

COURT FILE NUMBER 2401-01422

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

Feb 6, 2024
COM

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF GRIFFON PARTNERS OPERATION
CORPORATION, GRIFFON PARTNERS HOLDING
CORPORATION, GRIFFON PARTNERS CAPITAL
MANAGEMENT LTD., STELLION LIMITED, 2437801
ALBERTA LTD., 2437799 ALBERTA LTD., 2437815 ALBERTA
LTD., and SPICELO LIMITED

DOCUMENT **AFFIDAVIT OF DARYL STEPANIC**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

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File Number: 1247318

AFFIDAVIT OF DARYL STEPANIC

SWORN JANUARY 29, 2024

I, Daryl Stepanic, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND
SAY THAT:**

1. I am the Chief Executive Officer ("CEO") and a Director of Griffon Partners Operation Corp. ("GPOC") and a Director of Griffon Partners Holding Corp. ("GPHC") and Griffon

Partners Capital Management Ltd. (“**GPCM**”, and together with GPOC and GPHC, the “**Griffon Entities**”). I have been CEO of GPOC and a Director of each of the Griffon Entities since 2022. Prior to joining the Griffon Entities, I held various Vice President, asset manager, and reservoir engineer positions with Burlington Resources, ConocoPhillips and Fractal Energy Resource Holdings Inc., among others. I am a professional engineer with more than 35 years of experience in oil and gas production, exploitation, marketing, corporate development and acquisition activities and hold a Bachelor of Science in Chemical and Petroleum Engineering from the University of Calgary.

2. As such, I have personal knowledge of the matters to which I depose in this Affidavit, except where stated to be based on information and belief, in which case I believe such information to be true. In preparing this Affidavit, I consulted with the Applicants’ (as that term is defined below) management teams and advisors and reviewed relevant documents and information concerning the Applicants’ operations and business and financial affairs. I am authorized by the Applicants to swear this Affidavit.

3. I swear this Affidavit in support of an application by the Applicants for an Order (the “**Initial Order**”):

- (a) abridging the time for service of notice of this Application (if necessary), deeming service of notice of this Application to be good and sufficient, and declaring that there is no other person who ought to have been served with notice of this Application;
- (b) declaring that the Applicants are companies to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (“**CCAA**”) applies;

- (c) authorizing the continuation of certain proposal proceedings (the “**NOI Proceedings**”) commenced by the Applicants under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) on August 25, 2023 pursuant to Notices of Intention to Make a Proposal (“**NOIs**”) filed by each of the Applicants, under the CCAA;
- (d) Appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as Monitor of the Applicants;
- (e) Granting A&M, in its capacity as Monitor, enhanced powers with respect to Spicelo (as that term is defined below) (the “**Enhanced Powers**”) to:
 - (i) to take possession of and exercise control over Spicelo’s present and after-acquired assets, property and undertakings (the “**Property**”), and any and all proceeds, receipts and disbursements arising out of or from the Property, which shall include the Monitor’s ability:
 - A. to abandon, dispose of, or otherwise release any interest in any of Spicelo’s real or personal property, or any right in any immoveable; and
 - B. upon further order of the Court, to abandon, dispose of, or otherwise release any license or authorization issued by the Alberta Energy Regulator (“**AER**”), or any other similar government authority;
 - (ii) to receive, preserve and protect Spicelo’s Property, or any part or parts thereof;

- (iii) to manage, operate and carry on the business of Spicelo, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of Spicelo;
- (iv) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Monitor's Enhanced Powers conferred by this Initial Order;
- (v) to purchase or lease machinery, equipment, inventories, supplies, premises or other assets to continue the business of Spicelo or any part or parts thereof;
- (vi) to receive and collect all monies and accounts now owed or hereafter owing to Spicelo and to exercise all remedies of Spicelo in collecting such monies, including, without limitation, to enforce any security held by Spicelo;
- (vii) to settle, extend or compromise any indebtedness owing to or by Spicelo;
- (viii) to execute, assign, issue and endorse documents of whatever nature in respect of any of Spicelo's Property or business, whether in the Monitor's name or in the name and on behalf of Spicelo, for any purpose pursuant to this Initial Order;
- (ix) to undertake environmental or workers' health and safety assessments of the Property and operations of Spicelo;

- (x) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to Spicelo, the Property or the Monitor (in relation to the exercise by the Monitor of the Enhanced Powers), and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Initial Order shall authorize the Monitor to defend or settle the action in which this Initial Order is made unless otherwise directed by this Court;
- (xi) to market any or all of Spicelo's Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Monitor in its discretion may deem appropriate;
- (xii) to sell, convey, transfer, lease or assign or otherwise enter into transactions respecting Spicelo's Property or any part or parts thereof out of the ordinary course of business with the approval of this Court and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, RSA 2000, c. P-7 or any other similar legislation in any other province or territory shall not be required.
- (xiii) to apply for any vesting order or other orders (including, without limitation, confidentiality or sealing orders) necessary to convey Spicelo's Property or

any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

- (xiv) to report to, meet with and discuss with such affected persons as the Monitor deems appropriate all matters relating to Spicelo's Property, business, and these proceedings, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;
- (xv) to register a copy of this Initial Order and any other orders in respect of Spicelo's Property against title to any of Spicelo's Property;
- (xvi) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Monitor, in the name of Spicelo;
- (xvii) to enter into agreements with any trustee in bankruptcy appointed in respect of Spicelo, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by Spicelo;
- (xviii) to exercise any shareholder, partnership, joint venture or other rights which Spicelo may have; and
- (xix) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

- (f) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its legal counsel, and the Applicants' counsel and the Transaction Agent (as that term is defined below);
- (g) staying all proceedings, rights and remedies against or in respect of the Applicants, or its business or property, or the Monitor until February 16, 2024 (the “**Stay Period**”), except as set forth in the Initial Order;
- (h) approving and continuing the Administration Charge (as that term is defined below) granted under the NOI Proceedings against the Applicants' Property in the maximum amount of \$500,000, to stand as security for the professional fees and disbursements incurred at the normal rates and charges of the Monitor and its legal counsel, the Transaction Agent, and the Applicants' counsel, both before and after the making of this Order in respect of these proceedings, including any unpaid legal fees and disbursements of the Monitor and its legal counsel, and the Applicants' counsel and the Transaction Agent counsel incurred during the NOI Proceedings; and
- (i) an Amended and Restated Initial Order (the “**ARIO**”), granting substantially the same relief as the Initial Order and extending the Stay Period until March 29, 2024.

PART I - OVERVIEW

4. The Griffon Entities are Calgary, Alberta-based junior energy producers focused on the exploration and development of light oil and natural gas liquids in the Viking formation in western Saskatchewan and eastern Alberta. All the Griffon Entities' oil and gas interests are held in the

name of or otherwise through GPOC, which conducts all business and operations on behalf of the Griffon Entities.

5. While the Griffon Entities' operations have significant value, the Griffon Entities' ability to conduct its business and generate revenue and liquidity was severely impacted by: (a) failed negotiations for potential acquisitions; (b) increased drilling costs and severely constrained commodity production volumes; and (c) unprecedented amounts of snowfall in the Kindersley area of Saskatchewan, resulting in forced shut-in of production for significant periods of time.

6. As a direct result of the foregoing, starting in November 2022, GPOC was unable to make the required monthly payment of principal to Trafigura Canada Limited ("**Trafigura**") and Signal Alpha C4 Limited ("**Signal**") and together with Trafigura, the "**Lenders**") pursuant to the Amended Credit Agreement (as defined and further described below).

7. While the Lenders waived GPOC's payment defaults in November and December 2022, it was clear to the Griffon Entities that a longer-term solution was required. Accordingly, the Griffon Entities, with assistance from Imperial Capital ("**Imperial**") and ARCO Capital Partners ("**ARCO**"), canvassed the market for a sale, investment, or other solution to refinance and/or restructure the Griffon Entities' debt and cash flow issues. Although Imperial and ARCO contacted 54 strategic third parties, no transaction resulted, and efforts were terminated in June 2023. At the time, the Griffon Entities were focused on a transaction to address working capital constraints. They did not explore any refinancing or takeout of the Lenders.

8. In July 2023, as a result of declining commodity prices, narrowing hedges, and continuing constraints to the Griffon Entities' cash flows, GPOC paid only a portion (64%) of the required monthly interest payment to the Lenders. While GPOC suggested various cash sweep

arrangements and partial payment options to the Lenders, none of GPOC's proposals were accepted by the Lenders. On August 16, 2023, the Lenders served each of the Applicants with Demands for Payment ("**Demands**") and Notices of Intention to Enforce Security pursuant to s. 244 of the BIA ("**Notices of Intention to Enforce Security**").

9. In response to the Demands and Notices of Intention to Enforce Security, the Applicants each filed an NOI under the BIA on August 25, 2023.

10. Since filing the NOIs, the Applicants have successfully sought and obtained three stay extension Orders, along with an Order approving a sale and investment solicitation process ("**SISP**") to solicit interest in, and opportunities for, the sale of some or all of the assets of the Griffon Entities, an investment in the Griffon Entities, a refinancing of the Applicants through the provision of take out or additional financing, or some combination of the foregoing.

11. As of the date of this Affidavit, the NOI Proceedings have been underway for approximately five months. The current stay of proceedings in the NOI Proceedings is set to expire on February 6, 2024, and I am advised by counsel to the Applicants and by the Proposal Trustee that the stay of proceedings under the NOI Proceedings cannot be extended beyond February 24, 2024. However, the SISP is still ongoing. The deadline for final bids was January 22, 2024. The Transaction Agent is, as at the date of this Affidavit, reviewing and finalizing the bids which have been received with a view to selecting the successful bid. The Applicants and the Proposal Trustee are concerned that selecting the successful bid, completing definitive documentation, obtaining Court approval, and closing the successful bid will not be possible by February 24, 2024. For this reason, the Applicants urgently require protection under the CCAA to conclude the SISP, close a transaction arising out of the SISP, and conclude the Applicants' insolvency proceedings.

Converting from the NOI Proceedings to the CCAA Proceedings presents the best chance for preserving any remaining value of the Applicants for the benefit of all stakeholders.

PART II – THE APPLICANTS’ BUSINESS

A. Corporate Structure

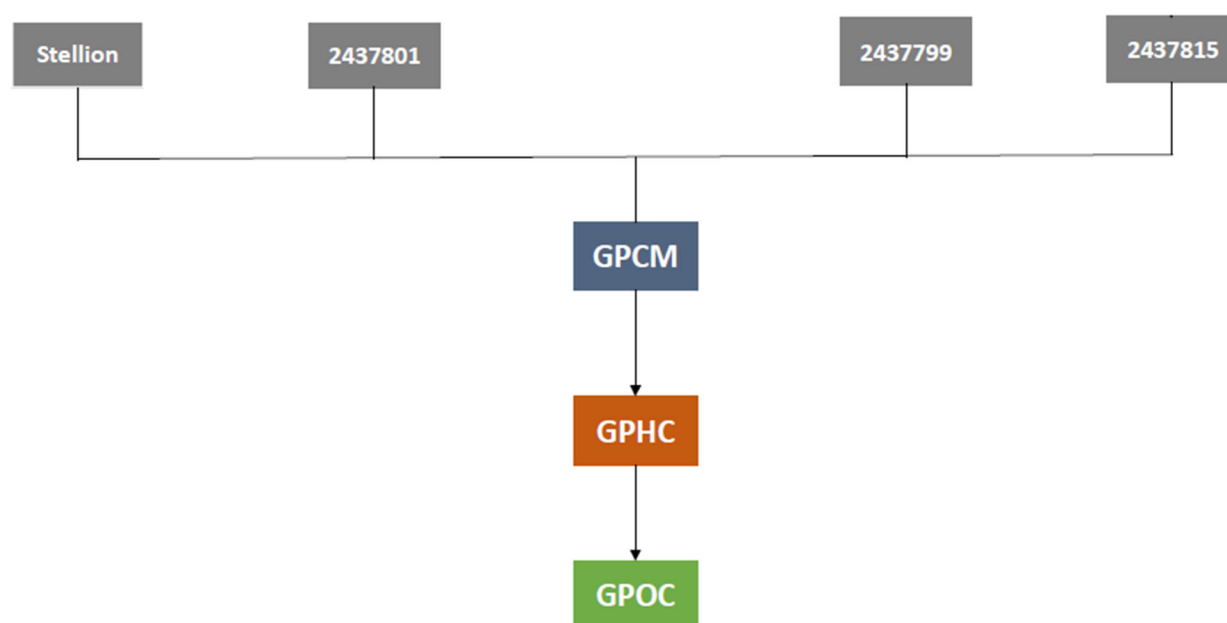
12. All of the Griffon Entities are private corporations existing under the laws of the Province of Alberta, with their registered offices in Calgary, Alberta. GPCM is the ultimate parent company of the Griffon Entities. GPHC and GPOC are wholly-owned, direct subsidiaries of GPCM.

13. Each of the Griffon Entities has two directors: Jonathan Klesch and myself, both of whom have been directors of the Griffon Entities since the incorporation of each company in 2022. Elliott Choquette and Trevor Murphy were directors of the Griffon Entities from incorporation until their resignation on September 15, 2023, and Dave Gallagher was a director of GPHC from incorporation until his resignation on September 18, 2023.

14. GPCM is wholly-owned by four holding companies which are, in turn, each owned by a director of the Griffon Entities. Specifically: (a) 2437801 Alberta Ltd. holds 1 class A common share and 8,500 class B common shares of GPCM and is owned by Mr. Choquette; (b) Stellion Limited (“**Stellion**”) holds 1 class A common share and 79,500 class B common shares of GPCM and is beneficially owned by Mr. Klesch; (c) 2437799 Alberta Ltd. holds 1 class A common share and 6,000 class B common shares of GPCM and is owned by Mr. Murphy; and (d) 2437815 Alberta Ltd. (“**Stepanic Shareholder Corp.**”) holds 1 class A common share and 6,000 class B common shares of GPCM and is owned by me. Each of the foregoing entities is referred to in this Affidavit as the “**Shareholder Corporations**”.

15. All of the Shareholder Corporations are incorporated pursuant to the laws of the Province of Alberta other than Stellion, which is incorporated pursuant to the laws of the Republic of Cyprus and extra provincially registered in Alberta.

16. A copy of the corporate chart showing the structure of the Griffon Entities and each of the Shareholder Corporations is attached hereto as **Exhibit “A”**. A simplified version of the corporate chart is below:



17. In addition to the Griffon Entities and the Shareholder Corporations, the Applicant Spicelo Limited is an investment company incorporated pursuant to the laws of the Republic of Cyprus and is extra-provincially registered in Alberta (“**Spicelo**” and together with the Griffon Entities and the Shareholder Corporations, shall be hereinafter referred to collectively as the “**Applicants**”). Mr. Klesch is the sole beneficial shareholder of Spicelo, and accordingly Spicelo is related to Stellion. As discussed further below, Spicelo, like each of the Shareholder Corporations, is party to a Limited Recourse Guarantee and Securities Pledge Agreement granted in favour of the Lenders to secure all of GPOC’s obligations under a Loan Agreement between

GPOC (as borrower), GPCM and GPHC (as guarantors), the Lenders, GLAS USA LLC (the “**Administrative Agent**”), and GLAS Americas LLC (the “**Collateral Agent**”) dated July 21, 2022 (as amended by First Amending Agreement to the GPOC Loan Agreement, made effective as of August 31, 2022, and as may be further amended, restated, supplemented, or otherwise modified from time to time, the “**Amended Credit Agreement**”).

18. Copies of Alberta corporate searches for each of the Applicants are attached hereto as **Exhibit “B”**.

B. Financial Position

19. The Griffon Entities’ financial reporting is completed on a consolidated basis and reported through GPCM. Attached as **Exhibit “C”** is a copy of GPCM’s Consolidated Financial Statements for the period from date of incorporation (April 6, 2022) to December 31, 2022. Attached as **Exhibit “D”** is a copy of GPCM’s Interim Condensed Consolidated Financial Statements for the six months ending June 30, 2023. Attached as **Exhibit “E”** is a copy of GPOC’s unaudited Condensed Interim Financial Statements for the three and nine months ending September 30, 2023 and 2022. As at the date of this Affidavit, no other financial statements are available.

(a) Assets

20. As of June 30, 2023, the Griffon Entities had total assets having a book value of approximately \$69 million CAD, broken down as follows:

Current Assets: \$6.2 million	
Cash	\$452,000
Inventories	\$152,000
Accounts Receivables	\$2,004,000
Prepaid Expenses & Deposits	\$1,246,000

Derivative Financial Instruments	\$2,365,000
Non-Current Assets: \$62.2 million	
Derivative Financial Instruments	\$269,000
Property, Plant & Equipment	\$61,902,000

(i) **Liabilities**

21. As of June 30, 2023, the Griffon Entities had total liabilities of approximately \$75 million CAD, broken down as follows:

Current Liabilities: \$47 million	
Accounts Payable	\$3,538,000
Decommissioning Obligations	\$294,000
Senior Secured Term Loan	\$43,150,000
Non-Current Liabilities: \$28.4 million	
Promissory Note	\$22,279,000
Decommissioning Obligations	\$6,060,000

C. Employees/Consultants

22. As at the date of this Affidavit, the Griffon Entities do not have any employees. Instead, GPOC has engaged 11 full time consultants and 1 part time consultant to provide field labour, administrative, management and other business-critical services to GPOC:

(a) Full Time Consultants:

- (i) 101035551 Saskatchewan Ltd.;
- (ii) 101257381 Saskatchewan Ltd.;
- (iii) 102053541 Saskatchewan Ltd.;
- (iv) 1604375 Alberta Ltd.;

- (v) 1767138 Alberta Ltd.;
 - (vi) 2425937 Alberta Ltd.;
 - (vii) 2440868 Alberta Ltd.;
 - (viii) 4x4 Contracting Ltd.;
 - (ix) CSB Enterprises Inc.;
 - (x) Roesler Contracting Ltd.; and
 - (xi) Tyrel Smith Ops; and
- (b) Part Time Consultant:
- (i) Sterne Energy Consulting.

D. Operations

23. The Griffon Entities' business is focused on the exploration and development of light oil and natural gas liquids in the Viking formation in western Saskatchewan and eastern Alberta. As discussed above, all of the Griffon Entities' oil and natural gas interests are held in the name of or otherwise through GPOC, which conducts all business and operations on behalf of the Griffon Entities.

24. GPOC holds rights in more than 120,000 acres in the Viking light oil and natural gas fairway. All of the Griffon Entities' current oil and gas production and related assets were acquired by GPOC from Tamarack Valley Energy Ltd. ("**Tamarack**") in July 2022 for a purchase price of approximately \$70 million, which was funded in part by financing accessed by GPOC pursuant to

the Amended Credit Agreement and in part by a Subordinated Secured Promissory Note in the amount of \$20 million granted by GPOC in favour of Tamarack (the “**Subordinated Tamarack Note**”).

25. As at December 31, 2023, the Griffon Entities had total proved reserves of approximately 4.82 million barrels of oil equivalent (“**MBOE**”) and total proved plus probable reserves of approximately 8.09 MBOE, based on forecast prices and costs. The net present value of future net revenue before taxes discounted at a rate of 10% of such proved reserves is approximately \$69.2 million and proved plus probable reserves is \$130.5 million.

26. The Griffon Entities’ average daily production for the year ended December 31, 2023 totaled 1490 barrels per day, comprised of approximately 25% light oil, 60% natural gas and 15% natural gas liquids.

27. All of the Griffon Entities’ commodity production is marketed and sold by Trafigura pursuant to the terms of the following marketing agreements: (a) General Terms – Crude Oil Purchase Sale Agreement – Wellhead, dated July 21, 2022 between Trafigura and GPHC; (b) General Terms – LPG Mix Purchase and Sale Agreement, dated July 21, 2022 between Trafigura and GPHC; and (c) GasEDI Base Contract for Sale and Purchase of Natural Gas, dated July 21, 2022 between Trafigura and GPCM. By email dated September 8, 2023, Trafigura confirmed that it would continue delivering all revenues and other deliverables to the Griffon Entities in the normal course pursuant to the applicable marketing agreement on the 25th day of each month, notwithstanding these proceedings. A copy of the email from Trafigura is attached hereto as **Exhibit “F”**.

(a) Cash Management System

28. The Griffon Entities maintain depository accounts at Canadian financial institutions, as follows:

- (a) GPOC maintains one (1) Canadian and one (1) USD bank account at the Bank of Montreal and one (1) Canadian and one (1) USD bank account at the Royal Bank of Canada (“**RBC**”), which are the central accounts for the Griffon Entities and operates as the primary receipt and disbursement point for funds in connection with all of the Griffon Entities’ operations; and
- (b) GPCM maintains one (1) Canadian bank account at RBC, used to hold the Shareholder funds for GPCM shares.

PART III – CAPITAL STRUCTURE AND INDEBTEDNESS

A. Assets

29. As at June 30, 2023, the Griffon Entities had total assets with a book value of \$68,390,000 CAD (on a fully consolidated basis). This amount includes accounts receivable of \$2,004,000 CAD, property, plant and equipment of \$61,902,000 CAD, and derivative financial instruments of \$269,000 CAD.

30. I am advised by Messrs. Choquette, Klesch and Murphy that the only assets held by their respective Shareholder Corporations are the GPCM common shares. I confirm the same with respect to the Stepanic Shareholder Corp.

31. I am further advised by Mr. Klesch that the only significant asset held by Spicelo are approximately 1,125,002 common shares held in the capital of Greenfire Resources Inc. (“**Greenfire**” and the shares held by Spicelo, the “**Greenfire Shares**”).

The Greenfire Shares and the Lock-Up Agreement

32. On December 15, 2022, Greenfire and M3-Brigade Acquisition III Corp., a New York Stock Exchange (“**NYSE**”) listed special purpose acquisition company (“**MBSC**”), announced that they had entered into a definitive Business Combination Agreement and certain ancillary agreements to effect a business combination involving Greenfire. The business combination was effected by way of a Court-approved Plan of Arrangement pursuant to the provisions of the *Alberta Business Corporations Act*, followed by a merger with MBSC pursuant to the laws of the state of Delaware (the “**Business Arrangement**”). The common shares of the resulting newly combined company, Greenfire Resources Ltd. (“**New Greenfire**”), commenced trading on the NYSE on September 21, 2023.

33. Pursuant to the terms of the Business Arrangement, and upon surrender to the depositary of the share certificates representing its Greenfire Shares, Spicelo will receive a pre-tax payment of US\$6.6 million and will become the owner of approximately 5.5 million common shares of New Greenfire. To date, Spicelo has been unable to deposit the Greenfire share certificates with the depositary since all share certificates are currently in the possession of the Collateral Agent pursuant to the terms of the Spicelo Securities Pledge Agreement (as defined below). The Collateral Agent has refused to tender the Greenfire share certificates, notwithstanding repeated requests by Spicelo for a consensual tendering.

34. While possession of the Greenfire share certificates was delivered to the Collateral Agent by Spicelo following execution of the Spicelo Securities Pledge Agreement, the Greenfire Shares have at all times remained registered in the name of Spicelo, and Spicelo continues to be the owner of the Greenfire Shares. At no time has Spicelo: (a) caused the Greenfire Shares to be transferred to or registered in the name of the Collateral Agent or its nominee; (b) endorsed any securities certificated to the Collateral Agent or in blank; (c) delivered any consents or other documents to the Collateral Agent to effect the transfer of the Greenfire Shares to the Collateral Agent or any third party; or (d) entered into any control agreement with the Collateral Agent and Greenfire.

35. Importantly, as part of, and as required by, the Business Arrangement, Spicelo (as well as other founders and officers of Greenfire), M3-Brigade Sponsor III LP and Greenfire entered into a Lock-Up Agreement dated September 20, 2023 (the “**Lock-Up Agreement**”) pursuant to which Spicelo and the other founders and officers of Greenfire agreed not to transfer any securities of New Greenfire until the earlier of the date that: (a) is 180 days after the Closing Date (September 20, 2023); (b) the New Greenfire shares equal or exceed \$12.00 per share for certain required time period; or (c) New Greenfire completes a liquidation, reorganization or other similar transaction that results in all shareholders having the right to exchange their shares. The foregoing transfer restrictions are subject to certain exceptions as defined in the Lock-Up Agreement.

36. The Lock-Up Agreement is governed by Delaware law. Spicelo’s counterparties to the Lock-Up Agreement are entitled to enforce the prohibitions in the Lock-Up Agreement through specific performance, including by seeking injunctive relief preventing Spicelo from transferring the Greenfire Shares contrary to the prohibitions in the Lock-Up Agreement.

B. Liabilities

37. As at June 30, 2023, the Griffon Entities had total liabilities of \$75,321,000 CAD (on a fully consolidated basis), including:

- (a) secured obligations in an aggregate principal amount of \$43,150,000 CAD pursuant to the Amended Credit Agreement, attached hereto as **Exhibit “G”**;
- (b) secured obligations of \$22,279,000 CAD pursuant to the Subordinated Tamarack Note, attached hereto as **Exhibit “H”**;
- (c) unsecured obligations in an aggregate amount of \$3,538,000 CAD, comprised of obligations to trade creditors and intercompany obligations.

Amended Credit Agreement

38. GPOC (as borrower), GPCM and GPHC (as guarantors), the Lenders, the Collateral Agent and the Administrative Agent are party to the Amended Credit Agreement.

39. Pursuant to the Amended Credit Agreement, the Lenders made a non-revolving, single advance, term loan facility in the maximum principal amount of US\$35,869,565.21 available to GPOC to fund a portion of the acquisition of the Tamarack assets. Borrowings under the Amended Credit Agreement bear interest at a rate of prime plus 9.5% per annum. The Amended Credit Agreement requires, among other things, that GPOC pay on the first day of each month commencing on October 1, 2022, a monthly installment of outstanding principal equal to the amount set forth in the “Amortization Schedule” to the Amended Credit Agreement, and all interest accrued on the outstanding principal then unpaid.

40. All obligations under the Amended Credit Agreement are secured against all present and after-acquired personal property of the Griffon Entities pursuant to the terms of Fixed and Floating Charge Debentures, dated July 21, 2022 between each of GPCM, GPHC, and GPOC and the Collateral Agent (as amended by the First Amending Agreement, dated August 31, 2022, and as may be further amended, restated, supplemented, or otherwise modified from time to time, the “**Debentures**”), and Guarantees, dated July 21, 2022 between each of GPCM, GPHC and the Collateral Agent (as amended by the First Amending Agreement, dated August 31, 2022, and as may be further amended, restated, supplemented, or otherwise modified from time to time, the “**Guarantees**”). Copies of the Debentures and Guarantees are attached hereto as **Exhibits “I” and “J”**.

41. In addition to the Debentures and Guarantees:

- (a) GPCM and GPHC executed Securities Pledge Agreements in favour of the Collateral Agent, as amended by the First Amending Agreement to the GPCM Securities Pledge Agreement, dated August 31, 2022, copies of which are attached hereto as **Exhibit “K”**;
- (b) Each of the Shareholder Corporations executed a Limited Recourse Guarantee and Securities Pledge Agreement, dated July 21, 2022 (the “**Shareholder Corporations’ Securities Pledge Agreement**”), in favour of the Collateral Agent which, pursuant to the terms thereof, is limited to the securities held by each of them in the capital of GPCM, all substitutions and replacements of such securities, and all proceeds derived directly or indirectly from dealing with such securities. A

copy of the Shareholder Corporations' Securities Pledge Agreement is attached hereto as **Exhibit "L"**; and

- (c) Spicelo executed a Limited Recourse Guarantee and Securities Pledge Agreement, dated July 21, 2022 (the "**Spicelo Securities Pledge Agreement**"), in favour of the Collateral Agent which, pursuant to the terms thereof, is limited to the securities held by Spicelo in the capital of Greenfire, all substitutions and replacements of such securities, all proceeds derived directly or indirectly from dealing with such securities, and all present and after acquired rights of Spicelo in a specified collateral account. A copy of Spicelo Securities Pledge Agreement is attached hereto as **Exhibit "M"**.

42. As of January 26, 2024, \$37,938,055 USD (inclusive of the "MOIC Amount", as defined in the Amended Credit Agreement) or approximately \$51,216,374 CAD is outstanding under the Amended Credit Agreement.

Subordinated Tamarack Note

43. GPOC is indebted to Tamarack pursuant to the Subordinated Tamarack Note issued July 21, 2022 in the amount of \$20,000,000 CAD. The Subordinated Tamarack Note is secured against the property of GPOC, including all real and immovable property, all present and after-acquired personal property, and all proceeds derived from GPOC's personal property. The Subordinated Tamarack Note bears interest at a rate of 12% per annum payable semi-annually in arrears on June 30th and December 31st of each calendar year, commencing on December 31, 2022 and continuing to the maturity date (July 21, 2025). Any interest under the Subordinated Tamarack Note that is not paid when due bears interest at the interest rates plus 2% per annum during the period in arrears.

44. As of January 26, 2024, \$23,478,356 CAD is outstanding under the Subordinated Tamarack Note.

Tamarack Intercreditor Agreement

45. GPOC, Tamarack, and the Collateral Agent are party to an Intercreditor Agreement, dated July 21, 2022, pursuant to which Tamarack agreed to subordinate all security interests granted with respect to the Subordinated Tamarack Note to all senior loan obligations outstanding under the Amended Credit Agreement and to any swap obligations outstanding at any given time to Trafigura (all of which were terminated and unwound in July 2023). A copy of the Intercreditor Agreement is attached hereto as **Exhibit “N”**.

Trade Creditors

46. As at January 25, 2024, the Griffon Entities had liabilities of \$1,434,908 due and owing to unsecured trade creditors and intercompany obligations as between various of the Applicants as follows: (a) \$629,660 CAD owing by GPCM to GPOC; (b) \$20,972.95 owing by GPHC to GPOC; and (c) \$15,273.91 CAD owing by Stellion to Spicelo.

Royalties

47. The Griffon Entities are required to make certain royalty payments on its light oil and natural gas production. The Griffon Entities' royalty obligations are determined by provincial regulation for production from Crown lands, and by contractual lease obligations negotiated with mineral freehold owners for production from privately-owned lands. As at the date of this Affidavit, the Griffon Entities are current on all royalty, rental, and other regulatory obligations to the Alberta Energy Regulator, and have liabilities due and owing to the Saskatchewan Ministry of

Energy and Resources as follows: (a) \$160,627 CAD to Saskatchewan Crown Royalties; and (b) \$26,703 CAD to the Saskatchewan MER Orphan Well Levy.

Environmental Obligations

48. The Griffon Entities are subject to environmental regulation under a variety of Canadian, Saskatchewan, and Alberta laws and regulations. These laws and regulations provide for, among other things, stringent standards on the use, handling, spill, release or emission of various substances produced in association with the Griffon Entities' light oil and natural gas operations. The Griffon Entities continue to satisfy such obligations in the ordinary course. As at the date of this Affidavit, the Griffon Entities do not have any outstanding environmental, clean-up or other orders issued against it.

Litigation Claims

49. As at January 29, 2023, there are no outstanding claims or litigation arising in the course of the Applicants' business.

PPR Registrations

50. I am advised by Julie Treleaven of Osler, Hoskin & Harcourt LLP, counsel to the Applicants, that as of January 24, 2024, there are four land charges and nine registrations against the Applicants in the Alberta *Personal Property Security Registry*, being:

- (a) One land charge and one registration against GPCM by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Debenture and Securities Pledge Agreement;

- (b) One land charge and one registration against GPHC by the Collateral Agent of a security interest in all present and after-acquired personal property of GPHC secured by the Debenture and Securities Pledge Agreement;
- (c) One land charge and one registration against GPOC by the Collateral Agent of a security interest in all present and after-acquired personal property of GPOC secured by the Debenture;
- (d) One land charge and one registration against GPOC by Tamarack of a security interest in all present and after-acquired personal property of GPOC secured by the Subordinated Tamarack Note;
- (e) One registration against Stepanic Shareholder Corp. by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Shareholder Corporations' Securities Pledge Agreement;
- (f) One registration against 2437799 Alberta Ltd. by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Shareholder Corporations' Securities Pledge Agreement;
- (g) One registration against 2437801 Alberta Ltd. by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Shareholder Corporations' Securities Pledge Agreement;
- (h) One registration against Stellion by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Shareholder Corporations' Securities Pledge Agreement;

- (i) One registration against Spicelo by the Collateral Agent of a security interest in all present and after-acquired personal property of GPCM secured by the Spicelo Securities Pledge Agreement.

51. A copy of the Alberta *Personal Property Security Registry* search for each of the Applicants is attached hereto as **Exhibit “O”**.

C. Equity

52. As at the date of this Affidavit, there are: (i) 4 Class A Common Shares and 14,500 Class B Common Shares of GPCM issued and outstanding; (ii) 60,000 Common Shares of GPHC issued and outstanding; and (iii) 1,000 Common Shares of GPOC issued and outstanding; (iv) 1,000 Common Shares of 2437799 Alberta Ltd. issued and outstanding; (v) 1,000 Common Shares of 2437799 Alberta Ltd. issued and outstanding; (vi) 5,000 Common Shares of Stellion issued and outstanding; (vii) 1,000 Common Shares of Stepanic Shareholder Corp. issued and outstanding; and (viii) 5,000 Ordinary Shares of Spicelo issued.

PART IV – RECENT EVENTS LEADING TO CCAA FILING

Operating Challenges and Cost Overruns

53. As noted above, the Griffon Entities’ current portfolio of oil and gas assets is comprised entirely of the Viking assets purchased by GPOC from Tamarack in 2022. The acquisition of the Tamarack assets by GPOC in 2022 was part of a larger business plan prepared by the Griffon Entities in the Fall of 2022 to acquire oil and gas assets across Western Canada capable of generating production volumes of 15,000 to 20,000 boe/d, or more. The transaction with Tamarack was expected to add approximately 2,000 boe/d (50% oil and natural gas liquids) of production to

the Griffon Entities' portfolio and to be accretive, and fit within a broader acquisition strategy, to develop economies of scale and greater production volumes. At the time of the Tamarack transaction, the Griffon Entities had three other potential transactions subject to letters of intent and ongoing negotiation. Tamarack was the smallest of the four intended transactions.

54. Throughout the late summer and early fall of 2022, the Griffon Entities continued to negotiate the remaining three transactions, however for various reasons, two of the transactions failed to proceed and no binding agreements were ever finalized. Negotiation of the third transaction took significantly longer than expected and a Share Purchase and Sale Agreement was only signed by GPCM and the proposed vendor on May 30, 2023. (Ultimately, in November, 2023 the vendor under this Share Purchase and Sale Agreement chose to exercise its termination rights in respect of this proposed transaction.)

55. The foregoing left the Griffon Entities in a difficult position as the viability of their business plan now depended on a more significant production base than that offered by the Tamarack assets alone. The Griffon Entities' Proved Developed Producing ("**PDP**") forecast indicated that within a reasonable range of commodity prices, production from the Tamarack assets alone would be insufficient for the Griffon Entities to meet their go forward obligations under the Amended Credit Agreement. The Griffon Entities accordingly developed a drilling program to be implemented during winter 2022 to increase production volumes and, in turn, right-size their financial outlook. Unfortunately, this drilling program encountered a number of unforeseeable challenges as described below.

56. In November 2022, GPOC drilled two wells in accordance with the Griffon Entities' drilling program. While drilling and initial completion results for both wells initially appeared

positive, GPOC subsequently discovered that the first well had an unidentified obstruction in the horizontal section of the wellbore which limited access to approximately 82% of the wellbore and resulted in production volumes being reduced by approximately 88% (30 boe/d instead of the expected 240 boe/d).

57. In response to the issues encountered in the first well, GPOC adjusted the final completion operation of the second well to avoid similar results. Following the drilling of the second well, GPOC left all 40 sliding sleeves open after frac'ing each stage to avoid having to re-open them. The added exposure time to the completion operations resulted in reduction of the oil relative permeability which impacted 80% of its production capacity. The second well ultimately only produced 30 boe/d or 12% of its expected production volumes.

58. In addition to significantly constrained production capacities, both wells also experienced significant cost overruns (caused largely by weather conditions, inflated labor and material costs and global supply chain issues) of approximately 40%. Immediately upon commencement of the equipment movement for the drilling operations, the Kindersley area of Saskatchewan where the wells are located experienced unprecedented levels of snowfall (the highest in more than 12 years) which resulted in reduced access to the drilling sites, standby costs, delay costs and an inability of GPOC to source the necessary snow removal equipment because of unprecedented demand caused by the snowfall. The unprecedented winter weather conditions only functioned to exacerbate the already high costs of equipment and materials existing in November 2022 as a result of global supply chain issues.

59. In addition to increased drilling costs, the unprecedented winter weather and resulting lack of access to the well sites caused shut in production at 40% of the operated wells for significant

periods of time throughout the winter. The shut in of these wells further reduced production levels by approximately 350 boe/d.

60. The combination of increased drilling costs and severely constrained commodity production volumes significantly impacted the Griffon Entities' available cash flow, causing an already difficult PDP forecast to become dire. As a direct result of the foregoing causes, GPOC failed to make the required payment of principal to the Lenders under the Amended Credit Agreement in November and December 2022.

The Griffon Entities Canvass the Market for Capital

61. The Lenders waived GPOC's payment defaults in November and December 2022, and a copy of the waiver is attached hereto as **Exhibit "P"**. However, it was clear to the Griffon Entities that a longer-term solution was required. Accordingly, in January 2023, the Griffon Entities retained Imperial and ARCO to assist them in canvassing the market for a sale, investment, or other solution to refinance and/or restructure the Griffon Entities' current debt and cash flow issues. Solutions explored by the Griffon Entities, ARCO and Imperial included a sale of a potential manufactured royalty, a debt refinancing, a bridge loan, an infrastructure sale and leaseback, a farm-in arrangement, or a sale of certain non-core properties.

62. Importantly, at the time, the Griffon Entities did not explore any refinancing or takeout of the Lenders. It was only within the NOI proceedings, with the assistance of Alvarez & Marsal Canada Securities ULC in its capacity as Transaction Agent (the "**Transaction Agent**") that the Griffon Entities began to locate, negotiate and finalize a transaction to right size the Applicants' current capital structure and refinance their obligations to the Lenders.

63. Imperial and ARCO contacted 54 third parties which were identified as strategically likely to have an interest predominantly in a royalty transaction with the Griffon Entities. Of these 54 entities, two entities were contacted with respect to a potential debt refinancing and three entities were contacted regarding a potential sale transaction. While numerous confidentiality agreements were signed and due diligence was undertaken by certain third parties with respect to a potential royalty transaction, none resulted in an executable transaction for the Griffon Entities. Such efforts were accordingly terminated in or about June 2023.

64. Throughout this period, the Griffon Entities undertook extensive discussions with the Lenders regarding potential options for resolving GPOC's ongoing payment defaults under the Amended Credit Agreement. However no consensual resolution was reached.

65. Since November 2022, GPOC had been unable to make required monthly principal payments under the Amended Credit Agreement, but had successfully remitted all monthly interest payments to the Lenders as and when such interest became due. However, in July 2023, as a result of declining commodity prices, narrowing hedges, and continuing constraints to the Griffon Entities' cash flows, GPOC paid only a portion (64%) of the required monthly interest payment to the Lenders. While GPOC suggested various cash sweep arrangements and partial payment options to the Lenders, none of the proposals were accepted and, on August 16, 2023, the Lenders served each of the Applicants with Demands and Notices of Intention to Enforce Security. Attached as **Exhibit "Q"** are copies of the Demands and Notices of Intention to Enforce Security.

66. In response to the Demands and Notices of Intention to Enforce Security, the Applicants each filed an NOI on August 25, 2023. Alvarez and Marsal Canada Inc. was appointed as the

trustee under the proposal (the “**Proposal Trustee**”) of the Applicants. Attached as **Exhibit “R”** are copies of the NOIs.

The NOI Proceedings

67. On September 22, 2023, the Applicants brought an application (the “**First Stay Extension Application**”) to the Alberta Court of King’s Bench (the “**Court**”) for an Order: (i) extending the time for the Applicants to file a proposal to November 8, 2023, (ii) administratively consolidating the Applicants’ estates, (iii) granting an Administration Charge and a Directors and Officers Charge (“**D&O Charge**”), (iv) authorizing the Applicants to make certain pre-filing payments, and (v) approving the Applicants’ engagement of the Transaction Agent to run a sale or investment solicitation process.

68. The First Stay Extension Application was opposed by the Lenders who also brought a cross-application (the “**Receivership Application**”) to terminate the NOI Proceedings as against Spicelo and appoint a Receiver over Spicelo.

69. On September 22, 2023, the Court granted the Applicants’ First Stay Extension Application in full (with the exception only of the D&O Charge) (the “**First Stay Extension Order**”). The Court did not grant the Receivership Application. A copy of the First Stay Extension Order is attached hereto as **Exhibit “S”**. A copy of the Court’s reasons for decision is attached hereto as **Exhibit “T”**.

70. The First Stay Extension Order also approved the engagement of the Transaction Agent, pursuant to the Engagement Letter between the Transaction Agent and GPOC, dated September

11, 2023 (the “**Engagement Letter**”). A copy of the Engagement Letter (with the professional fee rates charged by the Transaction Agent redacted) is attached hereto as **Exhibit “U”**.

71. On October 18, 2023, following an application by the Applicants (the “**SISP Application**”) (which application was again opposed by the Lenders) the Court granted an Order approving the SISP and authorizing the Applicants, the Transaction Agent and the Proposal Trustee to implement the SISP in accordance with the terms thereof (the “**SISP Order**”). A copy of the SISP Order (with the SISP attached) is attached hereto as **Exhibit “V”**.

72. Pursuant to the SISP and the SISP Order: (i) the SISP process began on October 25, 2023, (ii) the deadline for non-binding letters of intent (“**LOIs**”) was December 12, 2023, (iii) the final bid deadline was January 8, 2024, and (iv) Court approval of the Successful Bid (as such term is defined in the SISP) is, if no auction occurs, on or around January 30, 2024 or, if an auction is held, on or around February 9, 2024.

73. On November 8, 2023, the Applicants brought an application (the “**Second Stay Extension Application**”) to the Court for an Order: (i) extending the time for the Applicants to file a proposal to December 23, 2023, (ii) approving a key employee retention plan and charge (“**KERP Charge**”), and (iii) approving the fees and disbursements of the Proposal Trustee and its counsel. The Court granted the Applicants’ Second Stay Extension Application in full (with the exception only of the KERP Charge) (the “**Second Stay Extension Order**”). A copy of the Second Stay Extension Order is attached hereto as **Exhibit “W”**.

74. On December 15, 2023, the Applicants brought an application (the “**Third Stay Extension Application**”) to the Court for an Order extending the time for the Applicants to file a proposal to February 6, 2024. The Affidavit of Ken Morris, sworn on December 11, 2023 (the “**Affidavit of**

Kenneth Morris”) was also filed in support of these NOI Proceedings. The Court granted the Applicants’ Third Stay Extension Application in full (the “**Third Stay Extension Order**”). A copy of the Third Stay Extension Order is attached hereto as **Exhibit “X”**. A copy of the Affidavit of Kenneth Morris is attached hereto as **Exhibit “Y”**.

75. On December 27, 2023, in accordance with the terms of the SISP, the Proposal Trustee amended certain dates in the SISP as follows: Final Bid Deadline: January 22, 2024, Auction Date (if applicable): February 5, 2024, Finalization of Definitive Documents: February 9, 2024 (or February 16, 2024 there is an auction), Application for Court Approval: February 13, 2024 (or February 20, 2024 if there is an auction). Closing of the transaction would then follow thereafter.

76. The SISP is ongoing and multiple Final Bids (as defined in the SISP) were received as of the Final Bid Deadline. The results of these bids have been communicated confidentially to the Proposal Trustee, the Applicants and the Lenders. In accordance with the terms of the SISP, the Proposal Trustee has extended the Bid Assessment period from a 5 business day window ending January 29, 2024 to a 10 day business day period ending February 5, 2024 in order to best facilitate the SISP to maximize the value of the Applicants for the benefit of stakeholders.

The Lenders are Over-Collateralized

77. In short, the Lenders are – by their own admission – over collateralized. The enterprise value of the Griffon Entities was, as at August 2023, estimated by ARCO as part of its efforts to refinance and/or restructure the Griffon Entities’ current debt and cash flow issues to be between \$25 million and \$30 million, assuming net operating income of \$12 million over a 12-month period and a multiple of between 2.0x and 2.5x. Importantly, the Griffon Entities have, since their purchase of the Tamarack assets in 2022, actively managed all associated abandonment and

reclamation obligations and, as a result, currently have licensed assets with significant value and minimal regulatory obligations.

78. In addition, the New Greenfire shares alone are sufficient to satisfy all obligations due and owing both to the Lenders and Tamarack, without even considering the significant value of the Griffon Entities' current licensed assets and production or the value of the Successful Bid (as defined in the SISP Order) once the SISP concludes. As at the date of this Affidavit, the Lenders have security against collateral valued between \$65,000,000 CAD and \$70,000,000 CAD, to secure approximately \$52,000,000 CAD in debt.

79. The Lenders acknowledged their overly collateralized position and lack of market risk based only on their security against the Greenfire Shares in an email dated August 11, 2023 (just five days prior to the issuance of the Demands and Notices of Intention to Enforce Security), attached hereto as **Exhibit "Z"**:

"The lenders already have 1st lien security over 100% of Spicelo's Greenfire shares. We bear very limited market risk on the value of these shares because of the over-collateralized nature of the security pledge." [Emphasis added].

80. The Lenders also confirmed their over collateralized position in the affidavit sworn in the NOI Proceedings on September 19, 2023, where Dave Gallagher testified (at paragraph 61 of this September 19, 2023 affidavit) that: "The value of the Greenfire Securities should be sufficient to see the Lenders paid out in full." A copy of the affidavit of Dave Gallagher sworn September 19, 2023, is attached hereto as **Exhibit "AA"**.

81. The overcollateralized position of the Lenders was also acknowledged by this Court on two occasions – once at the First Stay Extension Application, where the Court noted (at page 4, line 15 of the First Stay Extension Application transcript) that: "The total amount of [the Lenders']

security is therefore well in excess of their loan”, and once at the SISP Application, where the Court noted:

I am not satisfied -- despite able representations by Ms. Fellowes in particular, I am not satisfied that the secured creditors, her clients, will be harmed in any way by the longer sales process over the shorter one primarily because they are -- they are at least thinly overcollateralized and arguably significantly overcollateralized [Emphasis added].

82. Copies of the transcripts from the First Stay Extension Application and the SISP Application are attached hereto as **Exhibit “T”** and **Exhibit “BB”**.

PART V – THE APPLICANTS’ URGENT NEED FOR PROTECTION

83. The Applicants are in urgent need of protection under the CCAA to preserve value for all stakeholders. Unless the NOI Proceedings are converted to CCAA Proceedings, the Applicants will be deemed bankrupt after February 6, 2024, being the last stay extension, which was granted on December 15, 2023. In addition, the six months available to complete an NOI Proceeding under the BIA ends on February 24, 2024. However, the SISP is ongoing, with the conclusion of the SISP currently scheduled as described above. As such, there is insufficient time available under the NOI Proceedings for the Applicants to conclude and close a transaction under the SISP.

84. Accordingly, the Applicants seek to continue the NOI Proceedings under the CCAA, as the CCAA provides the most appropriate forum to close the SISP and conclude the Applicants insolvency proceedings. Converting from the NOI Proceedings to the CCAA Proceedings presents the best chance for preserving any remaining value of the Applicants’ Property in the circumstances, as it will provide additional time during which the successful bidder under the SISP could be selected, the definitive documents completed, and the transaction closed.

PART VI – STATUTORY REQUIREMENTS UNDER THE CCAA

A. The Applicability of the CCAA

85. The Applicants are companies to which the CCAA applies. The Board of Directors of each of the Applicants have resolved to authorize the within CCAA proceedings.

86. The Applicants have claims against them in excess of \$5,000,000 CAD. As at January 26, 2024, the Applicants are indebted to the Lenders in the amount of \$51,216,374 CAD. All obligations of the Applicants to the Lenders are secured by security interests in all of the Applicants' present and after acquired property. As at January 26, 2024, the Applicants also owe outstanding amounts to certain trade creditors in the aggregate amount of \$1,434,908 CAD. The Applicants are unable to pay these amounts.

87. The Applicants are insolvent and unable to meet their obligations generally as they become due. The Applicants have been in default of its obligations under the Amended Credit Agreement since November 2022.

B. The Stay Period

88. The Applicants require additional time to conclude the SISP. Without conversion to the CCAA proceedings, the Applicants will be automatically bankrupt after February 6, 2024, which would cause an immediate and significant erosion of value of the Applicants' estates. Further, it is in the parties' best interest to ensure the stay of proceedings continues beyond February 6, 2024, until such time as the Applicants can, with the assistance of the Transaction Agent, select a successful bidder under the SISP, return to Court seeking approval of the successful bid under the SISP, and then close that transaction, so as to maintain stability and to reduce the risk of creditors

taking advantage of self-help remedies. As a result, the Applicants respectfully request that the NOI Proceedings be continued under the CCAA simply to allow the SISP which has been approved by this Court to be completed.

89. The Applicants expect to return to Court as soon as possible in the coming weeks to seek approval of a transaction pursuant to the SISP, and therefore seek a stay of proceedings against the Applicants and its Property until March 29, 2024 pursuant to the ARIO, in order to provide stability and maintain the status quo in respect of the Applicants until the SISP has closed.

90. I have been advised by the Applicants' legal counsel that typically in a CCAA proceeding, an ARIO is granted at a "comeback hearing" that takes place within ten days of the Initial Order being granted, and that this ten day period is provided to allow the debtor sufficient time to notify its creditors of the comeback hearing.

91. Given that all major stakeholders have been involved in the NOI Proceedings and have notice of these applications, the Applicants propose to bring an application for the ARIO immediately after (and assuming) the Initial Order is granted. It should be noted that all of the Applicants' creditors have been notified of the insolvency proceedings and consequent stay of proceedings by virtue of the statutory notice that was issued by the Proposal Trustee at the outset of the NOI Proceedings, a copy of which is attached hereto as **Exhibit "CC"** (the "**Statutory Notice**"). All pertinent documentation in the NOI Proceedings has been posted on the Proposal Trustee's website, a reference to which is contained in the Statutory Notices. Parties interested in following the proceedings have asked to be placed on the Service List maintained by the Applicants and the Proposal Trustee in the NOI Proceedings, and the entire Service List has been provided with notice of these proceedings. On this basis, the Applicants' creditors have been aware

of the stay imposed as a result of the NOI Proceedings, and those following the process were also notified about the Administration Charge as well as the SISP.

92. Given the prior notice of the NOI Proceedings, I do not believe that any creditors will be prejudiced by the consecutive granting of the Initial Order and the ARIO.

C. Cash-Flow Projections

93. The Applicants, with the assistance of A&M, have prepared cash flow statements, attached to the Pre-Filing Report of the Monitor (the “**Cash-Flow Projections**”).

94. As set out in the Cash-Flow Projections, the Applicants’ principal use of cash will be used to fund general administrative expenses and professional fees largely incurred by the Applicants during the NOI Proceedings.

D. Proposed Monitor

95. The Applicants seek appointment of A&M as Monitor with enhanced powers in these proceedings (in such capacity, the “**Monitor**”). A&M has consented to act as Monitor of the Applicants, subject to Court approval. Attached as **Exhibit “DD”** is A&M’s Consent to Act as Monitor.

96. The Applicants are seeking enhanced powers for the proposed Monitor in order to allow the Monitor to carry out many of the functions, duties and powers that would normally be carried out by the director of Spicelo, or a Receiver appointed over Spicelo, to ensure an orderly and efficient liquidation of Spicelo’s assets (or so much thereof as may be necessary) to pay the Lenders their outstanding indebtedness in full.

97. Additionally, after reviewing the Final Bids, it appears likely that a shortfall owing to the Lenders will still exist after the SISP proceeds are paid to the Lenders under their security. For this reason, Spicelo is proposing that the Monitor, as Court officer, be granted enhanced powers to convert the Greenfire Shares into New Greenfire Shares and subsequently market and sell the New Greenfire shares as necessary to ensure that the Lenders' indebtedness is repaid in full pursuant to their security under the Spicelo Share Pledge.

98. I am advised by counsel to the Lenders and by counsel to the Applicants that the Lenders intend to oppose the appointment of the Monitor with enhanced powers over Spicelo and intend instead to seek the appointment of another professional service firm to act as Receiver of Spicelo. The Applicants are concerned that this would be prejudicial to the Applicants and to the SISP process, for the following reasons:

- (a) A&M (the Monitor) has already been involved in the NOI Proceedings as proposal trustee for the past five months. As such, A&M is already familiar with the Applicants and the relevant issues. There is nothing to be gained by introducing another firm and another set of professional fees at this stage. Importantly, A&M would have the exact same powers as a receiver, and (like a receiver) would be a Court officer. Therefore, there is no reason to prefer a receiver, particularly when bringing in a new firm would incur significant costs;
- (b) as of the date of this Affidavit, the SISP process is not complete. Given this, it is important that all of the Applicants' assets be dealt with under these CCAA proceedings and be in the control of the Applicants (or A&M as "super-monitor"), rather than having some assets controlled by the Applicants/A&M, and other assets

controlled by a receiver appointed by the Lenders. Splitting up control of the assets in this way could create serious uncertainty and prejudice in concluding a transaction; and

- (c) appointing A&M as “super-monitor” is the logical next step under the SISP. The SISP contemplated the marketing of the GPOC assets, and specifically excluded the Spicelo assets and shares from a sale process. Therefore, having the super-monitor take possession of and market the Greenfire shares for sale, now that the SISP has been run, is the logical next step in the process of liquidating the Applicants’ assets and paying the Lenders what they are owed in full.

E. Administration Charge

99. The Administration Charge granted in the NOI Proceedings secured the legal fees of the Applicants’ legal counsel, the professional fees of the Proposal Trustee and its legal counsel, and the professional fees of the Transaction Agent, up to a maximum amount of \$500,000 (the “**Administration Charge**”).

100. The Applicants are seeking the continuation of the Administration Charge in the CCAA Proceedings, and to extend the Administration Charge to secure the professional fees of A&M in its capacity as Monitor, along with the legal fees of the Monitor’s legal counsel. In addition, the Administration Charge would be continued to cover any unpaid fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, the Applicants’ legal counsel and the Transaction Agent incurred during the NOI Proceedings.

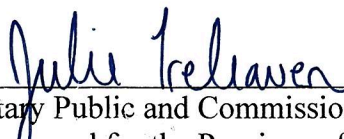
101. The work performed by the professionals covered by the Administration Charge in the NOI Proceedings was integral to progressing the NOI Proceedings and continues to be integral to successfully restructure the Applicants. In order to ensure the continued participation of the Monitor and its legal counsel in the CCAA Proceedings, the Administration Charge is required to protect and secure their fees and disbursements.

102. The Administration Charge is reasonable and appropriate in the circumstances and is critical to the success of the Applicants' insolvency proceedings. The proposed Administration Charge is sought in the same quantum as in the NOI Proceedings.

PART VII – RELIEF SOUGHT


103. I swear this Affidavit in support of the Applicants' application for an Initial Order and an ARIQ pursuant to the CCAA, including a stay of proceedings, for the purposes of allowing the Applicants an opportunity to conclude the SISP for the benefit of its creditors.

SWORN BEFORE ME at Calgary, Alberta,
this 29th day of January, 2024.



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

Julie Laura Trolsaven
Barister & Solicitor



Daryl Stepanic