Senior Adviser

- Technical review of the typical future pad design for lowest CAPEX/OPEX option
- Develop process to improve efficiency of projects execution in a capital constrained environment
- Provide expert advise on technical matters

MEG Energy, Calgary Canada
Operations Exploitation Manager – reporting to the VP Operations

2007-2012

- A member of the Operations Management Team accountable and responsible for:
 - achieving the fastest ramp up and exceeding the design name plate on a daily basis with one of the lower SOR and OPEX in SAGD industry
 - solving operational issues for the present 31,500 bbl/d operation
 - provide leadership to the Operations Technical Services group including audits
 - support the Operations CAPEX projects and identify optimization opportunities to improve the Operations costs, production
 - development and planning for the next phases up to 260,000 bbl/d operations working directly with the Reservoir, G&G, Projects groups
- A member of the Projects Management Team accountable and responsible for:
 - the detailed engineering for the Phase 2 Christina Lake Project (25,000 bbl/d)
 - providing technical expertise support for the construction, commissioning and start up phases for the Phase 2 Christina Lake Project
 - the revamp work required to start up Phase 1 Pilot Project and the steam pipeline repair
 - participation in the integrated investigation team that looked into the steam pipeline failure and interfacing with all the regulators
 - day to day interface with the existing Operations for the Phase 1 Pilot project
 - on going support the preliminary and FEED engineering work for the Phase 3 (150,000 bbl/d) Christina Lake Project development at Cristina Lake as well as all the other on going initiatives (patented process, cold recovery, CO₂ sequestration and other)
- Provided subject matter advice for dealing with the steam pipeline rupture, implementing new technology
- Peer review

Husky Energy, Calgary, Canada
Senior Project Leader -reporting to the VP Projects, VP Operations

2002-2007

- A member of the Projects Senior Management Team, accountable and responsible for:
 - pre-FEED and FEED phases for the central processing plant for the Caribou HSAGD 30,000 bbl/d bitumen production project
 - managing the FEED, preliminary, detailed engineering and construction phases for R&D heavy oil CO₂ EOR recovery projects (phase 1 & 2 completed and in operation, phase 3 under construction) – research work
 - supporting environmental application for multi billion \$ Lloydminster upgrader expansion
 - managing the FEED, preliminary, detailed engineering as well as the initial construction phases for a \$ 150 M capital ethanol project in Minnedosa, Manitoba
 - managing all project phases for multimillion dollars development and exploration projects in the Foothills area (Moose Mtn., McLean Creek, Shell Interconnect pipeline)
 - Front end planning and cost estimating for frontier projects in the North West Territories ~ \$ 500 M (Wilma, Bagadeh) and Alaska North Slopes as well as for the International Group (Indonesia, South China Sea)
 - Oversee third party tie ins, coordinate production tests for wells as well as compressors optimization study for the Sikanni area in B.C.
 - Front end planning for the international group (Indonesia Madura prospect, \$ 1,000 M capital)
 - Lead OPEX optimization efforts for my business unit
- Provided expert advice for new technology implementation as result of internal research

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- Presented papers to AACE Conference in Orlando -June 2003 and co-authored paper for the Canadian School of Hydrocarbon Measurement, Calgary – March 2004

Crestar/Gulf/ConocoPhillips Canada Ltd., Calgary, Canada
Senior Facility Engineer

1999-2002

- Responsible for all project phases for facility projects ranging from 0.5M\$ to 30M\$ in Southern Alberta, Northern Alberta and BC (oil batteries, gas plant trains additions, various compressor and pipeline installations):
 - Front end planning and feasibility studies
 - Creating the cost estimates and the schedules for projects
 - Involved in obtaining the regulatory approvals
 - Determined the contracting strategy and awarding the contracts for the mechanical/ electrical engineering work as well as the mechanical and electrical construction
 - Involved in procurement of all the necessary equipment (sizing, detail engineering)
 - Provide construction management for the projects
 - Involved in commissioning and start up
 - Involved in day to day operation (trouble shooting, debottlenecking, optimization)
 - Involved in post project review for various projects and lead the OPEX reduction efforts
- Provided in-house project management training (SMART model and basic) addressed to all senior managers as well as to different teams within Crestar Energy.
- Provide subject matter expert advise for regulatory hearings, peer review

Quantel/VECO Engineering Ltd., Calgary, Canada
Supervisory Senior Project Manager

1996-1999

- Responsible for all project phases from front end engineering to commissioning for facility projects ranging from 0.25M\$ to 50M\$ (P/L gathering/transmission systems, compressor stations, gas turbines plant revamp work, batteries and satellites, grass root gas plants) in Alberta and BC
- Responsible for managing lump sum, cost plus projects
- Responsible for conducting risk analysis for major projects, >\$+50M\$
- Responsible for the design and implementation of the performance/success measurement program company wide (subject published and presented in a paper at PMI 97)

University of Calgary
Calgary, Canada, Research Assistant

1994-1996

- Lectured tutorial for ENCI 465, ENCI 571 (Project/Construction Management)
- Research on Risk Management with application to high risk projects (oil & gas, software industry)
- Provided Project Management expertise to various owner/producer organizations (oil & gas, software industry)

- Publication/presentation of papers in conferences and symposia (published a series of papers in academic journals).

Mundi International, Tel Aviv, Israel
Supervisory Project Lead Engineer/Manager

1991-1993

- Provided technical and management expertise for multi million pipeline gathering / transmission system and pumping stations
- In a supervisory role as Project Lead Engineer provided technical leadership and direction, supervised ~ 4 / 6 engineering specialists and various consultants developing Design Basis Memorandum, project execution plans, front end and detailed engineering for multi million projects
- Complete responsibility for managing: Planning, Scheduling, Project Control, Sub-Contracting, Construction, Commissioning phases of the project
- Initiated and directed engineering studies to address technical and environmental issues
Provided input for project management and planning
- Developed and implemented quality control program in accordance with ISO 9001

Civil Erection Co., Bucharest, Romania
Supervising Project Engineer

1990-1991

- Involved in design and field activity for major municipal projects
- Responsible for technical supervision and administration of an engineering department consisting of over twenty professionals.
- Managed annual capital budget of 50M\$ and a general and administrative budget of over 1M\$.
- Directed technical and economic evaluations, engineering and construction of facilities, provided technical support
- Inspected construction projects and drawings, steel and reinforced concrete structures, bridges to ensure quality standards

Industrial Erection Co., Slobozia County, Romania
Project Engineer

1987-1989

- Responsible for technical supervision and administration of an engineering section and contractors engaged in the planning and detail design of a major petro-chemical project & compressor stations
- Participated in various turnkey projects up to 200M\$ and completed commissioning and start-up of facilities
- Reporting to manager, provided technical field supervision for phase 3 of a chemical plant (>1 billion dollars)
- Responsibilities included all aspects of project execution

References available on request.

ACCOMPLISHMENTS

- Successfully starting up and ramping up the operation of Hanginstone reservoir which was shut down for over 2 years (thermal) and achieving the lowest OPEX in the industry
- Started up and supported the operation of Surmont 2 the largest SAGD facility in the world as well as significant OPEX reduction
- Subject expert matter supporting a few law firms on active lawsuits
- Build an organization with extremely competent teams
- Repair and modify Phase 1 pilot SAGD facility and steam pipeline exceeding design name plate
- Achieve the fastest ramp up in the SAGD industry and consistently exceed the design name plate capacity for the on going operations > 31,500 bbl/d
- Achieve the lowest OPEX and SOR and the highest up-time in the SAGD industry and contribute to SAGD patents development and implementation
- Received ERCB approval for the phase 3, 150,000 bbl/d application avoiding hearing
- Established and led an Operations Technical Services Group supporting Operations
- Completed the FEED for Caribou HSAGD 30,000 bbl/d bitumen production in Cold Lake area
- Achieving outstanding results on Heavy Oil EOR projects in Saskatchewan (research projects)
- Implemented new technologies with various clients

Past Projects Information

- Lead the project team for the Minnedosa, Manitoba – 130 mmlpy ethanol plant using Katzen process
- Lead the Moose Mtn. Pad 2 well tie ins (development project in alpine area, high sour high pressure gas pipelines, pipeline integrity)
- Lead the Moose Mtn. Pad 1 compressors and pipeline installation
- Lead McLean area well tie in and compressor installation
- Lead Shell Interconnect 47 km of 8" pipeline, 30 km of 6" pipeline, 47 km of 4" pipeline
- Lead Burnt Timber compressor installation and 36 km of 6" pipeline
- Installed multi Km of 8", 6" and 4" steel pipeline gathering system to connect new drills to existing gas plants (Rainbow and Zama areas, Westeros and Rimbey/Nordegg areas, South of Alberta, all North/East part of BC- Ft. St. Johns)
- Installed water Injection and source water pipeline (steel and fiberglass) – Central and South of AB
- Multiple compressor installations: gas and electric compressors ranging from 500 HP to 2500 HP, acid gas compressor installation-Brazeau, Rimbey, Strachan, Nordegg, Vulcan and BC
- Battery expansions: revamp work including addition of free water KO drums, oil treaters, tankage, VRU, compression, MCC – Central AB, South AB (heavy oil)
- Gas plant expansion: addition of new 25 mmscfd /50 mmscfd trains including inlet separation, compression, amine/refrigeration unit, dehydrators, incinerators (Brazeau, Strachan, Rimbey, Vulcan)

- Sulphur recovery and power generation projects (Vulcan, Red Earth)
- Debottlenecking gas plant work in Alberta and BC.
- Risk analysis and project management for multi B\$ and multi M\$ projects in Northern AB (Fort McMurray) as well as international project (US).
- Multi Km of 6" up to 36" source water pipeline gathering systems in North/Central and South part of Israel