

**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

**PROPOSAL TRUSTEE**  
ALVAREZ & MARSAL CANADA INC.  
Bow Valley Square IV  
Suite 1110, 250 – 6<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3H7  
Orest Konowalchuk/Duncan MacRae  
Telephone: (403) 538-4736/(403) 538-7514  
Email: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)  
[dmacrae@alvarezandmarsal.com](mailto:dmacrae@alvarezandmarsal.com)

**COUNSEL TO PROPOSAL TRUSTEE**

McMillan LLP  
1700, 421 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 4K9  
Adam Maerov / Kourtney Rylands  
Telephone: (403) 215-2752/(403) 355-3326  
Email: [Adam.Maerov@mcmillan.ca](mailto:Adam.Maerov@mcmillan.ca)  
[Kourtney.Rylands@mcmillan.ca](mailto:Kourtney.Rylands@mcmillan.ca)  
File 277019



**TABLE OF CONTENTS OF THE FIFTH REPORT OF THE PROPOSAL  
TRUSTEE**

<b>INTRODUCTION .....</b>	<b>3</b>
<b>PURPOSE.....</b>	<b>5</b>
<b>TERMS OF REFERENCE .....</b>	<b>6</b>
<b>LIMITATION IN SCOPE OF REVIEW .....</b>	<b>6</b>
<b>WEEKLY CASH FLOW STATEMENT TO MARCH 5, 2021.....</b>	<b>7</b>
<b>AER UPDATE.....</b>	<b>8</b>
<b>PROPOSED INTERIM LENDER FACILITY AND INTERIM LENDER'S CHARGE .....</b>	<b>9</b>
<b>THE PROPOSED ASSET SALE TRANSACTION.....</b>	<b>15</b>
<b>APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL .....</b>	<b>31</b>
<b>APPLICATION TO INCREASE THE ADMINISTRATION CHARGE.....</b>	<b>32</b>
<b>PROPOSAL TRUSTEE'S RECOMMENDATION.....</b>	<b>33</b>

**LISTING OF APPENDICES TO THE FIFTH REPORT OF THE PROPOSAL  
TRUSTEE**

<b>APPENDIX A</b>	Weekly Cash Flow Statement to March 5, 2021
<b>APPENDIX B</b>	AER Clarification Letter
<b>APPENDIX C</b>	Interim Lender Term Sheet
<b>APPENDIX D</b>	Redacted Asset Sale Agreement
<b>APPENDIX E</b>	Counterparties Contacted for Potential Financing
<b>APPENDIX F</b>	Independent Opinion on Status of SAGD Facility



## 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](http://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	
\$CAD 000's	
	13-week total
<b>Cash Receipts</b>	
Oil receipts	1,868
<b>Total cash receipts</b>	<b>1,868</b>
<b>Operating Cash Disbursements</b>	
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
<b>Total operating cash disbursements</b>	<b>6,360</b>
<b>Operating Net Cash Flow</b>	<b>(4,492)</b>
<b>Capital Cash Disbursements</b>	
Repair costs	2,200
Drilling, facilities and other acquisitions	700
<b>Total capital cash disbursements</b>	<b>2,900</b>
<b>Non-Operating Cash Disbursements</b>	
Salaries & benefits	390
Bank charges & interest	156
Professional fees	1,528
<b>Total non-operating cash disbursements</b>	<b>2,073</b>
<b>Net Cash Flow</b>	<b>(9,465)</b>

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:



<b>Greenfire Hangingstone Operating Corporation</b>	
\$CAD 000's	
<b>Cash</b>	
<b>Facility A - Escrowed Funds</b>	
Beginning of period	-
Proposed Escrowed Funds Advanced	4,000
Repair costs	(2,200)
<b>Ending of period</b>	<b>1,800</b>
<b>Facility B - Proposed Interim Financing</b>	
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
<b>Ending of period</b>	<b>-</b>
<b>Proposed Interim Financing Facility</b>	
Beginning of period	-
Proposed Operating Expense Funding Advanced/(Repaid)	7,265
Assignment of Proposed Interim Financing Facility by Purchaser	(7,265)
<b>Ending of period</b>	<b>-</b>

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):

<b>Interim Lender Term Sheet</b>	<b>Details</b>
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"> <li>• the DIP Lender shall be satisfied with the DIP Budget;</li> <li>• the Court shall have issued and entered an order granting the DIP Lender Charge;</li> </ul>



	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
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"> <li>no Material Adverse Change shall have occurred since the date of the DIP Order;</li> <li>no Default or Event of Default shall have occurred;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>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</li> </ul>



	<p>Lender; and</p> <ul style="list-style-type: none"> <li>• 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).</li> </ul>
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"> <li>• 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;</li> <li>• 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 "<b>Permitted Variance</b>") since the most recent DIP Budget;</li> <li>• 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;</li> <li>• except as stayed by order of the Court, a default under, revocation or cancellation of, any material contract, or other material licence or permit;</li> </ul>



	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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</li> <li>• the occurrence of a Material Adverse Change</li> </ul>
--	--

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 11<sup>th</sup> 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







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 25<sup>th</sup> 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 10<sup>th</sup> of the following month and the remaining 50% balance on or around the 25<sup>th</sup> 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

By email only

Mr. Robert B. Logan, Chairman  
**Greenfire Hangingstone Operating Corporation (A7P4)**

Email: [rlogan@greenfioilandgas.com](mailto:rlogan@greenfioilandgas.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](http://www.aer.ca)

**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*

CW/cla



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](mailto:Carole.Hachey@aer.ca))

Maria Lavelle, Legal Counsel ([Maria.Lavelle@aer.ca](mailto:Maria.Lavelle@aer.ca))

David Phung, Greenfire ([dphung@greenfireoilandgas.com](mailto:dphung@greenfireoilandgas.com))



**File No. 4005**

November 25, 2020

By email only

Mr. Robert B. Logan, Chairman

**Greenfire Hangingstone Operating Corporation (A7P4)**

Email: [rlogan@greenfireoilandgas.com](mailto: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](http://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



Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension

cc: Carole Hachey, Specialist Orphaning & Insolvency ([Carole.Hachey@aer.ca](mailto:Carole.Hachey@aer.ca))

David Phung, Greenfire ([dphung@greenfireoilandgas.com](mailto: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](mailto: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 8<sup>th</sup>, 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](mailto:rlogan@greenfireoilandgas.com)



## 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,



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 (1<sup>st</sup>) 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 (1<sup>st</sup>) 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 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



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



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



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



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



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**



**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



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.



- (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



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  
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:

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.



**SCHEDULE C**  
**INITIAL CASH FLOW FORECAST**

See attached.



# FORECAST

Greenfire Hangingstone Operating Corporation														
Weekly Cash Flow Statement ending March 6, 2021														
(\$CAD 000's)														
Notes	week ended	Forecast												
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	13-week total
		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	Total
<b>Cash Receipts</b>														
Oil receipts	1	-	-	-	-	-	-	-	-	-	804	-	804	1,868
GST refunds		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total cash receipts</b>		-	-	-	-	-	-	-	-	-	804	-	804	1,868
<b>Operating Cash Disbursements</b>														
Transportation and marketing	2	-	-	-	-	-	-	-	-	-	20	-	20	40
Natural gas and electricity	3	686	-	-	1,064	-	-	-	-	245	245	245	245	2,857
Contractor and employee expenses	4	46	-	-	273	46	-	273	-	284	11	284	11	1,612
Chemicals, consumables and trucking	3	-	-	-	-	192	-	-	-	61	61	61	61	500
Camp and travel	3	176	-	-	-	176	-	-	-	44	44	44	44	671
Regulatory	3	87	-	-	-	87	-	-	-	22	22	22	22	282
Maintenance	3	76	-	-	-	76	-	-	-	19	19	19	19	246
Other operating expenses	3	94	-	-	-	94	-	-	-	23	23	23	23	305
Royalties	5	-	-	-	-	-	-	-	-	-	-	-	45	45
<b>Total operating cash disbursements</b>		1,043	-	-	1,327	689	-	273	-	698	446	698	490	6,380
<b>Operating Net Cash Flow</b>		(1,043)	-	-	(1,327)	(689)	-	(273)	-	(698)	(446)	(698)	(444)	(4,432)
<b>Capital Cash Disbursements</b>														
Repair costs	6	733	733	733	-	-	-	-	-	-	-	-	-	2,200
Drilling, facilities and other acquisitions	7	-	-	-	-	-	-	-	-	175	175	175	175	700
<b>Total capital cash disbursements</b>		733	733	733	-	-	-	-	-	175	175	175	175	2,900
<b>Non-Operating Cash Disbursements</b>														
Salaries & benefits	8	-	-	-	78	-	78	-	78	-	78	-	78	390
Bank charges & interest	9	-	-	-	28	-	-	-	-	71	-	-	-	169
GST remittance		-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	10	776	-	-	-	268	-	-	-	253	-	-	198	1,628
<b>Total non-operating cash disbursements</b>		776	-	-	106	268	-	-	78	364	-	-	78	2,073
<b>Net Cash Flow</b>		(2,561)	(733)	(733)	(1,433)	(957)	(78)	(273)	(78)	(1,236)	(236)	(873)	(191)	(9,465)
<b>Cash</b>														
<b>Facility A - Escrowed Funds</b>														
Beginning of period	11	-	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-
Proposed Escrowed Funds Advanced	11	4,000	-	-	-	-	-	-	-	-	-	-	-	4,000
Repair costs	11	-	-	-	-	-	-	-	-	-	-	-	(2,200)	(2,200)
<b>Ending of period</b>	11	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
<b>Facility B - Proposed Interim Financing</b>														
<b>Operating Expense Funding</b>														
Beginning of period	11	-	1,449	715	1,982	549	1,862	1,784	1,511	1,433	197	433	60	251
Proposed Operating Expense Funding Advanced (Repaid)	11	4,000	-	2,000	-	2,250	-	-	-	-	-	500	-	(1,485)
<b>Net Cash Flow</b>	11	(2,561)	(733)	(733)	(1,433)	(957)	(78)	(273)	(78)	(1,236)	(236)	(873)	191	(9,465)
Repair costs (refunded from Escrowed Funds)	11	-	-	-	-	-	-	-	-	-	-	-	2,200	2,200
<b>Ending of period</b>	11	1,449	715	1,982	549	1,862	1,784	1,611	1,433	197	433	60	251	-
<b>Proposed Interim Financing Facility</b>														
Beginning of period		-	4,000	4,000	6,000	6,000	8,250	8,250	8,250	8,250	8,250	8,250	8,750	-
Proposed Operating Expense Funding Advanced (Repaid)		4,000	-	2,000	-	2,250	-	-	-	-	-	500	-	7,285
Assignment of Proposed Interim Financing Facility by Purchaser		-	-	-	-	-	-	-	-	-	-	-	(7,285)	(7,285)
<b>Ending of period</b>		4,000	4,000	6,000	6,000	8,250	8,250	8,250	8,250	8,250	8,250	8,750	-	-

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS

Robert B Logan  
Director

Date



## **APPENDIX D**



---

**ASSET SALE AGREEMENT**

---

- between -

**GREENFIRE HANGINGSTONE OPERATING CORPORATION**

as Vendor

- and -

**GREENFIRE ACQUISITION CORPORATION**

as Purchaser

**December 1, 2020**



## TABLE OF CONTENTS

	Page
ARTICLE 1 INTERPRETATION.....	1
1.01 Definitions .....	1
1.02 Schedules .....	12
1.03 Extended Meanings.....	13
1.04 Interpretation Not Affected by Headings.....	14
1.05 Interpretation If Closing Does Not Occur.....	14
1.06 Conflicts.....	15
1.07 Vendor's Knowledge.....	15
ARTICLE 2 PURCHASE AND SALE, ESCROW CLOSING AND TAXES.....	15
2.01 Purchase and Sale of Assets.....	15
2.02 Escrow Closing .....	15
2.03 Form of Payment .....	15
2.04 Purchase Price.....	15
2.05 Deposit.....	16
2.06 Payment of Escrowed Funds.....	16
2.07 Allocation of Purchase Price.....	16
2.08 Taxes.....	16
2.09 Successor Election .....	17
2.10 No Adjustments .....	17
ARTICLE 3 CONDITIONS TO ESCROW CLOSING .....	18
3.01 Vendor's Conditions.....	18
3.02 Purchaser's Conditions.....	18
3.03 Facilities Inspection .....	19
3.04 Efforts to Fulfill Conditions.....	19
3.05 Failure to Fulfill Conditions .....	19
ARTICLE 4 ESCROW CLOSING DELIVERIES.....	20
4.01 Deliveries at Escrow Closing.....	20
4.02 Specific Conveyances .....	21
ARTICLE 5 INTERIM PERIOD AND ESCROW PERIOD .....	21
5.01 License Transfer Application.....	21
5.02 Interim Period and Escrow Period Operations.....	23
5.03 Material Commitments .....	23
ARTICLE 6 FINAL CLOSING.....	23
6.01 Escrow Conditions, Final Closing and Termination.....	23
6.02 Transfer of Possession .....	24
6.03 Specific Conveyances .....	24
ARTICLE 7 REPRESENTATIONS AND WARRANTIES.....	25
7.01 Representations and Warranties of Vendor .....	25



**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
7.02 Representations and Warranties of Purchaser.....	27
ARTICLE 8 SURVIVAL AND LIMITATIONS OF REPRESENTATIONS AND WARRANTIES .....	29
8.01 Survival of Representations and Warranties.....	29
8.02 No Merger.....	29
8.03 Limitation of Representations or Warranties by Vendor .....	29
8.04 Limitation of Representations or Warranties by Purchaser .....	30
ARTICLE 9 COVENANTS .....	31
9.01 Post-Closing Conveyancing.....	31
9.02 Post-Closing Maintenance of Assets .....	32
9.03 Other Permits .....	33
9.04 Governmental Security Deposits .....	33
ARTICLE 10 TERMINATION .....	33
10.01 Termination Prior to Escrow Closing .....	33
10.02 Termination Following Escrow Closing.....	34
10.03 Effect of Termination.....	34
ARTICLE 11 LOSS.....	34
11.01 Loss.....	34
ARTICLE 12 LIABILITIES AND INDEMNITIES.....	34
12.01 Indemnity by Vendor .....	34
12.02 Indemnity by Purchaser .....	35
12.03 Assets Acquired On "As Is" Basis .....	35
12.04 No Merger.....	36
12.05 Carriage of Litigation.....	36
12.06 Limitations on Liability .....	37
12.07 Sole Remedy .....	37
ARTICLE 13 CONFIDENTIALITY .....	37
13.01 Confidentiality .....	37
13.02 Public Announcements .....	38
ARTICLE 14 ACCESS TO BOOKS AND RECORDS.....	38
14.01 Access to Information.....	38
14.02 Maintenance of Information .....	39
ARTICLE 15 DISPUTES .....	39
15.01 Dispute Resolution.....	39
ARTICLE 16 NOTICES.....	39



**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
16.01 Notice.....	39
ARTICLE 17 MISCELLANEOUS .....	40
17.01 Laws and Regulations.....	40
17.02 Jurisdiction and Venue.....	40
17.03 Entire Agreement, Amendments and Waiver .....	40
17.04 Headings .....	41
17.05 No Partnership .....	41
17.06 No Third Party Beneficiaries .....	41
17.07 Further Assurances .....	41
17.08 Severability .....	41
17.09 Counterparts.....	41
17.10 Time of Essence.....	41
17.11 Survival.....	42
17.12 Assignment; Enurement.....	42
17.13 Remedies Cumulative .....	42
17.14 Nonrecourse.....	42



## 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 5<sup>th</sup> 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 – 8<sup>th</sup> 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



- (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]  
[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



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.



(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)

(II)

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 5<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada,  
T2P 2T8

Attention: Robert Logan, Director

Email:



With a copy to:

**BURNET, DUCKWORTH & PALMER LLP**  
Vendor's Counsel

2400, 525-8<sup>th</sup> 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



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

<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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%



<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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%



<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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%



<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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%



<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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%



<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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**

<b>Licence Number</b>	<b>Surface Location</b>	<b>Working Interest Participants</b>	
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 5<sup>th</sup> 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 – 8<sup>th</sup> 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**



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**

Per:

\_\_\_\_\_  
Name:  
Title:

**GREENFIRE ACQUISITION CORPORATION**

Per:

\_\_\_\_\_  
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 5<sup>th</sup> 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 – 8<sup>th</sup> 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 – 2<sup>nd</sup> 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 – 8<sup>th</sup> 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 – 6<sup>th</sup> 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 5<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada  
T2P 2T8  
Attention: Robert Logan  
Email: [REDACTED]

Assignee: Greenfire Acquisition Corporation  
4600, 525 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada  
T2P 1G1  
Attention: Venkat Siva  
Email: [REDACTED]

Escrow Agent: Burnet, Duckworth & Palmer LLP  
2400, 525 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada  
T2P 1G1  
Attention: Natasha Wood  
Email: [nwood@bdplaw.com](mailto:nwood@bdplaw.com)

Interim Lender: Trafigura Canada General Partnership  
1200, 250 – 2<sup>nd</sup> 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 – 2<sup>nd</sup> Street SW  
Calgary, Alberta, Canada

**Beneficiary Account No. :** ●

and]



(ii) to Assignor, [REDACTED]  
[REDACTED] and

- (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:

<b>Re:</b>	<b>Trafigura Canada General Partnership</b>
<b>Bank Name :</b>	•
<b>Canadian Routing Code:</b>	•
<b>SWIFT Code:</b>	•
<b>ABA Number :</b>	•
<b>Bank Number :</b>	•
<b>Transit Number :</b>	•
<b>Beneficiary Name :</b>	Trafigura Canada General Partnership
<b>Beneficiary Address :</b>	1200, 250 – 2 <sup>nd</sup> Street SW Calgary, Alberta, Canada
<b>Beneficiary Account No. :</b>	•

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**

Per: \_\_\_\_\_  
Name:  
Title:

**TRAFIGURA CANADA GENERAL  
PARTNERSHIP**

Per: \_\_\_\_\_  
Name:  
Title:

**CORPORATION**

Per: \_\_\_\_\_  
Name:  
Title:

**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:



## 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	Shared meter between HE (~5%) and Demo (~95%). Parties to discuss logistics of allowing JACOS to use meter on limited basis

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	* ONE YEAR RENEWAL TO 10/31/2019

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



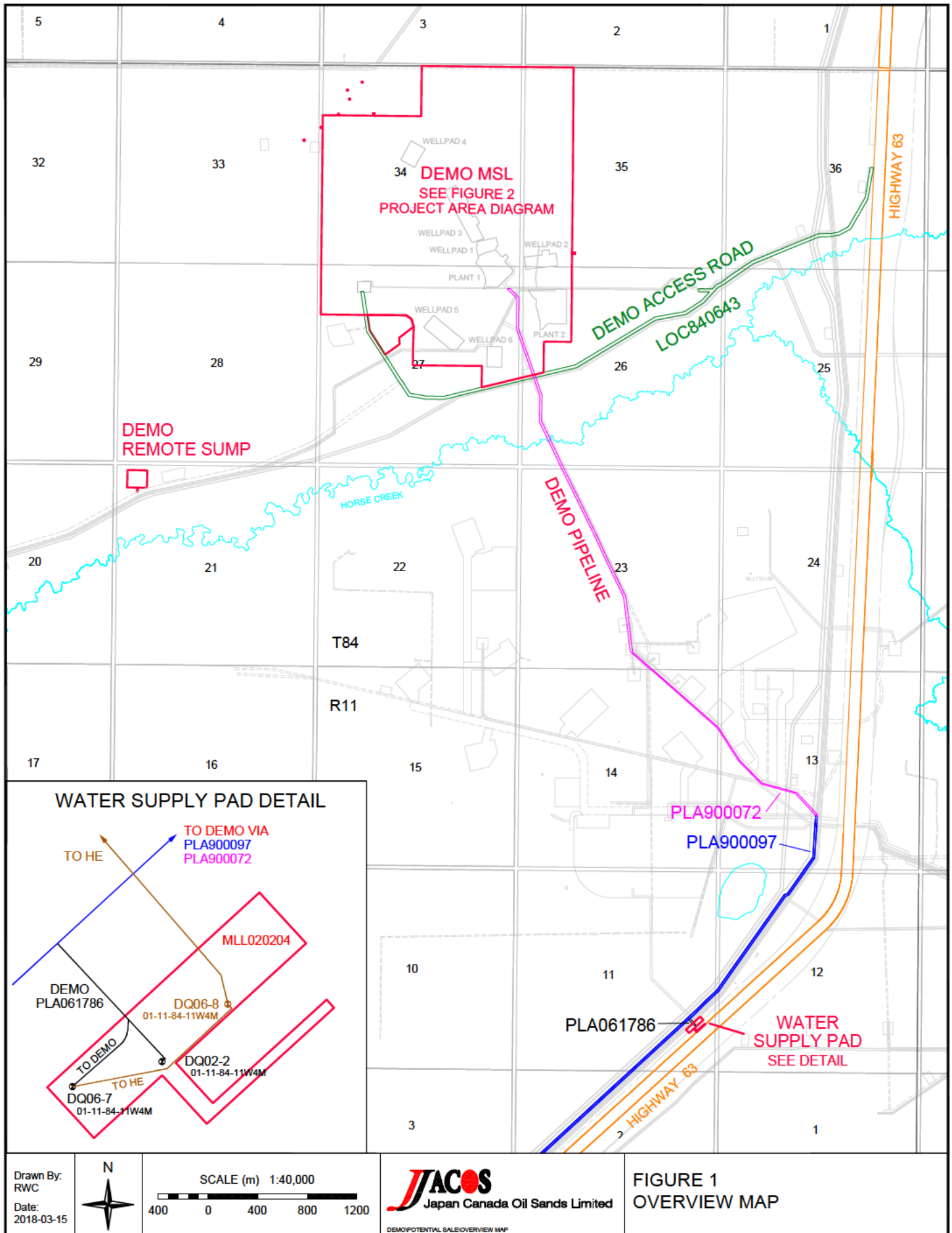
7. **Master Road Use Agreement** dated January 1, 2019 between Greenfire Hangingstone Operating Corporation and Pembina Pipeline Corporation
8. **Water Sale Agreement** dated July 1, 2019 between JACOS Greenfire Hangingstone Operating Corporation
9. **Master Road Use Agreement** dated July 1, 2019 between 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.



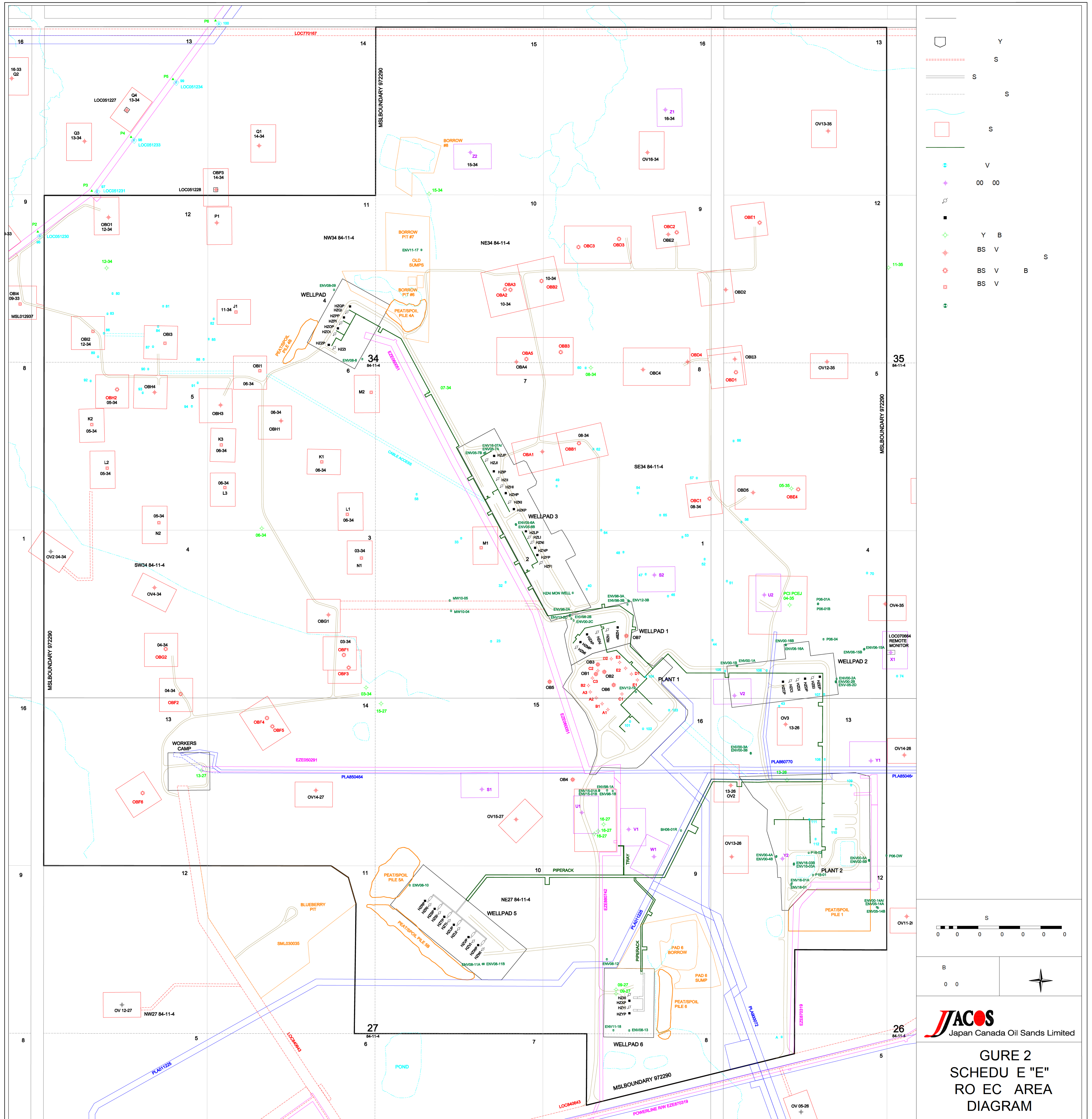
**SCHEDULE "E"**  
**PROJECT AREA DIAGRAM**

See attached.















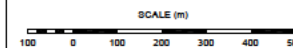


**SCHEDULE "F"**  
**ACCESS ROAD DIAGRAM**

See attached.



- LEGEND**
-  HIGHWAY
  -  ACCESS ROAD
  -  OTHER ROAD
  -  SECTION LINE
  -  QUARTER SECTION LINE
  -  JACOS WELL SITE



DWG: 0 EN A SA ACCESS ROAD.ASW

Drawn By: RWC

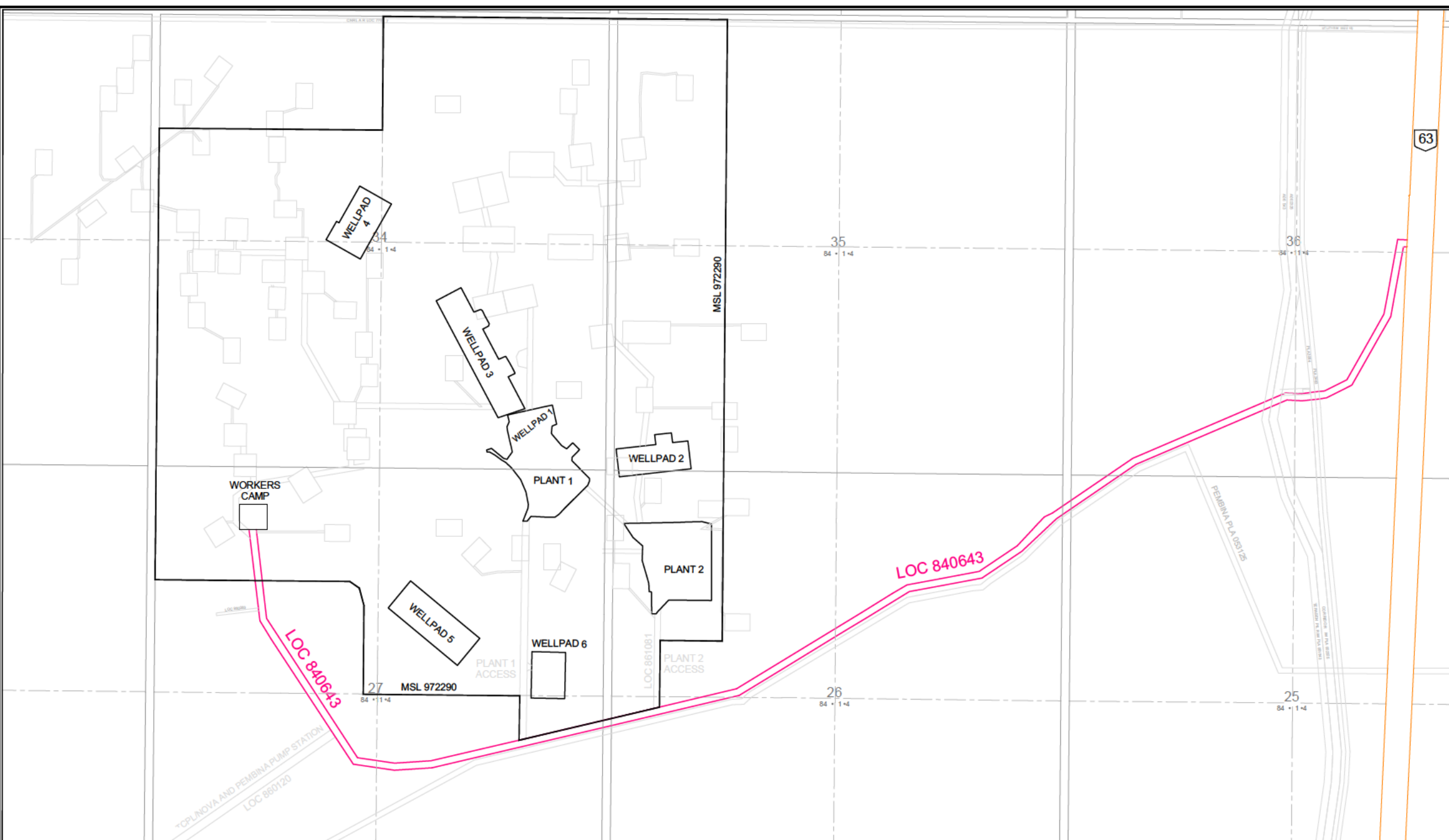
Checked By:

Date: 2018-03-08



**JACOS**  
Japan Canada Oil Sands Limited

**SCHEDULE "F"**  
**ACCESS ROAD**  
**DIAGRAM**





## 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:



## 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:



**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 Contract 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



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 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](mailto: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 17<sup>th</sup> 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](http://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%



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%



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%



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%



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



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](mailto: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](http://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



Enclosure (1): Greenfire Surface Action Plan and Request for Action Item #2 Extension

cc: Carole Hachey, Specialist Orphaning & Insolvency ([Carole.Hachey@aer.ca](mailto:Carole.Hachey@aer.ca))

David Phung, Greenfire ([dphung@greenfireoilandgas.com](mailto: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](mailto: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 8<sup>th</sup>, 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](mailto:rlogan@greenfireoilandgas.com)



## 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	
			<b>Count: 57</b>	<b>Count: 31</b>	<b>Count: 11</b>
			<b>Post-NOI NDAs</b>		<b>Count: 14</b>
			<b>Post-NOI Corporate Meetings</b>		<b>Count: 10</b>



## 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, Jackfish1,2,3 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.



**ADRIAN ILINCUTA, MSc. P.Eng.**

199 Westpoint Gardens, S.W.

Calgary, Alberta, Canada

Phone (cell): 403-862-7522

e-mail: [adrian\\_ilincuta@hotmail.com](mailto: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 3<sup>rd</sup> and 4<sup>th</sup> 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 Christina Lake as well as all the other on going initiatives (patented process, cold recovery, CO<sub>2</sub> 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 CO<sub>2</sub> 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



- 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 bbld
- 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 bbld application avoiding hearing
- Established and led an Operations Technical Services Group supporting Operations
- Completed the FEED for Caribou HSAGD 30,000 bbld 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