

COURT FILE NUMBER

25-2979721

B201 979721



25-2979725  
25-2979732  
25-2979735  
25-2979736  
25-2979737  
25-2979738  
25-2979739

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS

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

**OSLER, HOSKIN & HARCOURT LLP**

Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

COURT FILE NUMBER

25-2979721

B201 979725

25-2979725

25-2979732

25-2979735

25-2979736

25-2979737

25-2979738

25-2979739



COURT

COURT OF KING'S BENCH OF ALBERTA

C91171

JUDICIAL CENTRE

CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS

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

**OSLER, HOSKIN & HARCOURT LLP**

Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski

Phone: 403.260.7000 / 7071

Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)

Matter: 1247318

COURT FILE NUMBER 25-2979721  
25-2979725  
**25-2979732**  
25-2979733  
25-2979736  
25-2979737  
25-2979738  
25-2979739

B201 979732



COURT COURT OF KING'S BENCH OF ALBERTA

C91179

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS 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 **OSLER, HOSKIN & HARCOURT LLP**  
Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

COURT FILE NUMBER 25-2979721 B201 979736  
25-2979725  
25-2979732  
25-2979735  
**25-2979736**  
25-2979737  
25-2979738  
25-2979739



COURT COURT OF KING'S BENCH OF ALBERTA C91185

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS 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 **OSLER, HOSKIN & HARCOURT LLP**  
Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

COURT FILE NUMBER 25-2979721  
25-2979725  
25-2979732  
25-2979735  
25-2979736  
**25-2979737**  
25-2979738  
25-2979739

B201 979737



COURT COURT OF KING'S BENCH OF ALBERTA

C91188

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS 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 **OSLER, HOSKIN & HARCOURT LLP**  
Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

COURT FILE NUMBER 25-2979721  
25-2979725  
25-2979732  
25-2979735  
25-2979736  
25-2979737  
**25-2979738**  
25-2979739

B201 979738



COURT COURT OF KING'S BENCH OF ALBERTA

C91193

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS 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 **OSLER, HOSKIN & HARCOURT LLP**  
Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

COURT FILE NUMBER 25-2979721 B201 979738  
25-2979725  
25-2979732  
25-2979735  
25-2979736  
25-2979737  
25-2979738  
**25-2979739**



COURT COURT OF KING'S BENCH OF ALBERTA C91195

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 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

APPLICANTS 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 **OSLER, HOSKIN & HARCOURT LLP**  
Suite 2700, Brookfield Place  
255 – 6th Avenue SW  
Calgary, AB T2P 1N2

Solicitors: Randal Van de Mosselaer / Emily Paplawski  
Phone: 403.260.7000 / 7071  
Email: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com) / [epaplawski@osler.com](mailto:epaplawski@osler.com)  
Matter: 1247318

**AFFIDAVIT OF DARYL STEPANIC  
SWORN SEPTEMBER 14, 2023**

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

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 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:

- (a) approving an extension of the time for the Applicants to file a proposal to November 8, 2023, pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (“**BIA**”);
- (b) granting a first ranking administration charge to Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as Trustee under the Notices of Intention to Make a Proposal filed by the Applicants (the “**Proposal Trustee**”), counsel to the Proposal Trustee and the Applicants’ counsel, as security for their professional fees and disbursements up to the maximum amount of \$500,000 (the “**Administration Charge**”);
- (c) granting a second ranking charge to the Applicants’ directors and officers as security for any obligations and liabilities they may incur as directors and officers of the Applicants after August 25, 2023, up to the maximum amount of \$250,000 (the “**D&O Charge**”);
- (d) declaring that the Administration Charge and D&O Charge (together, the “**BIA Charges**”) are priority charges that rank ahead of any and all charges, security interests, liens, trusts, deemed trusts and encumbrances against the Property, including liens and trusts created by federal and provincial legislation, and that the BIA Charges rank, as between themselves, in the following order of priority:
  - (i) First, the Administration Charge;
  - (ii) Second, the D&O Charge;

- (e) approving the Engagement Letter between Alvarez & Marsal Canada Securities ULC (the “**Refinancing Advisor**”) and GPOC, dated September 11, 2023 (the “**Engagement Letter**”);
  - (f) directing that the Engagement Letter be sealed by the Clerk of the Court, and no persons other than the parties (and their respective successors and assigns), their counsel and Court personnel be given access;
  - (g) authorizing the Applicants, *nunc pro tunc*, with the consent of the Proposal Trustee to make payments up to a maximum aggregate amount of \$1,000,000 for goods or services supplied to the Applicants prior to the filing of the NOIs (as defined below) if, in the opinion of the Applicants, and with the consent of the Proposal Trustee, the supplier or vendor of such goods or services is determined by the Applicants to be necessary to its ongoing operations and/or restructuring efforts; and
  - (h) directing that the proposal proceedings and estates of the Applicants shall be procedurally consolidated and shall continue under a single estate (each individual estate being an “**Estate**”, and the consolidated estate being the “**Consolidated Estate**”), authorizing and directing the Proposal Trustee to administer the Estates making up the Consolidated Estate on a consolidated basis, and granting ancillary relief arising from the procedural consolidation of the Estates.
4. All references to monetary amounts in this Affidavit are in Canadian dollars unless otherwise noted.

**A. Notice of Intention to Make a Proposal**

5. For the reasons described below, on August 25, 2023, each of the Applicants filed Notices of Intention to Make a Proposal with the Office of the Superintendent of Bankruptcy Canada pursuant to section 50.4(1) of the BIA in Estate numbers 25-2979721, 25-2979725, 25-2979732, 25-2979735, 25-2979736, 25-2979737, 25-2979738, and 25-2979739 (the “**NOIs**”). A&M was appointed Proposal Trustee in each of the Applicants’ proceedings. Attached as **Exhibit “A”** are copies of the NOIs.

## **B. The Applicants’ Businesses**

### **(a) Corporate Structure**

6. 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.

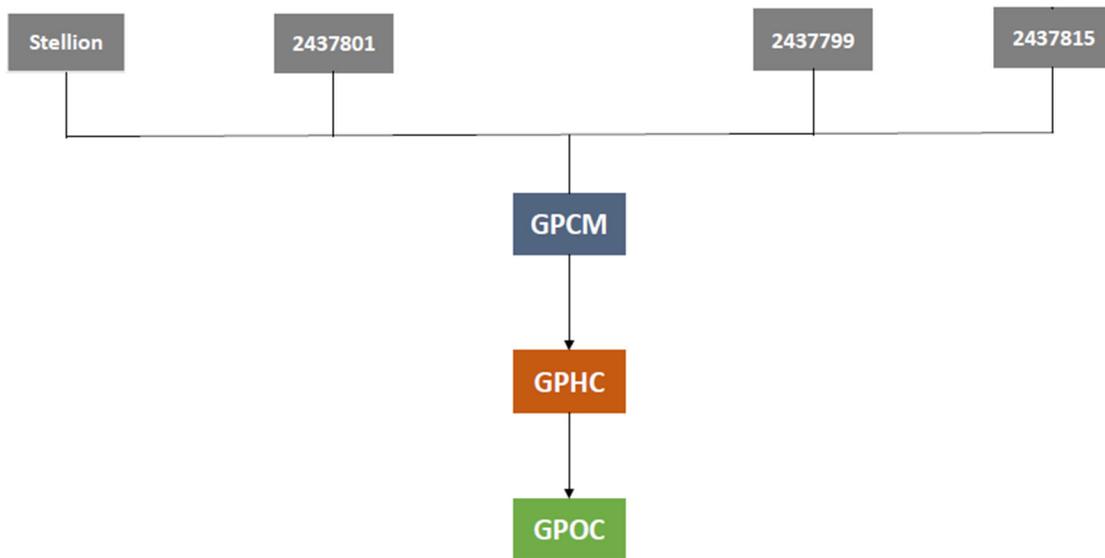
7. Each of the Griffon Entities (other than GPHC) has four directors: Elliott Choquette, Jonathan Klesch, Trevor Murphy and myself, all of whom have been directors of the Griffon Entities since the incorporation of each company in 2022. GPHC has one additional director, Dave Gallagher, who is a nominee of Signal (as defined below).

8. 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**”.

9. 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.

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



11. In addition to the Griffon Entities and the Shareholder Corporations, Spicelo Limited is an investment company incorporated pursuant to the laws of the Republic of Cyprus and extra-provincially registered in Alberta (“**Spicelo**” and together with the Griffon Entities and the Shareholder Corporations, the “**Applicants**”). Mr. Klesch is the sole beneficial shareholder of Spicelo. 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 Trafigura Canada Limited (“**Trafigura**”) and Signal Alpha C4 Limited (“**Signal**” and together, 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 Griffon Partners Operation Corp. 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**”). Spicelo’s most significant asset is 1,125,002 common shares held in the capital of Greenfire Resources Inc. (“**Greenfire**” and the shares held by Spicelo, the “**Greenfire Shares**”).

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

**(b) The Griffon Entities’ Business**

13. 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. 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.

14. 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 \$70 million, 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**”).

15. As at December 31, 2022, the Griffon Entities had total proved reserves of approximately 6.06 million barrels of oil equivalent (“**MBOE**”) and total proved plus probable reserves of approximately 9.73 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 \$90 million and proved plus probable reserves is \$152.5 million.

16. The Griffon Entities’ average daily production for the year ended December 31, 2022 totaled 1,679 barrels per day, comprised of approximately 30% light oil, 50% natural gas and 20% natural gas liquids.

17. 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 25<sup>th</sup> day of each month, notwithstanding these proceedings. A copy of the email from Trafigura is attached hereto as **Exhibit “D”**.

18. As at the date of this Affidavit, the Griffon Entities do not have any employees. Instead, GPOC has engaged 13 full time consultants and 3 part time consultants to provide field labour, administrative, management and other business-critical services to GPOC.

**(c) Shareholder Corporations and Spicelo**

19. 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.

20. I am further advised by Mr. Klesch that the only significant asset held by Spicelo are the Greenfire Shares. The Greenfire Shares are comprised of approximately 1.125 million common shares in Greenfire, a private Alberta corporation specializing in the acquisition, development and production of oil and gas assets in Western Canada.

**C. Financial Position of the Applicants**

21. The Griffon Entities' financial reporting is completed on a consolidated basis and reported through GPCM. Attached as **Exhibit "E"** 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 "F"** is a copy of GPCM's Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2023. These financial statements are the Griffon Entities' most recent annual and quarterly financial statements.

22. Attached as **Exhibit "G"** are Alberta Personal Property Security Registry searches for each of the Applicants.

**(a) Assets**

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

<b>Current Assets: \$6.2 million</b>	
Cash	\$452,000
Inventories	\$152,000
Accounts Receivables	\$2,004,000
Prepaid Expenses & Deposits	\$1,246,000
Derivative Financial Instruments	\$2,365,000
<b>Non-Current Assets: \$62.2 million</b>	
Derivative Financial Instruments	\$269,000
Property, Plant & Equipment	\$61,902,000

**(b) Liabilities**

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

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

**(c) Shareholder Equity**

25. As at June 30, 2023, the shareholders equity in the Griffon Entities held by GPCM was valued at negative \$6.93 million CAD.

**(d) Secured Debt of the Griffon Entities**

**i. Amended Credit Agreement**

26. GPOC (as borrower), GPCM and GPHC (as guarantors), the Lenders, the Collateral Agent and the Administrative Agent are party to the Amended Credit Agreement. A copy of the Amended Credit Agreement is attached hereto as **Exhibit “H”**.

27. 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.

28. 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”**.

29. 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) the Shareholder Corporations executed a Limited Recourse Guarantee and Securities Pledge Agreement, dated July 21, 2022, in favour of the Collateral Agent which, pursuant to the terms thereof, is limited to the securities held by each 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’ Limited Recourse Guarantee and 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, 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’s Limited Recourse Guarantee and Securities Pledge Agreement is attached hereto as **Exhibit “M”**.

30. As of August 16, 2023, USD \$37,938,054.69 (inclusive of the “MOIC Amount”, as defined in the Amended Credit Agreement) or approximately CAD \$51,600,000 is outstanding under the Amended Credit Agreement.

## ii. Subordinated Tamarack Note

31. GPOC is indebted to Tamarack pursuant to the Subordinated Tamarack Note issued July 21, 2022 in the amount of \$20 million 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. A copy of the Subordinated Tamarack Note is attached hereto as **Exhibit "N"**.

32. As of August 16, 2023, \$22,654,400.93 is outstanding under the Subordinated Tamarack Note.

### **iii. Tamarack Intercreditor Agreement**

33. 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 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 "O"**.

### **(e) Unsecured Debt**

34. As at August 25, 2023, the Griffon Entities had liabilities of \$2,255,686.84 due and owing to unsecured trade creditors and intercompany obligations as between various of the Applicants as

follows: (a) \$629,660 owing by GPCM to GPOC; (b) \$20,972.95 owing by GPHC to GPOC; and (c) \$15,273.91 owing by Stellion to Spicelo.

35. As at the date of this Affidavit, the Griffon Entities are current on all royalty, rental, and other regulatory obligations to Alberta Energy, the Saskatchewan Ministry of Energy and Resources, and the Alberta Energy Regulator (“AER”). Royalties owing by the Griffon Entities for July 2023 will come due and owing on September 15, 2023.

**D. Events Leading to the Applicants’ Insolvency**

**(a) Acquisition of the Tamarack Assets and Drilling Program Issues**

36. 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.

37. 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, as discussed further below, a Share Purchase and Sale Agreement was only signed by GPCM and the proposed vendor on May 30, 2023. That transaction remains subject to various closing conditions including, most importantly, approval by the AER of all applicable license transfers.

38. 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.

39. 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).

40. 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.

41. 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.

42. 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.

43. 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.

**(b) The Griffon Entities Canvass the Market for Capital**

44. While the Lenders waived GPOC's payment defaults in November and December 2022, a copy of which is attached hereto as **Exhibit "P"**, it was clear to the Griffon Entities that a longer-term solution was required. Accordingly, in January 2023, the Griffon Entities consulted with Houlihan Lokey and retained Imperial Capital ("**Imperial**") and ARCO Capital Partners ("**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.

45. Importantly, at the time, the Griffon Entities did not explore any refinancing or takeout of the Lenders. The Griffon Entities have only now, within the context of these proposal proceedings, retained the Refinancing Advisor to assist them to locate, negotiate and finalize a transaction to right size the Applicants' current capital structure and refinance their obligations to the Lenders.

46. 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.

47. 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.

48. 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 for Payment ("**Demands**") and Notices of Intention to Enforce Security pursuant to s. 244 of the BIA ("**Notices of Intention to Enforce Security**"). Attached as **Exhibit "Q"** are copies of the Demands and Notices of Intention to Enforce Security.

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

**(c) The Griffon Entities' Business is Viable and the Lenders are Over Collateralized**

**i. Value of the Griffon Entities' Business**

50. The Applicants commenced the within proceedings to preserve the value of the business and the available security for the benefit of all stakeholders. As discussed further above, the Griffon Entities' business has significant value both currently and on a go-forward basis. Currently, GPOC's oil and gas assets have total proved reserves of approximately 5.75 MBOE and

total proved plus probable reserves of approximately 9.40 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 \$70.7 million and proved plus probable reserves is \$119.3 million.

51. 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.

**ii. Anticipated Closing of the Transactions under the Share Purchase and Sale Agreement**

52. In addition, both of the foregoing value analyses are based on the Griffon Entities' current asset portfolio. As discussed further above, on May 30, 2023, GPCM signed a Share Purchase and Sale Agreement which had been under negotiation for the past approximately one year, and which is expected, upon closing, to increase the Griffon Entities' commodity production by 9,500 boe/d. The only material condition to the closing of the transaction under the Share Purchase and Sale Agreement is approval by the AER of the applicable license transfers. A response from the AER regarding the license transfer applications submitted earlier this summer is expected in the coming months.

53. In the event the license transfers are approved by the AER and the transaction closes in accordance with the Share Purchase and Sale Agreement, the production capacity of the Griffon

Entities' asset portfolio will fall squarely within the 15,000 to 20,000 boe/d business plan discussed above. At such production levels, and based on a reasonable range of commodity prices and operating conditions, the Griffon Entities' assets are expected to be cash flow positive and generate significant revenue for the benefit of the Griffon Entities and their stakeholders. Such production levels have always formed the basis of the Griffon Entities' business plan, and continue to do so. The Griffon Entities' current debt and cash flow issues is reflective not of the value of the assets, but of the lack of required production levels caused by the failure of numerous previous transactions to close, difficulties encountered during the drilling program, unprecedented winter weather conditions limiting well access and necessitating the shut-in of existing production, and significant cost overruns caused by global supply chain issues and the unprecedented winter weather.

54. Importantly, the closing of the transaction under the Share Purchase and Sale Agreement will have an effective date of January 1, 2022, meaning that two years of existing cash flow will be available to offset most, if not all, of the purchase price payable by GPCM to the vendor. Little, if any, cash outlay will be required from the Griffon Entities in the immediate future to close the transaction and obtain the benefits thereof.

### **iii. Greenfire Business Combination and IPO**

55. In addition to the business of the Griffon Entities, and as noted above, the collateral package held by the Lenders includes a pledge by Spicelo of the Greenfire Shares. The following is my understanding of Greenfire, the Greenfire Shares, and an upcoming Business Combination (as defined below) involving the Greenfire Shares. My information is based on: (a) my review of the Affidavits of David Phung, sworn June 30 and August 22, 2023 (the "**Phung Affidavits**") and

filed by Greenfire in Alberta Court of King's Bench Action No. 2301-08584 in support of its application for an interim order and final order approving an arrangement pursuant to section 193 of the Alberta *Business Corporations Act* ("ABCA"); (b) my review of other publicly available information; and (c) the advice of Mr. Jonathan Klesch. Copies of the Phung Affidavits (without exhibits) are attached hereto as **Exhibits "R"** and **"S"**.

56. Greenfire is a corporation incorporated pursuant to the laws of Alberta with a head office in Calgary, Alberta, and that Greenfire's share registry is in Calgary, Alberta.

57. Greenfire is engaged in, and focused on, the sustainable production and development of upstream energy resources from the oil sands in the Athabasca region of Alberta, using in-situ thermal oil production extraction techniques such as SAGD at facilities located approximately 30 miles southwest of Fort McMurray, Alberta.

58. In 2022, the average daily gross production accruing to Greenfire's working interest was approximately 20,500 bbls/d net to Greenfire's working interest of bitumen and the average daily gross production from the Hangingstone Demonstration Facility was approximately 3,700 bbls/d of bitumen.

59. Greenfire is currently a private company and is not a "reporting issuer" or similarly designated entity in any jurisdiction of Canada. In addition, none of its securities are listed on any stock exchange nor are any of its securities registered under United States securities laws.

60. Certain of Greenfire's shareholders, including Spicelo, are party to a Shareholders Agreement, dated August 5, 2021 (the "**Shareholders Agreement**") which, among other things, restricts the ability of shareholders to directly or indirectly sell, transfer or otherwise dispose of

their securities in Greenfire other than to a “Permitted Transferee”.<sup>1</sup> If a shareholder wishes to directly or indirectly sell, transfer or otherwise dispose of their securities in Greenfire other than to a “Permitted Transferee”, such disposition is subject to a right of first refusal (“**ROFR**”) by every other applicable Greenfire shareholders. Pursuant to the Shareholders Agreement:

- (a) upon receipt of a *bona fide* offer to purchase, the applicable shareholder must provide written notice of its intention to transfer its shares, and the terms and conditions of such intended transfer, to all other shareholders party to the Shareholders Agreement;
- (b) upon receipt of the written notice, each shareholder has 30 days to accept the offer and exercise its ROFR to purchase its pro rata shares of the offered Greenfire shares;
- (c) in the event one or more shareholders declines to exercise its ROFR, all other shareholders are entitled to purchase their pro rata portion of such remaining shares up to a maximum quantity specified by each electing shareholder; and
- (d) any purported transfer of Greenfire shares in violation of the Shareholders Agreement is null, void and invalid and will not be registered either by Greenfire or any transfer agent on the securities register of Greenfire.

---

<sup>1</sup> “Permitted Transferee” is defined in the Shareholders Agreement as “an Affiliate or Immediate Family Member of such Shareholder, or, in the case of a Corporate Shareholder, to Persons who Control a Corporate Shareholder, Immediate Family Members or Affiliates of such Persons” (as each of those terms is defined in the Shareholders Agreement).

61. The Limited Recourse Guarantee and Securities Pledge Agreement executed by Spicelo with respect to its Greenfire Shares expressly incorporates the transfer restrictions and ROFR rights from the Shareholders Agreement. In particular, section 32 of the Limited Recourse Guarantee and Securities Pledge Agreement provides:

Notwithstanding the other provisions of this Agreement, the Collateral Agent and the Secured Parties agree with the Chargor that any enforcement of or the realization by the Collateral Agent or any receiver or agent appointed by the Collateral Agent pursuant to this Agreement over the Collateral, including the transfer by the Chargor, the Collateral Agent or the Collateral Agent's nominee to any third party or parties in connection with such enforcement or realization, shall be subject to the terms and conditions of the Shareholders Agreement, including the right of first refusal set forth in Section 3.3 of the Shareholders Agreement (in this Section 32, the "ROFR")....

A copy of the Limited Recourse Guarantee and Securities Pledge Agreement is attached hereto as **Exhibit "M"**. The Limited Recourse Guarantee and Securities Pledge Agreement attaches relevant portions of the Shareholders Agreement as Schedule "A".

62. The Board of Directors of Greenfire approved the Limited Recourse Guarantee and Securities Pledge Agreement prior to execution by Spicelo in July 2022 on the basis that, among other things, it expressly preserved all transfer restrictions and ROFR rights under the Shareholders Agreement and made any exercise by the secured parties and/or the Collateral Agent of their security over the Greenfire Shares subject to the applicable terms of the Shareholders Agreement (including the 30-day ROFR period). Absent the approval of the Greenfire Board of Directors, any encumbering of the Greenfire Shares would have contravened the Shareholders Agreement and, as a result, been null and void.

63. As at September 12, 2023, there are 8,937,518 Greenfire shares and 3,965,722 Greenfire warrants issued and outstanding. Greenfire's shares are owned by two different groups of

shareholders: (i) the founders of Greenfire, which consist of four different entities (including Spicelo), all of which are organized under the laws of jurisdictions outside of Canada; and (ii) certain officers and employees of Greenfire. Spicelo is the holder of 1,125,002 issued and outstanding Greenfire shares.

64. On December 15, 2022, Greenfire and M3-Brigade Acquisition III Corp. (NYSE: MBSC), 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 affect a business combination (the “**Business Combination**”) that values Greenfire at US\$950 million. The Business Combination will proceed by first completing an arrangement by way of a Court approved Plan of Arrangement pursuant to the provisions of the ABCA, followed by a merger with MBSC pursuant to the laws of the state of Delaware. The press release announcing and describing this Business Combination is attached hereto at **Exhibit “T”**.

65. At a very high level, pursuant to the Business Combination:

- (a) the common shares of a new corporation incorporated under the laws of Alberta on December 9, 2022 for purposes of effecting the transactions (“**New Greenfire**”) will be listed on the NYSE;
- (b) certain amalgamations/mergers of current Greenfire and current MBSC will be completed under the ABCA and the laws of the state of Delaware, following which the surviving Greenfire and MBSC will become direct, wholly-owned subsidiaries of New Greenfire; and

- (c) the holders of the Greenfire Shares and certain other Greenfire performance warrants and bond warrants will exchange a portion of such securities for their pro rata share of US\$75,000,000 in cash with the balance of such securities exchanged for securities of New Greenfire, all as determined in accordance with the Plan of Arrangement and other applicable transaction documents.

66. The Business Combination is subject to, among other things, approval by the NYSE of New Greenfire's application to list thereon, approval by the required majorities of Greenfire's securityholders of the Plan of Arrangement and approval by the Court of King's Bench of Alberta of the Plan of Arrangement. As at the date of this Affidavit, all of the foregoing approvals have been obtained. Attached as **Exhibit "U"** is a copy of the Final Order granted by the Honourable Justice Romaine on August 31, 2023 approving the Plan of Arrangement.

67. In accordance with the Plan of Arrangement and other transaction documents, the Business Combination is scheduled to close during the week of September 18, 2023. The common shares of New Greenfire will be listed on the NYSE during the week of September 18, 2023. Importantly, at closing, certain Greenfire shareholders (including Spicelo) will become bound by a Lock-Up Agreement with New Greenfire pursuant to which, among other things, each of the Greenfire shareholders has agreed not to sell any equity securities of New Greenfire until the earliest of (i) the date that is 180 days after the closing date, (ii) the date that certain New Greenfire common share closing price targets are achieved, and (iii) the date that New Greenfire completes a specified corporate transaction.

68. As part of the closing of the Business Combination, the Shareholders Agreement between Greenfire and certain shareholders (including Spicelo) will be terminated.

69. With respect to Spicelo, in particular, the impact of the Business Combination on its shareholdings in Greenfire is as follows:

- (a) upon surrender to the depository of the share certificates representing its Greenfire Shares, Spicelo will receive its proportionate share of US\$75 million, for a total pre-tax payment to Spicelo of US\$6.6 million;
- (b) Spicelo will become the owner of approximately 5.5 million common shares of New Greenfire (out of a total of 72.3 million New Greenfire shares outstanding) which, in accordance with the Lock-Up Agreement, will be subject to a 180-day hold period (or such further or other date as the required price targets may be achieved or a specified corporate transaction may occur); and
- (c) the initial listing price for the New Greenfire shares on the NYSE will be US\$10.10.

70. Importantly, the Greenfire Share certificates are currently in the possession of the Collateral Agent pursuant to the terms of the Limited Recourse Guarantee and Securities Pledge Agreement. As such, Spicelo does not have the ability to deposit the Greenfire Share certificates to the depository. I am advised by Andrea Whyte of Osler, Hoskin & Harcourt LLP (“**Osler**”), that under Section 5.1(d) of the Plan of Arrangement, any certificate representing the Greenfire Shares that is not deposited, together with all other documents required in connection with such deposit before the third anniversary of the closing date of the Business Combination shall terminate and be deemed to be surrendered and forfeited to Greenfire for no consideration and shall be deemed to be cancelled. I understand that Osler (as counsel to the Applicants) has been, and remains, in discussions with Lenders’ counsel regarding a consensual tendering of the Greenfire Share certificates. Such discussions remain ongoing and require additional time to conclude.

#### iv. The Lenders are Over Collateralized

71. In short, the Lenders are over collateralized. The New Greenfire shares alone should be 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 additional 9,500 boe/d of production should the Share Purchase and Sale Agreement close. The Lenders acknowledged their overly collateralized position and lack of market risk based only on 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): "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] A copy of the email from Mr. Gallagher of Signal to me, Mr. Klesch and others is attached hereto as **Exhibit "V"**.

72. The Applicants agree with the Lenders on this point. Indeed, it is clear that permitting the Lenders to enforce their security now - particularly given that the Greenfire Business Combination is on the eve of closing - would simply destroy value which would otherwise accrue to other creditors and stakeholders, including Tamarack. Lenders' counsel has already confirmed that the Lenders' intention is simply to take the Greenfire Shares in kind so as to retain the imminent upside of the business combination and initial public offering to their sole benefit and to the detriment of all other stakeholders of the Applicants. The Lenders are not entitled to this windfall. Attached as **Exhibit "W"** is an email from Lenders' counsel dated August 31, 2023 advising the Proposal Trustee that, "the obligation to my clients can be fully satisfied by transfer of those shares - there is no need for them to be liquidated in order to respond to my client's demands."

73. Accordingly, the Applicants filed the NOIs to preserve the value of the business and the security for the benefit of all stakeholders – not just the Lenders. The Applicants have also engaged the Refinancing Advisor to assist them in canvassing the market for a refinancing transaction to right size their balance sheet and take out the Lenders. The Refinancing Advisor’s efforts are in their early stages and additional time is required for the market to be canvassed, potential transactions to be identified and negotiated, and a proposal to be finalized for consideration by the Applicants’ creditors.

**E. Requirement for an Extension of the Time for Filing of a Proposal**

74. The Applicants require an extension of time for them to file a proposal to November 8, 2023. Both the Griffon Entities and Greenfire are at critical junctures. The Griffon Entities are poised to acquire an additional 9,500 boe/d for very little, if any, immediate capital output, thereby putting them into the position of having an implementable, cash flow positive business plan. The Griffon Entities have engaged the Refinancing Advisor. Greenfire is days away from implementing a significant and complex business combination approved by its securityholders and the Alberta Court of King’s Bench and from an initial public offering on the NYSE. Both processes are expected to generate significant value that will repay all obligations due and owing to the Lenders under the Amended Credit Agreement prior to the final January 2025 payment date, and must, therefore, be given time to complete.

75. The Lenders are, by their own admission, over collateralized and face little to no risk. Any downside of an immediate security enforcement will be borne by all other stakeholders of the Applicants. If the Applicants were to cease operations and liquidate, it is likely that significant value would be lost. First, any immediate realization by the Lenders against the Greenfire Shares

would result in a windfall to either the Lenders or the other Greenfire shareholders (following exercise of their ROFR rights under the Shareholders Agreement) because of the significant and immediate increase in the value of the Greenfire Shares upon completion of the Business Combination. Such windfall to either the Lenders or the other Greenfire shareholders would be to the detriment of all other stakeholders of the Griffon Entities.

76. Second, the appointment of a Receiver would be highly disruptive and value destructive to the long term going concern value of the Griffon Entities' business following closing of the Share Purchase and Sale Agreement and implementation of the Griffon Entities' business plan.

77. The requested extension is being sought to protect the Applicants' business and operations while the Applicants work to develop a viable proposal for the benefit of stakeholders. I believe that preserving the value of the business in the proposed manner will achieve a better result for the Applicants' stakeholders than would a liquidation. I believe that the requested extension to November 8, 2023 will allow:

- (a) the Griffon Entities to work towards closing the transaction under the Share Purchase and Sale Agreement, subject to receipt of AER approval of the license transfers;
- (b) the Business Combination to be completed and a consensual path forward reached with the Collateral Agent to permit the Greenfire Shares to be exchanged for applicable cash consideration and New Greenfire shares;
- (c) the Refinancing Advisor to canvass the market for potential refinancing transactions; and

- (d) the Applicants to continue formulating a viable proposal for the benefit of all creditors.

78. The Applicants have acted, and continue to act, in good faith and with due diligence since filing the NOIs on August 25, 2022. Since the filing of the NOIs, the Applicants have taken the following steps, among others:

- (a) prepared and analyzed lists of creditors and identified issues specific to certain creditors;
- (b) provided the Proposal Trustee with access to their books and records;
- (c) engaged the Refinancing Advisor;
- (d) worked with the Proposal Trustee on the preparation of the Cash Flow Projections and weekly monitoring for the Applicants;
- (e) communicated with stakeholders regarding the proposal process;
- (f) worked with counsel and other professional advisers in beginning to develop a proposal; and
- (g) reviewed operating expenses, pursued the collection of accounts receivable and took other steps to ensure the Applicants remain financially viable during these proceedings.

79. The Applicants believe that an extension of the time period for them to file a proposal is necessary and appropriate in the circumstances.

**F. Requirement for Administration Charge**

80. The requested relief contains a first ranking administration charge against the Applicants' property as security for professional fees and disbursements incurred by their counsel, the Proposal Trustee and the Proposal Trustee's counsel both prior to and after the filing of the NOI. The Applicant has provided a \$150,000 retainer to its counsel, a \$100,000 retainer to the Proposal Trustee, and a \$50,000 retainer to Proposal Trustee's counsel.

81. The Applicants require the services of their counsel, the Proposal Trustee and the Proposal Trustee's counsel to develop a viable proposal. I believe that the Administration Charge is reasonable and appropriate in the circumstances and critical to the success of the Applicants' proposal proceedings.

**G. Requirement for a D&O Charge**

82. The requested relief contains a second ranking charge against the Applicants' property as security for any obligations and liabilities the Applicants' directors and officers may incur in their roles as directors and officers after August 25, 2023, up to the maximum amount of \$250,000.

83. GPCM held D&O insurance with Travelers Insurance Company of Canada (the "**D&O Policy**") with aggregate coverage of \$5 million for all claims. Coverage under the D&O Policy expired on September 1, 2023. While GPCM continues to work on renewing the D&O Policy or securing alternate coverage, such efforts remain ongoing. As a result, the Applicants have not yet been able to secure ongoing insurance coverage for their directors and officers.

84. The Applicants require the services of their directors and officers to develop a viable proposal. The Applicants' directors and officers have the technical and institutional knowledge,

experience, and relationships necessary to preserve the value of the Griffon Entities' operations and business for the benefit of all stakeholders. The Applicants' chances to implement a successful restructuring are maximized by the continued involvement of their directors and officers.

#### **H. Approval of the Retainer Agreement**

85. In order to maximize the value of the Applicants for the benefit of their stakeholders, the Applicants are seeking Court approval of the engagement of the Refinancing Advisor in accordance with the terms of an Engagement Letter dated September 11, 2023 (the "**Engagement Letter**") to assist them in canvassing the market for, and assessing, potential refinancing transaction alternatives. Attached hereto as **Exhibit "X"** is a copy of the Engagement Letter with the professional fee rates charged by the Refinancing Advisor redacted. An unredacted copy of the Engagement Letter is attached hereto as **Confidential Exhibit "Y"**.

86. The Refinancing Advisor is a leading middle-market corporate finance & investment banking boutique in Canada and the United States, specializing in assisting both healthy and distressed companies raise the necessary funds throughout their capital structure. The Refinancing Advisor has significant experience across a range of insolvency-related transactions under both Canadian legislation and the U.S. Bankruptcy Code, including both out-of-Court and Court supervised restructurings, asset sales and corporate reorganizations/refinancings.

87. The Refinancing Advisor was accordingly selected by the Applicants to assist them in locating, negotiating and finalizing a transaction to right size the Applicants' current capital structure and refinance their debt obligations. As noted above, the mandate of the Refinancing Advisor is different from the previous marketing process undertaken by ARCO and Imperial which

focused only on raising funds for the Griffon Entities' ongoing operations. The mandate of the Refinancing Advisor is to identify and finalize a refinancing to takeout the Lenders in full.

88. The Applicants concluded that the Refinancing Advisor's services are necessary to maximize their opportunity to identify and negotiate a value-maximizing transaction, and that the Refinancing Advisor is qualified and capable of performing the required tasks.

#### **I. Restricted Court Access**

89. The Engagement Letter contains confidential information relating to the professional fee rates charged by the Refinancing Advisor for its services. Specifically, on page 6 of the Engagement Letter, the Refinancing Advisor provides the hourly rates of its Directors, Analysts, and Associates. Such information, if made public, could negatively affect the Refinancing Advisor's competitive position in the market, its relationship with third parties, and future commercial negotiations.

90. The Applicants are proposing in the Order that the Engagement Letter be sealed on the Court file and not form part of the public record. In doing so, the Applicants believe that:

- (a) the Restricted Court Access Order is as narrow as possible and only seeks to maintain the confidentiality of the Refinancing Advisor's rates;
- (b) the scope of the proposed Order is proportionate and restricted only to what is necessary to protect the important competitive and commercial interests of the Refinancing Advisor;

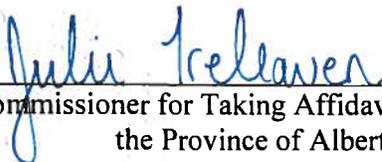
- (c) there are no reasonable alternatives to a Restricted Court Access Order that will prevent the risks of disclosure; and
- (d) the benefits of the requested Restricted Court Access Order outweigh the risks.

**J. Payments During the Proceedings**

91. Since the filing of the NOIs on August 25, 2023, the Applicants have, and intend to continue, making payments for goods and services supplied to them in the ordinary course, as set out in the cash flow projections filed by each Applicant. If these payments cease as a result of these proceedings, certain critical third parties may be reluctant to continue their business relationship with GPOC, thereby resulting in potential deterioration of the value of the business, operations, and collateral. It may also lead to safety and/or environmental concerns.

92. The Applicants are proposing in the Order that they be authorized, but not required, and in all cases with the consent of the Proposal Trustee, to make payments for goods or services actually supplied to them prior to the filing of the NOIs by third-party suppliers or service providers up to a maximum aggregate amount of \$1,000,000 if, in the opinion of the Applicants, the supplier or service provider is critical to the Applicants' restructuring efforts.

SWORN BEFORE ME this 14<sup>th</sup> day of September, 2023 in the City of Calgary, in the Province of Alberta.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits in and for  
the Province of Alberta

  
\_\_\_\_\_  
Daryl Stepanic

**JULIE LAURA TRELEAVEN**  
Commissioner for Oaths  
in and for  
the Province of Alberta