



No. S-236214

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN

1392752 B.C. LTD.

PETITIONER

AND

SKEENA SAWMILLS LTD., SKEENA BIOENERGY LTD.

AND ROC HOLDINGS LTD.

RESPONDENTS

**FIRST REPORT OF THE RECEIVER
ALVAREZ & MARSAL CANADA INC.**

October 25, 2023

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1.0 INTRODUCTION

- 1.1 On September 20, 2023 (the “**Receivership Date**”), upon the application of 1392752 B.C. Ltd. (the “**Petitioner**”) in Supreme Court of British Columbia Action No. S-236214, Vancouver Registry (the “**Receivership Proceedings**”), the court granted an order (the “**Receivership Order**”) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver (the “**Receiver**”) of all of the assets, undertakings and property, including real property, of Skeena Sawmills Ltd. (“**Sawmills**”), Skeena Bioenergy Ltd. (“**Bioenergy**”), and ROC Holdings Ltd. (“**ROC**”, and together with Sawmills and Bioenergy, the “**Skeena Entities**” or the “**Company**”).
- 1.2 Concurrently with this first report of the Receiver (the “**First Report**”), the Receiver is filing an application for an order (the “**Payment Authorization Order**”) that, among other things, authorizes the Receiver to make all monthly payments owed under the Premium Financing Agreement (defined herein and further detailed at Section 7).
- 1.3 The Receivership Order along with select application materials and other documents filed in the Receivership Proceedings (the “**Filed Materials**”) are available for review by interested parties and posted on the Receiver’s website (the “**Receiver’s Website**”) at www.alvarezandmarsal.com/skeena.
- 1.4 Capitalized terms not defined in this First Report are as defined in the applicable Filed Materials.

2.0 PURPOSE OF THE FIRST REPORT

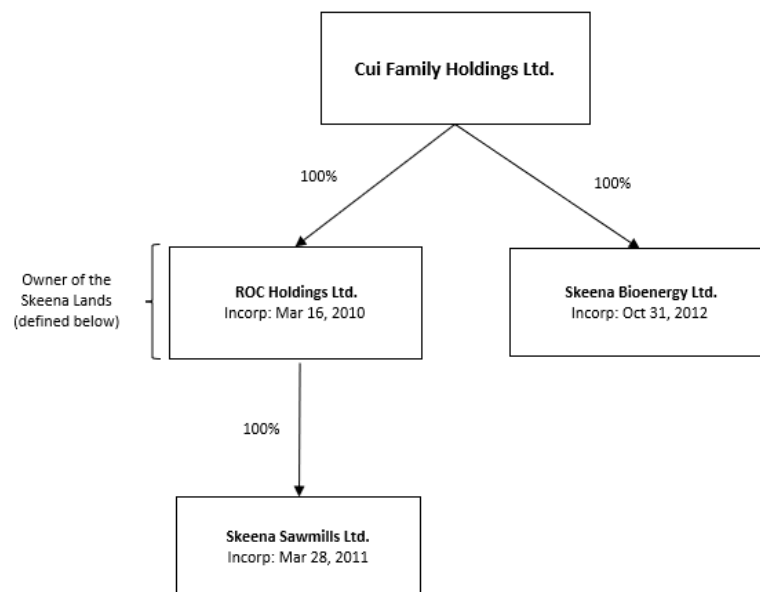
- 2.1 This First Report and has been prepared to provide this Honourable Court with information regarding the following:
- a) background with respect to the Skeena Entities,
 - b) an update on the activities of the Receiver since the commencement of the Receivership Proceedings;
 - c) an overview of the memorandum of agreement (the “**Memorandum**”) between the Receiver and the United Steelworkers Local 1-1937 (the “**Union**”);
 - d) the Receiver’s interim statement of cash receipts and disbursements for the period from September 20 to October 13, 2023;
 - e) the first cash flow forecast for the period from October 14, 2023 to January 12, 2024 (the “**First Cash Flow Forecast**”);
 - f) certain correspondence from stakeholders regarding various matters relating to the Company and the Receivership Proceedings generally, as well as the Receiver’s response to same;
 - g) the Receiver's planned next steps in these Receivership Proceedings; and

h) the recommendations of the Receiver.

3.0 BACKGROUND

Corporate Ownership

- 3.1 ROC and Bioenergy are wholly owned subsidiaries of Cui Family Holdings Ltd., which is owned by Shenwei (Sandra) Wu and certain family trusts that are ultimately controlled by Xiao Peng (Teddy) Cui (together with Wu, the “**Shareholders**”). Sawmills is a wholly owned subsidiary of ROC. The Petitioner and the Skeena Entities are related parties.
- 3.2 The Skeena Entities are all incorporated in British Columbia, and each has a registered and records office located at 1600-925 West Georgia Steet, Vancouver, British Columbia.
- 3.3 The Shareholders acquired the sawmill (via Sawmills) and the related real estate (via ROC) from West Fraser Timber Co. Ltd. in or around 2011. In November 2018, the Shareholders, via ROC, acquired the land where Bioenergy’s pellet plant was subsequently constructed. The pellet plant became operational in 2019.
- 3.4 The corporate structure of the Skeena Entities is illustrated below:



Properties and Operations

- 3.5 The property of the Skeena Entities (the “**Skeena Properties**”) comprises the following:
- a) five parcels of property owned by ROC and located in Terrace, BC (the “**Skeena Lands**”):

- i. Lot B District Lot 616 Range 5 Coast District Plan 3986, PID: 011-691-051, 5330 Highway 16 W, Terrace, B.C.;
 - ii. Lot A District Lot 616 Range 5 Coast District Plan 3986, Except Plan PRP47978, 011-691-042, 5330 Highway 16 W, Terrace, B.C.;
 - iii. Lot A District Lots 616 and 1745 Range 5 Coast District Plan EPP78423, PID 030-631-700, 5402 Highway 16 W, Terrace, B.C.;
 - iv. Lot 3 District Lot 616 Range 5 Coast District Plan 3700, PID 011-768-398, 76 Kalum Lake Road, Terrace, B.C.; and
 - v. District Lot 1398 Range 5 Coast District Except Plan 11735, PID, 009-426-833, 863 Kalum Lake Road, Terrace, B.C.
- b) the sawmill operation, which includes an industrial sawmill, a certified weight log scale, a natural gas kiln, two bay garage mobile shop, a millwright shop, and various tools and equipment (owned and leased) (the “**Sawmill Operation**”). The Sawmill Operation is located at 5330 Highway 16 West, Terrace, B.C.;
 - c) the bioenergy operation, which includes the pellet plant and various tools and equipment (owned and leased) (the “**Bioenergy Operation**”). The Bioenergy Operation is located at 5402 Highway 16 West, Terrace, B.C.;
 - d) the main office building in Terrace, B.C.;
 - e) various forest tenures and licences, including Tree Farm Licence 41, two forest licences (the “**Licences**”) and various cutting permits;
 - f) inventory on site and located at the port of Prince Rupert; and
 - g) accounts receivable.

3.6 The Skeena Lands are owned by ROC and the Licences are held by Sawmills.

3.7 Due to weak international lumber markets, the Sawmill Operation ceased operating in or around the beginning of July 2023. As at the Receivership Date, Sawmills employed 102 people, of which 76 were bound by a collective bargaining agreement (the “**CBA**”) between the United Steelworkers Local 1-1937 (the “**Union**”) and Sawmills.

3.8 The Bioenergy Operation relies on fiber from the Sawmill Operation. As a result of the cessation of the Sawmill Operation, fiber was no longer available to Bioenergy, and the Bioenergy Operation also ceased operating in July 2023. As at the Receivership Date, Bioenergy employed 27 people.

Senior Secured Term Loan and Other Liabilities

- 3.9 The information set out below regarding the Skeena Entities' liabilities comes from the financial records of the Company, which records have not yet been verified by the Receiver, and from information provided by certain creditors of the Company.
- 3.10 The Shareholders have funded operations of the Skeena Entities since acquiring them. The amount of such funding was recognized to be \$135.6 million (the "**Shareholder Funding**") in a forbearance agreement between the Skeena Entities, Bright Future international Trading Ltd. (an entity that is not a party to the Receivership Proceedings), and the Petitioner dated January 31, 2023 (the "**Forbearance Agreement**").
- 3.11 As set out in the Forbearance Agreement, the Shareholder Funding consisted of the following advances:
- a) ROC - \$10,886,000;
 - b) Sawmills - \$109,118,000; and
 - c) Bioenergy - \$15,592,000.
- 3.12 According to the accounting records of the Skeena Entities, after execution of the Forbearance Agreement, the Petitioner made additional advances to the Skeena Entities totaling approximately \$7.6 million (the "**Advances**") to cover working capital and other operational needs in 2023.
- 3.13 On January 31, 2023, the Skeena Entities executed a guarantee in favour of the Petitioner (the "**Guarantee**"), which among other things, jointly and severally and unconditionally guaranteed the Shareholder Funding.
- 3.14 Pursuant to the Guarantee, the Shareholder Funding and the Advances were to be secured by, among other things, an assignment of rents and a mortgage of the Skeena Lands to be granted by ROC securing all indebtedness of the Skeena Entities to the Petitioner and a general security agreement granted by each of the Skeena Entities in favour of the Petitioner.
- 3.15 As set out in the Company's records, as of October 11, 2023, the Company had a total of approximately \$161.5 million of liabilities comprised as follows:

Skeena Sawmills Ltd., et al. Creditor List Summary as at October 11, 2023 \$CAD '000s	
Creditor Type by Entity	Claim Amount
Skeena Sawmills Ltd.	
Secured creditors	\$ 114,854
<i>Forestry Service Providers Protection Act</i> liens	4,551
Other liens	26
Unsecured creditors	8,002
Total creditors - Skeena Sawmills Ltd.	\$ 127,433
Skeena Bioenergy Ltd.	
Secured creditors	15,671
Unsecured creditors	5,692
Total creditors - Skeena Bioenergy Ltd.	\$ 21,363
ROC Holdings Ltd.	
Secured creditors	12,686
Total creditors - ROC Holdings Ltd.	\$ 12,686

Sawmills

3.16 According to the books and records of Sawmills, the secured claims against Sawmills are as follows:

Skeena Sawmills Ltd. List of Secured Creditors per books and records \$CAD '000s	
Secured creditors	
1392752 BC Ltd.	\$ 109,118
Delta Cedar Specialties Ltd.	3,138
Ministry of Forest	1,103
Dynamic Capital Equipment Finance Inc	520
Timber Baron Contracting (2013) Ltd.	491
Caterpillar Financial Services Limited	229
IWA-Forest Industry Benefit Plans	102
Corley Manufacturing Company	123
Timber Tracks	13
Bank of Montreal	10
GM Financial Canada Leasing Ltd.	6
CWB International Leasing Inc.	-
Meridian Onecap Credit Corp.	-
Total secured creditors	\$ 114,854

3.17 In addition to their indebtedness to the Petitioner, Sawmills is indebted to approximately 10 other secured creditors in the amount of \$5.7 million (the “**Other Secured Creditors**”). The Other Secured Creditors include Delta Cedar Specialties Ltd. in the amount of \$3.1 million in respect of

a log purchase and loan agreement dated October 4, 2021 and the Provincial Crown in the amount of approximately \$1.1 million in respect of stumpage arrears.

- 3.18 Pursuant to section 2 of the *Forestry Service Providers Protection Act* (the “**Forestry Act**”), a contractor who provides services to a forest products owner has a lien on such owner's forest products, including forest products acquired by the forest products owner after the services are provided. The Receiver is aware that a total of 10 parties have registered liens against Sawmills under the Forestry Act, in the total amount of approximately \$4.6 million. The list of the Forestry Act lienholders are as follows.

Skeena Sawmills Ltd. List of Forestry Act lien claimants per books and records \$CAD '000s		
Forestry Act Lien Claimants		
Daudet Creek Contracting	\$	2,035
Antler Creek Contracting Ltd.		1,347
K'Alii Aks Timber Corporation		576
D.R. Holtom		192
L&J Logging		157
Deuce Creek Contracting Ltd.		152
Infinity West Enterprises Inc.		50
Silvicon Services Inc.		41
Stardust Contracting Ltd.		unknown
Terrace Timber Ltd.		unknown
Total Forestry Act Lien Claimants		4,551

- 3.19 Apart from the Forestry Act lien claimants, the Receiver is also aware of a warehouse lien against Sawmills' inventory located at the port of Prince Rupert in the amount of approximately \$26,000.
- 3.20 Based on Sawmill's books and records, unsecured creditors of Sawmills total approximately \$8.0 million, which includes various trade claims, amounts due to the Union and termination pay or severance due to former employees and Union members.

Bioenergy

- 3.21 According to Bioenergy's accounting records, it is indebted to the Petitioner for \$15.6 million.
- 3.22 Other secured creditors of Bioenergy have claims totaling \$79,000, including CWB National Leasing Inc. and Caterpillar Financial Services Limited in relation to the financing of certain equipment.
- 3.23 Included in Bioenergy's unsecured creditors is approximately \$4.9 million owing to Her Majesty the Queen in Right of British Columbia, as represented by the Minister of Environment and Climate Change Strategy (“**CleanBC**”), pursuant to a funding agreement dated March 17, 2022 (the

“**Bioenergy Funding Agreement**”) between Bioenergy and Her Majesty the Queen in the Right of the Province of British Columbia in respect of a planned geothermal direct heating project to dry Bioenergy pellets.

ROC

3.24 According to ROC’s books and records, ROC has two secured creditors: the Petitioner and the City of Terrace. ROC’s indebtedness to the Petitioner is recorded at \$10.9 million.

3.25 ROC owes approximately \$1.8 million in property taxes to the City of Terrace in respect of certain of the Skeena Lands (5402 Hwy 16 West, Terrace; 5330 Hwy 16 West, Terrace and 76 Kalum Lake Road, Terrace) in respect of the 2021, 2022, and 2023 tax years. Prior to the Receivership Date, the City of Terrace intended to list the foregoing properties for sale at a public auction on September 25, 2023 due to nonpayment of property taxes. The auction did not proceed given the stay of proceedings provided for in the Receivership Order effective September 20, 2023.

4.0 ACTIVITIES OF THE RECEIVER SINCE ITS APPOINTMENT

4.1 Since the Receivership Date and up to and including the date of this First Report, the Receiver’s activities have included the following:

Possession, Preservation and Marketing of Assets

- a) traveling to and attending on site at the Company’s Terrace, B.C. premises;
- b) discussing the current security and access arrangements with the independent contractors retained by the Receiver (the “**Contractors**”), reviewing the security protocols to ensure that access to the site is limited to the Contractors, the Receiver, and other authorized personnel;
- c) sending a notice of the Receivership to the Company’s insurance broker with a copy of the Receivership Order and requesting that the insurance broker add the Receiver as first named insured and loss payee on the Company’s insurance policies;
- d) working with the insurance broker to purchase new insurance for Sawmills before the insurance coverage lapsed on October 1, 2023;
- e) dispatching notices to various financial institutions to convert the Company’s bank accounts to deposit only and to request that the financial institutions transfer the balances in the Company’s accounts to the Receiver’s trust account;
- f) meeting with IT consultants to limit all remote access to the Company servers, shut down user accounts that are no longer required, and obtain a complete digital backup of the Company’s records;

- g) establishing the Receiver's Website and updating the Receiver's Website with information in respect of the Receivership Proceedings;
- h) contacting various utilities providers to establish new accounts with the Receiver and ensure that there are no service interruptions;
- i) engaging Maynards Industries Canada Appraisals Ltd. to provide an appraisal of the Skeena Properties and facilitated a site visit during the week ended September 29, 2023;
- j) working with the Contractors to secure the Skeena Entities' inventory and reviewing inventory counts;

Management, Employees and Contractors

- k) holding initial meetings with former management to discuss the Receivership and next steps;
- l) terminating all employees of Bioenergy and Sawmills (except for six Union members) as of September 20, 2023, and terminating the remaining six Union members on September 27, 2023;
- m) engaging with the Union upon the Receiver's appointment to discuss the Receiver's intention to terminate all employees and retain certain Union members as Contractors;
- n) negotiating and eventually executing the Memorandum (subsequently discussed) with the Union in order for the Receiver to engage certain Union members as Contractors, and allowing Union members to rescind their termination issued by the Receiver and retain their seniority and recall rights;
- o) engaging 15 former employees and management as Contractors to assist the Receiver with various tasks, including preparing and gathering information, winterization of the Sawmill Operations and maintaining continuous security on site. Currently 10 individuals are working mostly full time with other being available but generally inactive at present;
- p) issuing various notices to employees on behalf of the Union;
- q) attending to inquiries from employees in respect of the Receivership Proceedings;
- r) responding to employee queries regarding severance pay and the Wage Earner Protection Program Act ("WEPPA");
- s) assisting and facilitating final payments to employees in respect of outstanding wages earned;

Receiver's Borrowings and Receiver's Cash Receipts and Disbursements

- t) borrowing \$300,000 from the Petitioner under a Receiver's Certificate pursuant to paragraph 27 of the Receivership Order;
- u) working with the Contractors to review invoices, issuing critical payments and maintaining a receipts and disbursements ledger;

Consultation and Communications with Stakeholders and Other Parties

- v) corresponding with various service providers, the Kitsumkalum Indian Band, and various representatives from the government of British Columbia in respect of the Licences;
- w) attending various meetings with the Contractors, the Union and its counsel in respect of employee matters, service providers and internally in respect of the Receivership Proceedings;
- x) attending a community transition meeting hosted by the Joint Economic Development Initiative to assist in the coordination of potential community outreach meetings to be organized by the Government of Canada;
- y) arranging and attending three (3) employee town hall meetings with terminated employees and Union members of Sawmills;

Retention of Legal Counsel

- z) retaining Fasken Martineau DuMoulin LLP (“**Fasken**”) as the Receiver’s independent legal counsel to assist the Receiver;
- aa) instructing Fasken to review various agreements, including the Bioenergy Funding Agreement (subsequently discussed) and the Licences and to conduct a security review in respect of a stakeholder’s security interest in the Company’s assets;
- bb) instructing Fasken to correspond with various stakeholders, including responding to letters from various stakeholders;

Statutory Duties

- cc) attending to compiling data and analysis in order to calculate potential claims under WEPPA;
- dd) attending to the preparation of a mailing to each former employee in respect of the administration of WEPPA;
- ee) attending to various statutory notices pursuant to the *Bankruptcy and Insolvency Act* and *Personal Property Security Act* (British Columbia) including mailing a Notice and Statement of Receiver to approximately 370 creditors identified in the books and records of the Company and the Filed Materials, posting a copy on the Receiver’s Website and publishing the Notice of Appointment of Receiver of the Skeena Properties in the Terrace Standard and Vancouver Sun on September 28, 2023; and
- ff) reviewing the status of various government reporting and payment requirements, such as GST, source deductions, and other filings as needed.

5.0 MEMORANDUM OF AGREEMENT WITH THE UNION

5.1 On September 21, 2023, the Receiver issued notices of termination to all employees of Bioenergy and Sawmills (except for six (6) Union members), effective September 20, 2023.

5.2 Subsequently, discussions were held between Receiver's counsel and the Union's counsel in respect of an option for Union employees to retain their seniority and recall rights under the CBA or to remain terminated.

5.3 On September 25, 2023, the Receiver and the Union signed the Memorandum in which the Receiver and the Union agreed to, among other things, the following:

- a) on or before September 29, 2023, the Receiver would deliver a written notice (the "**Memorandum Notice**") to the Sawmills employees bound by CBA, that upon their written notice to the Receiver, on or before October 13, 2023 (the "**Recission Date**"), the former employees may rescind their termination;
- b) employees who elected to rescind their termination, would retain their recall and seniority rights pursuant to the CBA;
- c) the Receiver would make reasonable efforts to continue to employ six (6) employees bound by the CBA, however these employees would be employed by the Receiver as contractors and not as employees;
- d) the Union agreed that the Receiver is not a party to the CBA and as such is not bound by the terms and conditions of the CBA, including any obligations in respect of the CBA; and
- e) the Union would ensure that any CBA employees contracted by the Receiver would understand the terms and conditions of their contract with the Receiver.

5.4 The Receiver dispatched the Memorandum Notice to all terminated Union members on September 28, 2023. As of the Recission Date, a total of five (5) employees bound by the CBA elected to have their termination rescinded.

6.0 RECEIVER'S INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

6.1 The Receiver's interim statement of cash receipts and disbursements for the period from September 20 to October 13, 2023 (the "**Reporting Period**") is summarized in the table below:

Skeena Entities	
Receiver's Interim Statement of Cash Receipts and Disbursements	
For the period from September 20, 2023 to October 13, 2023	
CAD\$'000	
Receipts	
Pre-filing bank balances - Bioenergy - CleanBC	\$ 1,576
Pre-filing bank balances - Sawmills	19
Pre-filing bank balances - Bioenergy	11
Receiver's certificate	300
Accounts receivables - Sawmills	88
Interest on Deposits	1
Total Receipts	1,995
Disbursements	
Pre-filing payroll	28
Contractors	28
Utilities, rent, phone/internet and snow removal	4
Union Employees retained by Receiver	3
Statutory	2
Sawmill/Pellet plant maintenance	1
Computer, subscriptions and IT	0
Bank fees	0
Total Disbursements	67
Cash on hand in trust	\$ 1,928

6.2 The Receiver collected approximately \$1.7 million from the Skeena Entities' pre-filing bank accounts upon its appointment. The funds consist of:

- a) approximately \$1.6 million (the "**CleanBC Funds**") advanced to Bioenergy pursuant to the Bioenergy Funding Agreement. On October 3, 2023, the Receiver notified CleanBC that the Receiver had taken possession of the CleanBC Funds and that while such funds would not be distributed to creditors pending further order of this Honourable Court, they were subject to the receivership charges under the Receivership Order and would be used to pay the ongoing costs of these Receivership Proceedings;
- b) approximately \$19,000 from Sawmills' pre-receivership bank accounts;
- c) accounts receivable of \$88,000 from one Sawmills customer; and
- d) in addition to the CleanBC Funds, approximately \$11,000 from Bioenergy's pre-receivership bank accounts.

6.3 The Receiver borrowed \$300,000 from the Petitioner under a Receiver's Certificate.

6.4 As of October 13, 2023, the Receiver disbursed a total of \$67,000. Payments were predominantly related to personnel costs, being the last payroll for the terminated employees, the payroll for the six Union employees until they were terminated, and payments to Contractors.

6.5 Prior to the Receivership Date, A&M received a retainer of \$37,500 from the Petitioner, pursuant to the engagement letter between the parties dated September 1, 2023. \$27,715 of the retainer has been applied for services rendered by A&M prior to its appointment as Receiver. The remainder of the retainer, being \$9,785, is being held in trust by A&M and does not constitute estate funds.

6.6 Fees incurred to October 20, 2023, by the Receiver and its counsel, Fasken, are approximately \$195,000 and \$48,500, respectively.

7.0 FIRST CASH FLOW FORECAST

7.1 The Receiver has prepared the First Cash Flow Forecast for the period from October 14, 2023 to January 12, 2024 (the “**Forecast Period**”). The First Cash Flow Forecast is summarized in the table below:

Skeena Entities Cash Flow Forecast For the period October 14, 2023 to January 12, 2024 \$CAD '000s		
Receipts	\$	-
Disbursements		
People and contractor costs	\$	370
Insurance		469
Professional fees - receiver, counsel		450
Utilities		119
Sawmill/Pellet plant maintenance		56
Computer, subscriptions and IT		45
Appraisal		25
Office supplies, cleaning and other misc.		20
Total disbursements		1,553
Net cash flow		(1,553)
Opening cash balance		1,928
Ending cash balance	\$	375

7.2 The First Cash Flow Forecast forecasts net cash outflows \$1.6 million during the Forecast Period, which is based on the following assumptions:

- a) the Receiver did not forecast any receipts for the Forecast Period. However, the Receiver notes the following potential collections (timing and quantum unclear):
 - a. the Receiver has issued collection letters in respect of the Skeena Entities’ accounts receivable totaling approximately \$472,000. As of the date of this First Report, three parties have responded to the Receiver claiming that approximately \$160,000 of the

accounts receivable recorded were not substantiated. The Receiver is continuing to investigate;

- b. the Receiver has been made aware of certain garnished funds paid into Court (Terrace Registry) in the amount of approximately \$181,000. The Receiver is in the process of recovering these funds; and
 - c. the Receiver is in the process of locating buyers for the finished goods held on site and at the port of Prince Rupert. Total book value of finished goods is approximately \$706,000.
- b) people and Contractor costs of approximately \$370,000 are to assist the Receiver with the sale of the Skeena Entities, administration of the Receivership Proceedings, maintenance of the plants and on-site security;
- c) insurance costs of \$469,000, which consists of:
- a. monthly insurance premium instalments for Bioenergy of approximately \$41,000 per month. Bioenergy entered into a premium financing agreement with Imperial PFS Payments Canada, ULC (“**Imperial**”), via its insurance broker, BFL Canada Risk & Ins Services Inc. (“**BFL**”) dated April 4, 2022 and renewed by renewal agreement dated April 20, 2023 (together, the “**Premium Financing Agreement**”). After taking a down payment and applying a finance charge, Bioenergy borrowed \$445,833.41 which it was required to pay back in 11 equal instalments, each of \$40,530.31, starting on May 5, 2023 and then on the first of each of the next 10 months (i.e. the last payment being March 1, 2024). As of the date of this First Report, the amount due to Imperial as of October 1, 2023 has not been made.

The Receiver has been in touch with Imperial’s counsel, and is of the view that the monthly instalments should continue to be paid, including the instalment due on October 1, 2023. The rationale for the Receiver’s decision to continue making the monthly payments to Imperial is addressed in further detail in section 7.3 below;

- b. as previously noted, the Receiver renewed the insurance coverage for Sawmills on September 30, 2023 as the previous policy was expiring on the same day. The total premium for the renewed policy was approximately \$529,000, and the Receiver, through BFL, was able to locate an insurance financier (First Insurance of Canada Funding) who was willing to finance the premium. Under the financing arrangement, the Receiver will be making a downpayment of \$185,499.25 and a total of nine (9) monthly instalments of \$39,765.12 each. The downpayment and the first instalment

are included in the First Cash Flow Forecast and are expected to be made on or around October 30, 2023;

- d) professional fees of \$450,000 for the Receiver and its counsel, Fasken;
- e) utilities of \$119,000 includes forecast BC Hydro and gas charges of \$115,000 during the Forecast Period;
- f) sawmill/Pellet plan maintenance costs of \$63,000 includes general maintenance and winterization of the Skeena Entities, and snow removal costs during the Forecast Period;
- g) computer, subscriptions and IT costs of approximately \$49,000 includes IT contactors, monthly software subscriptions and payroll services software for processing T4s;
- h) appraisal costs of up to \$25,000 payable to Maynards; and
- i) office, supplies, cleaning and other miscellaneous costs of \$20,000 includes weekly cleaning of the Company's office in Terrace and rent for two apartments for the Contractors (to be reduced to one apartment effective November 1, 2023).

7.3 The Receiver and Fasken have been in contact with Imperial, including through legal counsel. Pursuant to the Premium Financing Agreement, Imperial has the right to terminate the insurance policy and obtain a refund of any unearned premiums in the event of default. The Receiver is of the view that if Imperial were to bring an application to lift the stay in order to effect its rights, there would be strong grounds for such relief. The alternative is that Imperial would, in effect, be paying to insure assets comprising the collateral of other secured creditors. Accordingly, in the circumstances, the Receiver agrees that monthly payments should continue to be made under the Premium Financing Agreement, and the Receiver has advised Imperial that it intends to seek authorization to do so. The Premium Financing Agreement is attached hereto as Appendix "A".

8.0 DEALINGS WITH STAKEHOLDERS

- 8.1 The Receiver has been in contact with the following stakeholders regarding various issues identified by such stakeholders:
- a) Dynamic Capital Equipment Finance Inc. ("**Dynamic**") requested the release of certain serial numbered equipment in which it holds a security interest pursuant to a Loan Agreement and Specific Security Agreement dated July 29, 2021 (the "**July Loan Agreement**") and a Loan Agreement and Specific Security Agreement dated August 17, 2021 (the "**August Loan Agreement**"). The Receiver has determined that there is likely no equity in a cantor line secured under the August Loan Agreement and has agreed to release that equipment to Dynamic. The Receiver believes there is sufficient equity in the equipment secured under the

July Loan Agreement so as to make it worthwhile to retain and sell that equipment in the Receivership Proceedings. Relevant correspondence between counsel to Dynamic and Fasken is attached hereto as Appendix “B”;

- b) The Trustees of the IWA – Forest Industry Pension Plan and the Trustees of the IWA – Forest Industry LTD Plan (the “**Pension Plan Trustee**”) in respect of the payment of contributions owing to certain plan of unionized employees. The Receiver has advised that it cannot provide any assurances that any contributions owing to the plans will be paid in the course of the Receivership as that will depend on the validity, amount and priority of potential claims, including that of the Pension Plan Trustee (none of which have been investigated by the Receiver), and the nature and amount of funds available for distribution to creditors, which is unknown at this time. Relevant correspondence between counsel to the Pension Plan Trustee and Fasken is attached hereto as Appendix “C”;
- c) The Forest Tenures Branch, Ministry of Forests regarding the process and procedures involved in applying for the disposition (transfer) of a replaceable forest licence and the disposition of timber tenures;
- d) Round Lake Transport Ltd. (“**Round Lake**”) regarding its lien under the Forestry Act. Relevant correspondence between counsel to Round Lake and Fasken is attached hereto as Appendix “D”;
- e) Timber Baron Contracting Ltd. (“**Timber Baron**”) regarding the quantum of its claim against the Skeena Entities and the priority in respect thereof. Relevant correspondence between counsel to Timber Baron and Fasken is attached hereto as Appendix “E”; and
- f) Antler Creek Contracting Ltd., Deuce Creek Contracting Ltd., L&J Logging Ltd., Kitselas Forestry LP, Terrace Timber Ltd., Silvicon Services Inc., Little Trees Reforestation Inc., Timber Tracks Inc., D. R. Holtom Ltd., K’Alii Aks Timber Corporation, Timbertramp Contracting Ltd. and Cypress Forest Consultants Ltd. regarding their respective concerns as to the validity of the security interests granted by the Skeena Entities to the Petitioner in respect of the Shareholder Funding. Relevant correspondence between counsel to the foregoing creditors and Fasken is attached hereto as Appendix “F”;

8.2 The Receiver is aware that, at the appointment hearing, several creditors raised concerns over the validity of the Petitioner’s debt and/or security.

8.3 Since its appointment, creditors have raised the same concerns with the Receiver. While certain creditors have requested that the Receiver undertake an investigation and provide its views concerning the history and circumstances relating to the Petitioner’s secured claim and certain

related transactions, and to opine on the priority of claims, the Receiver was also made aware of other stakeholders' concerns relating to the costs of any such investigation.

8.4 At this stage, the Receiver does not intend to undertake an in-depth investigation of the Petitioner's claims, or the claims of any other creditors, unless directed to do so by this Honourable Court. The Receiver is of the view that the utility of any such investigations will only be known once the court and stakeholders have a better understanding of potential realizations and amounts that may be available to creditors.

8.5 In the meantime, the Receiver is expending efforts to gather and secure information in relation to the shareholder loans and the security.

9.0 NEXT STEPS

9.1 The Receiver's next steps will be as follows:

- a) continuing to develop the sales process, including but not limited to preparing the list of potential purchasers, developing the sales process documentation and timeline, and populating the electronic dataroom;
- b) realizing on the current assets of the Skeena Entities, including accounts receivable and inventory; and
- c) corresponding with various equipment financiers to determine the treatment of the financed assets.

9.2 The Receiver expects to launch a sales process before the end of October 2023. The Receiver currently contemplates a 90 to 120-day marketing process to locate a successful buyer(s) for Skeena Entities' assets. Proposed milestones are as follows:

- a) sales process launch by October 31, 2023;
- b) deadline for expressions of interest on or around December 8, 2023;
- c) deadline for definitive bids from shortlisted parties on or around January 12, 2024;
- d) contract of purchase and sale to be finalized by February 2, 2024;
- e) court approval on or around February 16, 2024; and
- f) closing date for the transaction(s) shall occur on or around February 29, 2024, or upon all regulatory approvals being obtained.

9.3 The Receiver plans to market and solicit offers for the sale of the Skeena Entities' assets *en bloc*, though it will accept offers for one or more of the assets individually. Accordingly, depending on the offers received, it may be that certain assets are sold sooner than set out above. Moreover,

depending on regulatory and other issues, it may be that the completion of an *en bloc* sale, or the sale of certain assets, will take longer than set out above. The Receiver's intention is to ensure that it can adapt the process to the circumstances as necessary as they arise.

10.0 RECEIVER'S CONCLUSION AND RECOMMENDATIONS

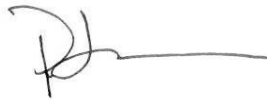
10.1 The Receiver respectfully recommends that this Honourable Court grant the Payment Authorization Order authorizing and directing the Receiver to continue making all monthly instalment payments under the Premium Financing Agreement.

All of which is respectfully submitted to this Honourable Court this 25th day of October, 2023.

Alvarez & Marsal Canada Inc.,
in its capacity as Receiver of Skeena Sawmills Ltd.,
Skeena Bioenergy Ltd. and ROC Holdings Ltd.
and not in its personal capacity



Per: Anthony Tillman
Senior Vice President



Per: Pinky Law
Vice President

Appendix A – Premium Financing Agreement



04/04/2022

Insured/Borrower:

Skeena Bioenergy Ltd.
Suite 1518 - 1030 West Georgia Street
Vancouver, BC V6E 2Y3

Your Insurance Agent or Broker:

BFL CANADA Insurance Services Inc- Vancouver
1177 West Hastings Street, suite 200
Vancouver, BC V6E 2K3

To accept your insurance premium and set up your payment:

Your actual payment will be based on your final policy details which will be provided by your broker and outlined in your Notice of Acceptance.
Please provide or confirm your banking information in the payment details section and sign below.

PAYMENT DETAILS:

Transit (Branch) #

Institution #

Account Number

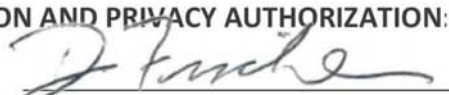
Other Payment Reference

Credit Card Payments (Optional): We understand that we have the option to make our payments by credit card and that this service is optional. We understand that there will be a charge equal to 2.250 % of our Payment Amount for this optional service and that we may cancel at any time on 30 days' notice to Imperial PFS Canada.

INSURED/BORROWER AUTHORIZATION AND PRIVACY AUTHORIZATION:

CFO

Business Title


Signature

May 3, 2022

Date

By signing this Payment Agreement, the Insured/Borrower (referred to below as "We" or "us" or "our"):

- acknowledge reading and understanding the AGREEMENTS OF INSURED/BORROWER of this Payment Agreement as outlined on the following pages; and
- consent to the collection, use and disclosure of our information for the purposes of: (i) assessing eligibility for and managing credit facilities, (ii) evaluating ongoing credit risk, including obtaining immediate and supplemental/ongoing credit checks of our financial and credit history from credit reporting agencies and those financial institutions which have relevant information on us and ensuring the integrity of the credit reporting information, (iii) fulfilling Imperial PFS Canada's obligations under the Payment Agreement, and (iv) as further described in the privacy policy available at <https://www.ipfscanada.com/privacy-policy> or on request; and
- acknowledge that our information may be stored and processed outside of Canada, including in the United States, and disclosure may be compelled by foreign courts, law enforcement and national security authorities.

Imperial PFS Payments Canada, ULC
1011-1 Toronto Street, Toronto, ON M5C 2V6
Phone: (866) 815-9454 | Web: www.ipfscanada.com

Payment Agreement #: 5997838



PAYMENT AGREEMENT



PAYMENT DETAILS

Payment Agreement #:	5997838
Total Premiums:	\$321,559.00
Initial Payment:	\$28,177.76
Initial Payment to Broker:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Balance:	\$293,381.24
Plan Cost:	\$5,292.41
# of Payments:	11
Payment Frequency:	Monthly
Effective Date:	04/01/2022

YOUR PAYMENT
\$27,152.15

First Payment Due: Your first Monthly Payment is due 1 month after the earliest Effective Date. Subsequent payments are due on the same day each month.

⑈001⑈ ⑈00002⑈003⑈ 4567⑈890⑈

■ Transit (Branch Number) ■ Institution Number ■ Account Number

POLICY INFORMATION

Definitions: Wherever the word "Policy" or "Policies" is used in this Payment Agreement, "PA", unless otherwise defined herein, it means the policy(ies) listed on the SCHEDULE OF POLICIES within the Notice of Acceptance. Wherever the word "we" or "us" or "our" is used in this Agreement, it means the undersigned Insured/Borrower or, if there is more than one Insured/Borrower, the undersigned Insureds/Borrowers, jointly and severally. "Imperial PFS Canada" means Imperial PFS Payments Canada, ULC and its successors and assigns. Wherever the words "Insurance Company" or "Insurance Companies" are used in this Agreement, they mean the insurance companies listed on the SCHEDULE OF POLICIES within the Notice of Acceptance. Interpretation: In this PA, words indicating the singular shall include the plural and vice versa, and words indicating one gender shall include all genders.

AGREEMENTS OF INSURED/BORROWER

In consideration of Imperial PFS Canada's commitment to finance and the premium payments being financed by Imperial PFS Canada to the Insurance Companies on our behalf and with our authority, we, THE INSURED/BORROWER, HEREBY:

1. Promise to pay to Imperial PFS Canada the Balance plus Plan Cost to be made in accordance with the Payment Details, subject to the provisions set forth in this PA, whether or not any or all of the Policies are terminated for any reason and acknowledge that included in the Balance may be amounts of applicable taxes and fees and if so included, the word "premium" when used in this PA shall be interpreted to include any such amounts.
2. Assign by way of security to Imperial PFS Canada all unearned premiums, all dividends and all loss payments, which reduce the unearned premiums under the Policies and all provincial or federal sales tax or other refunds, and agree that if we receive any such amounts, we shall receive them in trust for Imperial PFS Canada and shall immediately pay them over to Imperial PFS Canada.
3. Irrevocably appoint Imperial PFS Canada our attorney with full authority, coupled with an interest, to cancel the Policies financed herein for nonpayment of payments as set forth in this PA or as otherwise contemplated in this PA, to direct the Insurance Companies to make payment of all sums assigned, to Imperial PFS Canada, to receive all sums assigned and to endorse on our behalf in favour of Imperial PFS Canada any cheque made payable to us and to Imperial PFS Canada jointly.
4. Understand that the Plan Cost begins to accrue on the earlier of the earliest effective date of any of the Policies and the date of funding by Imperial PFS Canada hereunder.
5. Late Payment: Upon default of any payment for five (5) days, agree to pay a late charge of five percent (5%) of the Defaulted Payment. In addition, we agree Imperial PFS Canada may at its own discretion impose a charge in the amount of CAD \$50.00 plus applicable taxes for each defaulted/returned payment. This section does not apply to section 32.
6. Continuous Agreement: Acknowledge this PA to be an ongoing contract providing for continuous insurance premium financing in accordance with its terms which may, at Imperial PFS Canada's sole discretion, be renewed or extended annually upon our request subject to the receipt and approval by Imperial PFS Canada of a renewal notice executed by us or our authorized Agent or Broker. Each renewal shall be effective only following approval by Imperial PFS Canada by means of a written notice of acceptance as of the Policy Effective Date stated in such renewal notice and shall be for the Policy Term specified and for the Balance also specified therein. We appoint the Insurance Agent or Broker identified on Page 1 as our attorney, who has accepted such mandate, with full authority, coupled with an interest, to execute for and on our behalf any renewal notice or renewal payment agreement in order to modify the terms and provisions of this PA, request successive one year extensions of this PA or otherwise. We understand that we may revoke this appointment at any time upon written notice to the Insurance Agent or Broker and to Imperial PFS Canada. We agree that an Initial Payment, equal in proportion to that in the initial PA, is due to Imperial PFS Canada on any renewal of this PA, and in order to maintain that Initial Payment we authorize Imperial PFS Canada to continue pre-authorized withdrawals until written notice of cancellation or a renewal notice is received by Imperial PFS Canada. Imperial PFS Canada shall credit any excess to or collect any shortfall of Initial Payment from us at time of renewal of this PA. We agree that following each such approval by Imperial PFS Canada each and every one of the terms and conditions of the original PA other than the particulars of the Payment Agreement, which shall be amended to reflect the amended Policies and payments, shall remain in full force and effect during the relevant term, notwithstanding any change of Insurance Companies, Policy coverage types, premium amount or Payment Agreement Details. We further agree that financing provided by Imperial PFS Canada for each renewal term shall be at current rates being charged by Imperial PFS Canada at the relevant renewal date, and that Imperial PFS Canada has the right to decline any renewal of this PA at its sole discretion.
7. Copy of Policy: Irrevocably direct our authorized Agent or Broker to provide Imperial PFS Canada upon Imperial PFS Canada's request with a complete copy of the Policies and any other requested information concerning return premium, cancellation and minimum earned/retained amount.
8. Updated Information: Agree to provide to Imperial PFS Canada not less than thirty (30) days' prior written notice of any change in our name, address, bank account, credit card account or any change related to the Policies or this PA.
9. Cancellation after Policy is in Force: Agree that if we do not make a payment when it is due or we are otherwise in default under this PA or any other PA which we at any time enter into with Imperial PFS Canada or its affiliates, Imperial PFS Canada may exercise its power of attorney, cancel the Policies in accordance with the provisions contained in this PA, direct the Insurance Companies as to payment of all sums assigned, to Imperial PFS Canada, and act in our place with regard to the Policies. We understand that before Imperial PFS Canada cancels the Policies, Imperial PFS Canada will mail a written Notice of Intent to Cancel to us at our last address as shown on Imperial PFS Canada's records, and that Imperial PFS Canada will send a Notice of Cancellation to the Insurance Companies and us canceling the Policies if we do not make the payment that is overdue or otherwise cure the default within ten (10) days of the default. In addition, we agree to pay Imperial PFS Canada an administration fee of \$100.00 plus applicable taxes should Imperial PFS Canada have to cancel this PA.
10. Money Received after Cancellation: Agree that if Imperial PFS Canada receives a payment after Imperial PFS Canada sends the Notice of Cancellation, Imperial PFS Canada may apply to it what we owe, if anything, without changing Imperial PFS Canada's rights under this PA. After the Policies are cancelled (whether by Imperial PFS Canada or by us or anyone else), Imperial PFS Canada has the right to receive all refunds of unearned premiums and apply them against the unpaid portion of the Balance plus Plan Cost as amended from time to time together with all other amounts owing under this PA, if any. If the refund is more than we owe, Imperial PFS Canada will return to us only what is left after all amounts due under this PA have been paid in full. If the refund is less than we owe, we will pay Imperial PFS Canada the difference forthwith on demand. Imperial PFS Canada may act in our place to do whatever is necessary to collect such refunds. The Insurance Companies may rely on whatever Imperial PFS Canada tells them regarding the Policies and the refunds; they do not have to get proof from us or anyone else as to any matter.
11. Default: Agree that we will be in default if any of the following happens: a payment is not made when it is due (if the Initial Payment is not made, it shall give rise to a repudiation or in the case of Quebec, a resolution according to section 32); a proceeding in bankruptcy, receivership, insolvency or similar proceeding is instituted by or against us; any one of the Policies is cancelled by us or the Insurance Companies or any other person for any reason; or we fail to keep a promise we make in this PA.
12. Right to Demand Payment in Full: Agree that at any time after we are in default, Imperial PFS Canada can demand and has the right to receive immediately payment of the total unpaid portion due under this PA. All remedies hereunder are cumulative. Imperial PFS Canada need not exhaust its remedies before claiming the total unpaid amount due under this PA from us. The provision hereto is a clause of forfeiture of benefit of the term. Any amount forfeited by us will not constitute a penalty but rather constitute a genuine pre-estimate of damages. This remedy does not affect Imperial PFS Canada's remedy under section 32.
13. Cross Collateralization: Agree that if we are in default under this PA or any other PA which we at any time enter into with Imperial PFS Canada or any of its affiliates, we shall be in default under all agreements at any time entered into by us with Imperial PFS Canada or any of its affiliates, and Imperial PFS Canada shall be entitled to exercise all remedies available to Imperial PFS Canada when we are in default under this PA or any other PA between us and Imperial PFS Canada or any of its affiliates. Notwithstanding any other provision of this PA or any other PA, we agree that any amount received by Imperial PFS Canada on account of unearned premiums, all dividends, and all loss payments which reduce the unearned premiums under the Policies or under any other Policies financed by Imperial PFS Canada on our request under any other PA with Imperial PFS Canada or any of its affiliates may be applied against the total amount due under this PA and all other amounts due to Imperial PFS Canada by us. We hereby appoint Imperial PFS Canada our attorney with full authority to cancel policies financed by Imperial PFS Canada under other agreements with Imperial PFS Canada by reason of default under this PA or any other agreement between us and Imperial PFS Canada. We agree and confirm that every agreement between us with respect to premium is hereby deemed to be amended as required to give effect to the foregoing.
14. Security Interests: To secure the performance of our obligations hereunder we grant Imperial PFS Canada a continuing security interest in any interest we have in all unearned premiums, all dividends and all loss payments which reduce the unearned premiums under the Policies and all provincial or federal sales tax or other refunds. We agree that Imperial PFS Canada has all the rights of a secured party under any applicable personal property security interest (as the terms "security interest" and "purchase money security interest" are used in the Personal Property Security Act (Ontario) and shall be interpreted with similar effect under analogous legislation in force in any other relevant jurisdiction). Where applicable by law, we hereby waive our right of notification of Personal Property Security Act registration.
15. Early Payment: Acknowledge that at any time, we may pay the whole amount still unpaid. If we pay the full amount before it is due, we will be given a refund of the unearned Plan Cost less any fees deemed appropriate by Imperial PFS Canada at its sole discretion.
16. Assignments: Agree that we may not assign the Policies or permit endorsement of any of the Policies to additional insureds without Imperial PFS Canada's written consent prior to the assignment or endorsement. However, we do not need Imperial PFS Canada's written consent to add mortgagees or other persons as loss payees. Imperial PFS Canada may transfer its rights under this PA to anyone without our consent and we agree to pay this transferee without any right to abatement, deduction, set-off, withholding or any other counterclaim. All of Imperial PFS Canada's rights shall endure to the benefit of Imperial PFS Canada's successors and assigns. The obligations of the Insured/Borrower are binding upon our heirs, executors, successors, administrators and assigns.
17. Indemnity: Agree that we will indemnify, defend and hold harmless Imperial PFS Canada and its agents, officers, attorneys, directors, assigns, and employees from and against any and all liabilities, losses, expenses, damages, demands, and claims, including attorneys' fees, arising out of injury or alleged injury to any persons, including death, damage or alleged damage to any property, if due to our failure to pay Imperial PFS Canada monies owing under this PA when such amounts are due, and such default in payment causes Imperial PFS Canada to cancel the Policy(ies) or otherwise affect our Policy(ies) due to the default in payment.
18. Collection Costs: Agree to pay any costs, fees and expenses incurred to collect any monies we owe under this PA including without limitation, legal fees on a solicitor and his own client basis, and all such amounts shall be deemed to be included in the Balance and shall be secured by the security granted under this PA.
19. Agent or Broker: Acknowledge while the Agent or Broker submitting this PA may be accepting the Initial Payment on Imperial PFS Canada's behalf, that such Agent or Broker is not Imperial PFS Canada's agent and cannot legally bind Imperial PFS Canada in any way.
20. Amendments: Agree if the Policies or any of them have not been issued at the time of signing of this PA, Imperial PFS Canada may insert the names of the Insurance Companies issuing the Policies, the Policy numbers, and the due date of any Payments, if they are not known when we sign the PA. We agree that during the term of this PA, the Balance, Plan Cost, Balance plus Plan Cost, and Payment Agreement Details may be amended by Imperial PFS Canada (1) to reflect any changes in the principal portion, or otherwise resulting from any Policy renewal or any other cause whatsoever, (2) to ensure that this PA conforms to the original or renewal finance quotation provided to the Agent or Broker and correctly sets forth the details of the Policies. We agree that all such amendments shall be binding upon us. Imperial PFS Canada agrees to advise us in writing of any such changes.
21. Effective Date: The Effective Date of this PA will be when this PA is accepted by Imperial PFS Canada in writing. This acceptance will be communicated with a notice of acceptance to us and/or our authorized Agent or Broker. However, we agree that funding by Imperial PFS Canada hereunder will not occur until Initial Payment is made.
22. Audit Policies: If any Policy financed by Imperial PFS Canada is an audit or reporting form Policy, we agree to pay to Imperial PFS Canada, and hereby direct the Insurance Companies to pay to Imperial PFS Canada, the amount of any return premium, to be applied against the Balance plus Plan Cost together with all other amounts owing hereunder as provided by law and further agree to provide Imperial PFS Canada with particulars as to the amount of any increase in premium payments required by the Insurance Companies.
23. Signature and Acknowledgement: Acknowledge we have signed this PA and have received an executed copy of it. If the Insured/Borrower is a corporation, limited liability company, partnership or other entity, we warrant we are authorized to sign this PA on its behalf, acting alone, and to bind such entity. If there is more than one Insured/Borrower listed on any Policies, we warrant we are, acting alone, authorized to sign for and to bind all Insureds/Borrowers.
24. Waiver of Rights/Enforceability: Acknowledge that time shall be of the essence of this PA and any waiver of or delay in enforcing any rights by Imperial PFS Canada does not constitute any waiver of such rights thereafter. The invalidity or unenforceability of any clause will not affect the remainder of the PA.
25. Facsimile Transmission: Agree that Imperial PFS Canada shall be entitled but not obligated to rely on delivery by facsimile transmission of an executed copy of this PA and acceptance by Imperial PFS Canada of such facsimile copy shall be effective to create a valid and binding agreement between us, Imperial PFS Canada, and the Agent or Broker in accordance with the terms hereof.
26. Dispute Resolution: The parties agree to resolve any and all disputes or claims arising out of or relating to this PA in the following manner: (1) for any and all disputes or claims within the monetary jurisdictional limit of the small claims court in the province or territory of the Borrower ("Small Claims"), the dispute or claim shall be resolved in either small claims court in the province or territory of the Borrower or by private arbitration pursuant to the *Arbitration Act, 1991, S.O. 1991, c. 17* as am., or such successor act, in Toronto, Ontario, at the discretion of the filing party; and (2) for all claims and disputes exceeding the jurisdictional limit of the small claims court in the province or territory of the Borrower ("Large Claims"), the dispute or claim shall be resolved through private arbitration pursuant to the *Arbitration Act, 1991, S.O. 1991, c. 17* as am., or such successor act, in Toronto, Ontario. The language of the arbitration shall be English. In the event that the dispute or claim is resolved through private arbitration, the final arbitral award will be binding upon the parties and there will be no appeal from the award of the arbitrator on questions of law or on questions of fact or mixed fact and law.
27. Governing Law: Agree that this PA shall be governed by the law of the province where the Insured/Borrower is located as indicated on the front page hereof, and the federal laws of Canada applicable in that jurisdiction.
28. Province of Quebec: For all purposes pursuant to which the interpretation or construction of this PA may be subject to the laws of the Province of Quebec or a court or tribunal exercising jurisdiction in the Province of Quebec, (1) "security" shall include "hypothec" and "security interest" shall include a "movable hypothec without delivery", (2) all references to filing, registering or recording under the Personal Property Security Act (Ontario) shall include publication under the Civil Code of Quebec, (3) any "apply to it what we owe", "apply them against the unpaid portion", "set-off" or similar expression shall include a "right of compensation", (4) an "attorney" shall include a "mandatary", (5) "receivership" shall include "sequestration" and "seizure", (6) "loss payments" shall include "indemnities", (7) "loss payee" shall include "beneficiary" and "hypothecary creditor", (8) "collection fees" shall include "recovery fees", (9) "joint and several" shall include "solidary", (10) "right to demand payment in full" shall include "the loss of the benefit of the term". For the purposes of section 14 (Security Interest), to secure the performance of our obligations hereunder, we grant Imperial PFS Canada a movable hypothec without delivery in any interest we have in all unearned premiums, all dividends and all loss payments which reduce the unearned premiums under the Policies and all provincial or federal sales tax or other refunds, the whole up to an amount equal to the Balance plus Plan Cost multiplied by 1.25, with interest thereon at the rate of 25% per annum as of the date hereof. We and our authorized Agent or Broker, hereby represent and warrant that the Insurance Companies have not received any notice of assignment or hypothec under Article 2479.1 of the Civil Code of Quebec from any person (other than Imperial PFS Canada), prior to the Effective Date of this PA, in respect of the Policies hereunder, and we hereby further agree to cause such Insurance Companies to so confirm in writing to Imperial PFS Canada.
29. Language: Les parties ont expressément convenu que cette convention ainsi que tous documents y afférents soient rédigés en langue anglaise seulement. The parties have expressly agreed that this PA and all related documents be drafted in the English language only.
30. Pre-Authorized Payment Agreement: Imperial PFS Canada is hereby authorized to draw payment under its Payment Agreement from the bank account and/or the credit card account included within Payment Details. This authorization shall extend to include any revised payment amounts, late charges, NSF charges or other amounts due to Imperial PFS Canada under the terms of this Payment Agreement. We understand that the debits may occur prior to receiving prior written notice. We also understand that if we wish to change the amount of our PAD (Pre-Authorized Debit) we should contact Imperial PFS Canada by phone or in writing. This authorization is a Business PAD (where the Insured is a corporation, person or entity acting for business purposes). We can obtain a sample cancellation form or get further information on our right to cancel a PAD agreement by contacting our financial institution or by visiting www.payments.ca. We acknowledge that we have certain recourse rights if any debit does not comply with this agreement. For example, we have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD agreement. To obtain more information on our rights, we should contact our financial institution or visit www.payments.ca.
31. Notice of Acceptance and Amendments: we agree that because some of the Policy(ies) may not have been issued at the time of signing of this PA, Imperial PFS Canada will provide a Schedule of Policies, including (where available) the names of the Insurance Companies issuing the Policy(ies), the Policy numbers, the Premiums and the due date of any payments, and send that information to us and the Broker in a Notice of Acceptance to be sent to us within 10 days of Imperial PFS Canada's

Imperial PFS Payments Canada, ULC

1011-1 Toronto Street, Toronto, ON M5C 2V6

Phone: (866) 815-9454 | Web: www.ipfscanada.com

Payment Agreement #: 5997838



acceptance of the revised policy details. We agree that during the term of this PA, Imperial PFS Canada may amend the PA (1) to reflect any changes in the Total Premiums, or otherwise resulting from any Policy renewal or any other cause whatsoever, (2) to ensure that this PA conforms to the original or renewal quotation provided to the Broker and correctly sets forth the details of the Policy(ies). We agree that all such amendments shall be binding upon us.

32. Right not to Fund where no Payment has been Made: If we fail to make any required Initial Payment prior to the time Imperial PFS Canada pays the Total Premiums, any individual premium listed on the Schedule of Policies, or any additional premium on the policies listed in the Schedule of Policies, **Imperial PFS Canada may in its sole discretion accept the repudiation, or in the case of Quebec, resolution, of this PA** with respect to all policies or additional premiums to which such missed down payment or installment payment relates. **Such repudiation, or in the case of Quebec, resolution, will alleviate Imperial PFS Canada of any future obligation under this PA, and we will have no remedy if Imperial PFS Canada accepts such repudiation, or in the case of Quebec, resolution.** This section does not apply where a default occurs after an Initial Payment has been made. We understand that if Imperial PFS Canada chooses not to pay such premiums, we may not have insurance coverage and it is our responsibility to make all premium payments to our agent, broker, or insurance carrier, as the case may be.

33. Remedies, Waiver, and Severability: All rights and remedies of the parties, pursuant to this PA, in law or at equity, are cumulative and may be exercised concurrently or separately. The exercise of one remedy will not be an election of that remedy to the exclusion of other remedies. The waiver of a breach of any term or condition of this PA or the failure to enforce a right pursuant to this PA will not act as a waiver of any other breach of the same or any other term or condition or as a waiver of any future right. If any provision of this PA is held to be unenforceable, the remaining provisions will remain in effect and the parties will negotiate in good faith a substantively comparable enforceable provision to replace the unenforceable provision.

Imperial PFS Payments Canada, ULC

1011-1 Toronto Street, Toronto, ON M5C 2V6

Phone: (866) 815-9454 | Web: www.ipfscanada.com

Payment Agreement #: 5997838





04/20/2023

Insured/Borrower:

Skeena Bioenergy Ltd.
Suite 1518 - 1030 West Georgia Street
Vancouver, BC V6E 2Y3

Agent or Broker:

BFL CANADA Risk and Insurance Services Inc. - Van.
1177 West Hastings Street, suite 200
Vancouver, BC V6E 2K3

Many thanks for your renewal.

This agreement outlines the renewal of the previous Payment Agreement # 5997838. The Insured/Borrower will receive confirmation of the renewal in the form of a Notice of Acceptance. Should you have any questions, we're here to help. We can be reached at (866) 815-9454.

The undersigned Agent or Broker confirms and agrees that the Insured/Borrower has instructed them to act as its agent for the purpose of this Renewal Payment Agreement and to request a one year extension of the Agreement # 5997838.

AGENT/BROKER AUTHORIZATION:

Signature

Date

Additional Payment Details: I understand that the Term of this Renewal Payment Agreement is 12 months, that the Total of All Payments is \$445,833.41, that the Total of All Advances is \$430,425.08 and that the Plan Cost (Total Cost of Credit) is \$15,408.33.

Credit Card Payments (Optional): I understand that the insured/borrower has the option to make their payments by credit card and that this service is optional. The insured/borrower understands that there will be a charge equal to 2.250% of the Payment Amount for this optional service and that the insured/borrower may cancel at any time on 30 days' notice to Imperial PFS Canada.

POLICY INFORMATION

Definitions: Wherever the word "Policy" or "Policies" is used in this agreement, it means collectively the policy(ies) listed in the Schedule of Policies below.

"Imperial PFS Canada" means Imperial PFS Payments Canada, ULC and its successors and assigns. Wherever the words "Insurance Company" or "Insurance Companies" are used in this Agreement, they mean the insurance companies listed on the Schedule of Policies below. Whenever the term "RPA" is used, it refers to the Renewal Payment Agreement among the Insured/Borrower, Imperial PFS Canada and undersigned Agent or Broker (collectively, the "Parties") with the Payment Agreement # noted above and is subject to the terms and conditions as outlined in the original agreement that is being renewed. "PA" means a Payment Agreement, Premium Finance Agreement, Premium Payment Agreement, or Monthly Payment Plan.

Interpretation: In this Agreement, words indicating the singular shall include the plural and vice versa, and words indicating one gender shall include all genders.

RENEWAL NOTICE AND REQUEST

Pursuant to the PA # 5997838, on behalf of the Insured/Borrower the Agent or Broker signing above requests a one year renewal of PA # 5997838 for Imperial PFS Payments Canada, ULC to finance the premium payments for the Policies listed in the Schedule of Policies below. The Agent or Broker hereby agrees that:

1. Renewal / Extension Request: Renewal or extension of the PA is subject to the acceptance of this RPA by Imperial PFS Canada, in its sole discretion, as will be confirmed by a notice of acceptance (the "Notice of Acceptance") sent to the Insured/Borrower and the Agent or Broker, and the continued compliance by the Insured/Borrower and Agent or Broker with all representations, warranties and agreements contained in the PA and/or any Broker Representations and Warranties agreement confirmed by the Agent or Broker to and in favour of Imperial PFS Canada (the "Broker Agreement"), as applicable. Except as modified herein (including the updated payments and cost of credit information set out in the Payment Details sections above), no other changes or modifications to the terms of the PA are intended or implied, and in all other respects, the terms of the PA are confirmed and the terms of the PA are incorporated by reference herein.

2. RPA Paramount: If there is any inconsistency or conflict between the terms of this RPA and the PA, the provisions of this RPA shall prevail to the extent of the inconsistency, but the foregoing shall not apply to limit or restrict in any way the rights and remedies of Imperial PFS Canada under the PA or this RPA, other than as may be specifically contemplated herein.

3. Continued Pre-Authorized Payments: Pursuant to the terms of the PA, Imperial PFS Canada shall continue to make pre-authorized withdrawals from the Insured/Borrower's account until written notice of cancellation or a renewal notice is received by Imperial PFS Canada.

4. Disclosure: All information in this RPA, including the disclosure set out in the Payment Details sections above, has been provided in writing to the Insured/Borrower, and the Insured/Borrower has instructed the Agent or Broker to renew the PA on the terms set out in this RPA.

Imperial PFS Canada

1011-1 Toronto Street, Toronto, ON M5C 2V6
Phone: (866) 815-9454 | Web: www.ipfscanada.com

Payment Agreement #: 8530644

R.65.E.211021

RENEWAL PAYMENT AGREEMENT



PAYMENT DETAILS

Payment Agreement #:	8530644
Total Premiums:	\$471,555.00
Initial Payment:	\$41,129.92
Initial Payment to Broker:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Balance:	\$430,425.08
Plan Cost:	\$15,408.33
# of Payments:	11
Payment Frequency:	Monthly
Effective Date	04/01/2023

PAYMENT AMOUNT

\$40,530.31

First Payment Due: Your first Monthly Payment is due 1 month after the earliest Effective Date. Subsequent payments are due on the same day each month.





RENEWAL PAYMENT AGREEMENT

SCHEDULE OF POLICIES

Policy Number	Effective Date	Term	Insurer	Coverage Type	Premium
19751473-04	4/1/2023 12:00	12	Boiler Inspection	Boiler And Machinery	\$3,321.00
B1900239	4/1/2023 12:00	12	TSW Management Services	Compreh Gen'L Liab	\$10,962.00
TBA	4/1/2023 12:00	12	Intact Insurance	Property	\$130,369.60
TBA	4/1/2023 12:00	12	BFL Canada	Property	\$195,554.40
CPVAABZF93020	4/1/2023 12:00	12	Liberty Mutual Canada	Property	\$78,538.80
CPVAABZF93020	4/1/2023 12:00	12	BFL Canada	Property	\$52,359.20
				Policy Fee:	\$450.00

Imperial PFS Canada

1011-1 Toronto Street, Toronto, ON M5C 2V6
Phone: (866) 815-9454 | Web: www.ipfscanada.com

R.65.E.211021

Payment Agreement #: 8530644



Appendix B – Correspondence between counsel to Dynamic and Fasken

Our File: 445-215646

Your File:

Lawyer: **Ryan Quinlan**
Telephone: 780.441.4336
Email: rquinlan@dc LLP.com
Fax: 780.428.9683

September 26, 2023

SENT VIA EMAILS: kjackson@fasken.com and mgill@fasken.com

Fasken Martineau DuMoulin LLP
Suite 2900, 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Kibben Jackson and Mishaal Gill

Dear Sir/Madam:

Re: Receivership of Skeena Sawmills Ltd. et al.

I confirm that we are counsel for Dynamic Capital Equipment Finance Inc. ("Dynamic"), a secured creditor of Skeena Sawmills Ltd. ("SSL"), Skeena Bioenergy Ltd. ("SBL") and Roc Holdings Ltd. ("RHL") (collectively the "Skeena Companies").

Pursuant to the Loan Agreement and Specific Security Agreement dated July 29, 2021 (the "July Loan and Security Agreement"), Dynamic is a secured creditor of SSL in respect of the following equipment:

2018 RAM 2500 TRADESMAN 4X4 CREWCAB PICKUP TRUCK	S/N 3C6TR5CT4JG273565
2018 RAM 2500 TRADESMAN 4X4 CREWCAB PICKUP TRUCK	S/N 3C6TR5CT6JG273566
2013 CATERPILLAR 980K LOG LOADER CAN WBMM33 LOG GRAPPLE S/N 1W45785-1	S/N CAT0980KCW7K01406
2012 CATERPILLAR 980K LOG LOADER C/W CWS LOG GRAPPLE	S/N CAT0980KCW7K01351
2011 CATERPILLAR 950H FORKLIFT	S/N CAT0950HTJAD01002
2004 CATERPILLAR 924G FORKLIFT C/W MAST S/N M2S15W160LV02-HD	S/N CAT0924GCRTA00221
2012 TAYLOR TX330M FORKLIFT	S/N S-GE-37856
2013 HYUNDAI H160D-7E FORKLIFT	S/N HHKHFT08HD0000955
2012 HYUNDAI 110D-7E FORKLIFT	S/N HHKHFT05KC0000188
2010 DOOSAN D90S-5 FORKLIFT	S/N PA-00818

2013 CHEVROLET 2500HD 4X4 REGCAB PICKUP TRUCK	S/N 1GT02ZCGXDZ140209
2013 GMC 2500HD 4X4 REGCAP PICKUP TRUCK	S/N 1GT02ZCG2DZ163547
2011 CHEVROLET SILVERADO 2500HD 4X4 CREWCAB PICKUP TRUCK	S/N 1GC1KVC5BF263802
2011 CHEVROLET SILVERADO 2500HD 4X4 CREWCAB PICKUP TRUCK	SIN 1GC1KVC5BF256025

Pursuant to the Loan Agreement and Specific Security Agreement dated August 17, 2021 the ("August Loan and Security Agreement"), Dynamic is a secured creditor of SSL in respect of a 1999 Optimil Canter Line bearing serial number 63286, complete with double length infeed, log turner, 4 sided canter, spline remover, horizontal quad arbor edger, vertical double arbour edger and hydraulic power units.

Dynamic is the first priority secured creditor on all of the above assets. Attached is a copy of the applicable PPR search results.

Attached are copies of the applicable loan agreements, security agreements, guarantees, subordination agreements and related documentation in respect of Dynamic's claims or positions vis-a-vis the Skeena Companies (and Xiao Peng Cui for the purposes of the Subordination Agreements) for the purposes of a security opinion and consideration of the below proposal.

As at September 21, 2023, SSL remained indebted to Dynamic pursuant to the July Loan and Security Agreement in the amount of \$211,062.95, plus any further accrued interest and costs on a solicitor and own client full indemnity basis.

As at September 21, 2023, SSL remained indebted to Dynamic pursuant to the August Loan and Security Agreement in the amount of \$321,738.96, plus any further accrued interest and costs on a solicitor and own client full indemnity basis.

On behalf of Dynamic, we hereby request that the above described equipment, which are subject of Dynamic's security documents, be released by the Receiver so that Dynamic may deal with its assets outside the scope of the receivership. Dynamic does not wish, nor consent to, the Receiver's fees being applied to and allocated against Dynamic's assets.

I appreciate that you are just getting up to speed on this file, and have numerous tasks to undertake. In the hope of obtaining a prompt release of Dynamic's equipment, I can confirm that Dynamic would be agreeable to the following terms with the Receiver:

- 1) Dynamic's equipment as described above will be released from the receivership (or Dynamic will be granted leave to enforce its security and claim against the debtors in respect of the equipment) on the understanding that the Receiver will not take any active steps to locate, market or sell the equipment;
- 2) Dynamic shall be solely responsible for locating and seizing its equipment;
- 3) upon the seizure of Dynamic's equipment, it shall notify the Receiver of such seizure and the Receiver or its agent may intend to inspect the equipment, if desired;

- 4) Dynamic shall be solely responsible for selling its equipment and sale terms and prices of its equipment shall be agreed to by Dynamic within its sole discretion;
- 5) upon sales of its equipment have occurred, Dynamic shall notify the Receiver of the details of the sale, and shall provide copies of the documentation in respect of such sales to the Receiver;
- 6) Dynamic shall be held to retain from the sale proceeds of its collateral secured under the July Loan and Security Agreement up to the sums necessary to satisfy in full all amounts owed to Dynamic under that agreement, including any applicable interest and costs, plus all seizure, storage, sale and garage keeper payout (if any) costs incurred by Dynamic, and any further amounts received beyond what is necessary to satisfy Dynamic's claim in full shall be paid over to the Receiver for the benefit of the estate;
- 7) Dynamic shall be held to retain from the sale proceeds of its collateral secured under the August Loan and Security Agreement up to the sums necessary to satisfy in full all amounts owed to Dynamic under that agreement, including any applicable interest and costs, plus all seizure, storage, sale and garage keeper payout (if any) costs incurred by Dynamic, and any further amounts received beyond what is necessary to satisfy Dynamic's claim in full shall be paid over to the Receiver for the benefit of the estate; and
- 8) no costs of the receivership or the Receiver's charges or Receiver's borrowing shall apply in respect of the equipment and Dynamic (at least in so far as its secured claim is concerned).

We are hoping that this release, in the terms suggested above, will not be an issue for the Receiver, as given that any equity beyond what is owed to Dynamic shall be paid over to the Receiver for the benefit of the estate.

However, please do not hesitate to contact me if you have any questions or concerns or would like to discuss.

I look forward to hearing from you.

Yours truly,

DUNCAN CRAIG LLP

Per:



RYAN QUINLAN

RQ/mq

Enclosures

LOAN AGREEMENT

AMOUNT: \$ 497,518.00

DATED the 17 day of AUGUST, 2021

FOR VALUE RECEIVED, the undersigned (the "Borrower"), jointly and severally (if more than one), hereby promises to pay to or to the order of DYNAMIC CAPITAL EQUIPMENT FINANCE INC. (the "Lender"), at #208, 1824 Gordon Drive, Kelowna, BC V1Y 0E2 (or to such other person or at such other place as the Lender may in writing direct), the principal sum of FOUR HUNDRED NINETY-SEVEN THOUSAND FIVE HUNDRED EIGHTEEN AND 00/100 DOLLARS (the "Principal Sum") together with interest.

at a fixed rate of 12.95% per annum (the "Fixed Rate"), compounded monthly and accruing in arrears, in 48 consecutive blended monthly installments of principal and interest as set out in the schedule below with each such installment being payable on the 1ST day of each month during the term of this Agreement.

[illegible]

All payments hereunder shall be made payable to the Lender, unless otherwise directed in writing by the Lender. Agreement cannot be prepaid except with the written consent of the Lender and on terms and conditions that the Lender stipulates. Any overdue payment of principal or interest shall bear interest before and after default, demand and judgment at a rate of interest per month equal to 2.0% (24% per annum) from the due date, calculated and compounded monthly in arrears. Borrower will pay Lender \$100.00 per occurrence for any payments returned for insufficient funds.

As security for the Borrower's obligations under this Agreement, the Borrower has executed and delivered to the Lender (Initial and check one or more):

Initial

DK

- ☒ Specific Security Agreement No. **27SSA00653** dated the **17** day of **AUGUST, 2021**.
☐ General Security Agreement dated the ____ day of ____, 20__.
 (Individually and collectively referred to herein as the "Security Agreement")

The terms and conditions of the Security Agreement are incorporated by reference into this Agreement and the parties agree that this Agreement, together with the Security Agreement, shall together constitute a single agreement between the Borrower and the Lender.

If the Borrower fails to pay any amount when due under the terms of this Agreement or any other event of default occurs under the Security Agreement (a "Default"), the Lender may, in addition to the remedies under the Security Agreement, declare all amounts then due under this Agreement and all unpaid and future payments under this Agreement to be immediately due and payable, without any additional notice or demand of any kind, and in such event the Borrower shall forthwith pay to the Lender all such amounts then due under this Agreement and, as a genuine pre-estimate of liquidated damages for loss of bargain and not as a penalty, the present value of all unpaid and future payments discounted from their respective due dates at a discount rate equal to six percent (6%) per annum.

Payments received by the Lender shall be applied first in payment of unpaid accrued interest and the balance, if any, to the reduction of the Principal Sum. The Borrower waives diligence, presentment, demand, notice, protest, notice of protest and notice of dishonour. The Borrower shall pay all costs arising or incurred by the Lender as a result of a Default, including reasonable legal fees on a solicitor and his own client basis. This Agreement has been written in the English language at the express request of the parties. Le présent document a été rédigé en langue anglaise à la demande expresse des parties.

This Agreement can be assigned by the Lender to any third party without notice to or consent of the Borrower. The Borrower may not assign this Agreement without the Lender's prior written consent. This Agreement shall be governed by and construed in accordance with the laws of the Province of BRITISH COLUMBIA.

The Lender is hereby irrevocably authorized and directed to pay **SEE ATTACHED LETTER OF DIRECTION** the Principal Sum and the Borrower acknowledges and confirms that the Lender making such payment as directed, the Borrower shall become indebted to the Lender for the Principal Sum and interest thereon pursuant to the terms and conditions hereof.

If this document contains personal information then the following applies - I consent to DYNAMIC CAPITAL EQUIPMENT FINANCE INC. collecting, using and disclosing personal information in this document pursuant to the terms of the DYNAMIC CAPITAL EQUIPMENT FINANCE INC. Privacy Policy (a copy of which is available at www.dynamic-capital.ca).

SKEENA SAWMILLS LTD.

PER: X 12
ROGER HARLEY KEERY

THIS SPECIFIC SECURITY AGREEMENT NO. 27SSA00653 made as of the 17 day of AUGUST, 2021.

BY: **SKEENA SAWMILLS LTD.**, a corporation incorporated under the laws of **BRITISH COLUMBIA** (hereinafter called the "Debtor") issued in favour of **DYNAMIC CAPITAL EQUIPMENT FINANCE INC.**

WHEREAS Dynamic Capital Equipment Finance Inc. ("Dynamic Capital") has agreed to extend credit to the Debtor,

AND WHEREAS the Debtor has agreed to grant, as general and continuing security for the payment and performance of all its obligations to Dynamic Capital, the security interest and assignment, mortgage and charge granted herein;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the Debtor agrees with Dynamic Capital as follows:

ARTICLE ONE - INTERPRETATION

1.01 Interpretation

1. In this Agreement, unless something in the subject matter or context is inconsistent therewith,
 - (a) "Agreement" means this agreement and all schedules to this agreement, in each case as they may be amended or supplemented from time to time, and the terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement as a whole and not to any particular Article. Section or other portion hereof;
 - (b) "Collateral" has the meaning attributed thereto Section 2.01, and any reference to "Collateral" shall be deemed a reference to "Collateral" or any part thereof;
 - (c) "Obligations" means all obligations of the Debtor to Dynamic Capital including, without limiting the generality of the foregoing, all debts, liabilities, and indebtedness present or future, direct or indirect, absolute or contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to Dynamic Capital or remaining unpaid by the Debtor to Dynamic Capital and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether arising from dealings between Dynamic Capital and the Debtor or from other dealings or proceedings by which Dynamic Capital may be or become in any manner whatsoever a creditor of the Debtor and wherever incurred and whether incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
 - (d) the terms "accessions," and "proceeds" whenever used herein shall have the meaning given to those terms in the *Personal Property Security Act* (Ontario), as amended, re-enacted or replaced from time to time.
2. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, reference herein to Articles and Sections are to Articles and Sections of this Agreement.
3. In this Agreement words importing the singular number only shall include the plural and vice versa, words importing any gender shall include all genders and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

ARTICLE TWO - GRANT OF SECURITY

2.01 Security

As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to Dynamic Capital a continuing and specific security interest in and mortgages, charges and transfers and conveys as and by way of a fixed mortgage and charge, the assets and property (collectively, the "Collateral") set out below, together with all accessions and accretions thereto, all substitutions therefor and all proceeds therefrom: See Attached Equipment Schedule "A"

ARTICLE THREE - GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

3.01 Representations and Warranties

The Debtor hereby represents and warrants to Dynamic Capital that:

- (a) The Debtor, if a corporation, is a corporation duly incorporated and subsisting under the laws of its jurisdiction of incorporation, the Debtor has the power, corporate or otherwise, to enter into this Agreement; this Agreement has been duly authorized by all necessary action, corporate or otherwise, on the part of the Debtor, this Agreement constitutes a legal and valid agreement binding upon the Debtor enforceable in accordance with its terms; the making and performance of this Agreement will not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other rights of others upon any property of the Debtor pursuant to, the articles, by-laws or any other constituting documents of the Debtor or any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) all financial information provided by the Debtor to Dynamic Capital is true, correct and complete, all financial statements of the Debtor have been prepared in accordance with Canadian generally accepted accounting principles consistently applied; there has been no material adverse change in the Debtor's financial condition since the date of the most recent financial statements provided to Dynamic Capital; and
- (c) except as otherwise provided herein or disclosed in a schedule hereto, all of the Collateral is the sole property of the Debtor free from any liens, charges, security interests, encumbrances or any rights of others which rank prior to or pari passu with the security interest, assignment, mortgage and charge granted hereby; and
- (d) the Debtor's principal place of business, the location of the office where it keeps its records is that given in section 8.06 in this Agreement

3.02 Covenants

The Debtor covenants with Dynamic Capital that:

- (a) it shall ensure that the representations and warranties set forth in Section 3.01 are true and correct at all times;
- (b) it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful and business-like manner;
- (c) it shall not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of Dynamic Capital;
- (d) it shall defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests;
- (e) it shall not move the Collateral from the location(s) set out in Schedule 1 (being the sole locations of Collateral at the date of this Agreement) without Dynamic Capital's written consent;
- (f) it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to Dynamic Capital, when required, the receipts and vouchers establishing such payment;

- (g) it shall from time to time forthwith at the request of Dynamic Capital furnish to Dynamic Capital in writing all information requested relating to the Collateral, and Dynamic Capital shall be entitled from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes Dynamic Capital shall have access to all premises occupied by the Debtor or where the Collateral may be found;
- (h) it shall from time to time forthwith at the request of Dynamic Capital execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by Dynamic Capital to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment, mortgage and charge granted hereby, and the Debtor hereby irrevocably constitutes and appoints Dynamic Capital, or any Receiver appointed by the court or Dynamic Capital, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever Dynamic Capital or any such Receiver may consider it to be necessary or expedient;
- (i) it shall not change its name or, if the Debtor is a corporation, shall not amalgamate with any other corporation without first giving notice to Dynamic Capital of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective;
- (j) it shall pay to Dynamic Capital forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all legal, Receiver's and accounting fees and expenses) incurred by or on behalf of Dynamic Capital in connection with the preparation, execution, registration or amendment of this Agreement, the perfection or carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (k) it shall not change its principal place of business or the location of the office where it keeps its records or move any other tangible Collateral (other than inventory in transit) from the location specified in section 3.01(d) without the prior written consent of Dynamic Capital.

3.03 The Debtor will keep all Equipment forming a part of the Collateral in good working order and condition, reasonable wear and tear excepted, and Dynamic Capital may, whenever it deems it to be necessary, either in person or by agent, inspect any such Equipment and make such repairs thereto as it deems are necessary, and the cost of such inspection and repairs shall be payable by the Debtor to Dynamic Capital upon demand.

3.04 If the Collateral should at any time hereafter include securities, instruments, chattel paper and negotiable documents of title, the Debtor will, if requested by Dynamic Capital, immediately deliver possession of such securities, instruments, chattel paper and negotiable documents of title to Dynamic Capital and, if requested by Dynamic Capital, will cause such securities included in the Collateral to be registered in Dynamic Capital's name so that Dynamic Capital may appear of record as the sole owner of such securities. Until the occurrence of an Event of Default, the Debtor shall be entitled to receive all distributions paid in respect of any securities included in the Collateral, shall be entitled to exercise all voting rights with respect to such securities and Dynamic Capital will deliver to the Debtor or to a person designated by the Debtor, upon written request and upon receipt of payment of Dynamic Capital's expenses in connection therewith, directions with respect to such distributions and a proxy vote to such securities. The Debtor waives all right to receive any such distribution after the occurrence of an Event of Default. The Debtor agrees that no proxy issued by Dynamic Capital to the Debtor or its order as aforesaid shall be effective from and after the occurrence of an Event of Default, and upon the occurrence of an Event of Default the Debtor shall immediately surrender any such proxy to Dynamic Capital.

ARTICLE FOUR - INSURANCE

4.01 Insurance

The Debtor shall obtain and maintain, at its own expense, insurance against loss or damage to the Collateral including, without limiting the generality of the foregoing, loss by fire (including so-called extended coverage), theft, collision and such other risks of loss as are customarily insured against on this type of Collateral, in any amount not less than the full replacement value thereof, in each form and with such insurers as shall be reasonably satisfactory to Dynamic Capital. If any such policies of insurance contain a co-insurance clause, the Debtor shall either cause any such co-insurance clause to be waived or maintain at all times a sufficient amount of insurance to meet the requirements of any such co-insurance clause so as to prevent the Debtor from becoming a co-insurer under the terms of any such policy. All such policies shall name Dynamic Capital as an additional insured and loss payee thereof, as Dynamic Capital's interests may appear, and shall provide that the insurer will give Dynamic Capital at least 10 days written notice of intended cancellation. At Dynamic Capital's request, the Debtor shall furnish Dynamic Capital with a copy of any policy of insurance and certificate of insurance or other evidence satisfactory to Dynamic Capital that such insurance coverage is in effect. The Debtor shall give Dynamic Capital notice of any damage to, or loss of, the Collateral forthwith upon the occurrence of any such damage or loss. Should the Debtor fail to make any payment or perform any other obligation provided in this Section, Dynamic Capital shall have the right, but not the obligation, without notice or demand upon the Debtor and without releasing the Debtor from any obligation hereunder or waiving any rights to enforce this Agreement, to perform any or all of such obligations. The amount of all such payments made and all costs, fees and expenses incurred by Dynamic Capital in performing such obligations shall be immediately due and payable by the Debtor.

ARTICLE FIVE - DEALING WITH COLLATERAL

5.01 Dealing with Collateral by the Debtor

The Debtor shall not sell, lease or otherwise dispose of the Collateral without the prior written consent of Dynamic Capital.

ARTICLE SIX - DEFAULT AND REMEDIES

6.01 Events of Default

The Debtor shall be in default under this Agreement upon the occurrence of any of the following events (herein referred to as an "Event of Default"):

- (a) the Debtor fails to pay to Dynamic Capital all or any part of the Obligations when due;
- (b) the Debtor fails to observe or perform any covenant or obligation of the Debtor contained in this Agreement (other than a covenant or obligation specifically dealt with elsewhere in this Section 6.01);
- (c) any representation, warranty or statement made by the Debtor herein or in any document or certificate furnished at any time to Dynamic Capital in connection herewith shall prove to be incorrect or misleading when made or furnished;
- (d) the Debtor is in default under any other agreement now existing or hereafter entered into with Dynamic Capital whether Debtor is bound alone or with others;
- (e) the Debtor ceases or threatens to cease to carry on the business currently being carried on or sells or disposes of all or substantially all of its property;

- (f) the Debtor shall be an insolvent person within the meaning of the Bankruptcy and Insolvency Act (Canada) or commits or threatens to commit any act of bankruptcy;
- (g) if Debtor is a corporation, there is a change in its effective control without Dynamic Capital's prior written consent;
- (h) the Collateral or any part thereof is seized, forfeited or confiscated or otherwise attached by anyone pursuant to any legal process or other means;
- (i) Dynamic Capital believes in good faith that the payment of the Obligations or the performance or observation of any covenant herein is impaired or that the Collateral is in danger of being lost, damaged or confiscated, or of being encumbered by the Debtor or seized or otherwise attached by anyone pursuant to any legal process or otherwise; or
- (j) Debtor dies or becomes mentally incompetent, if an individual, or is dissolved, amalgamated or is wound up if Debtor is a corporation.

6.02 Remedies

- Upon the occurrence of any Event of Default and at any time thereafter, Dynamic Capital shall have, in addition to any right or remedy provided by law, the rights and remedies set out below, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively and all of which may be exercised by Dynamic Capital directly or through agents or nominees
 - any or all of the Obligations shall at the option of Dynamic Capital become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; and the obligations, if any, of Dynamic Capital to make further advances to the Debtor shall cease; and any or all security granted hereby shall, at the option of Dynamic Capital, become immediately enforceable;
 - Dynamic Capital may take possession of the Collateral and require the Debtor to assemble the Collateral and deliver or make the Collateral available to Dynamic Capital at such place or places as may be specified by Dynamic Capital;
 - Dynamic Capital may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
 - Dynamic Capital may sell, lease or otherwise dispose of the Collateral at public auction, by private tender or by private sale either for cash or upon credit upon such terms and conditions as Dynamic Capital may determine and without notice to the Debtor unless required by law;
 - Dynamic Capital may retain the Collateral in satisfaction of the Obligations upon notice to the Debtor of its intention to do so in the manner required by law.
- The Debtor further agrees with Dynamic Capital that:
 - Dynamic Capital shall not be liable or responsible for any failure to seize, collect, realize, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for this purpose of preserving any rights of Dynamic Capital, the Debtor or any other person in respect of the Collateral;
 - Dynamic Capital may grant extensions of time, take, abstain from taking and perfecting and give up security, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as Dynamic Capital may see fit without prejudice to the liability of the Debtor to Dynamic Capital or Dynamic Capital's rights hereunder;
 - to facilitate the realization of the Collateral, Dynamic Capital may enter upon, occupy and use all or any of the premises owned or occupied by the Debtor and use all or any of the Equipment and other personal property of the Debtor for such time as Dynamic Capital requires, free of charge, and Dynamic Capital shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
 - it shall pay to Dynamic Capital upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all legal, agent's and accounting fees and expenses) incurred by or on behalf of Dynamic Capital in connection with the preparation, execution, registration or amendment of this Agreement, the perfection or preservation of the security interest, assignment, mortgage and charge granted hereby and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
 - Dynamic Capital may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
 - any proceeds of realization of the Collateral may be applied by Dynamic Capital to the payment of reasonable costs, charges and expenses (including, without limiting the generality of the foregoing, legal, agent's and accounting fees and expenses incurred) in connection with the exercise of any of the rights, powers and remedies granted under this Agreement and any balance of such proceeds shall be applied by Dynamic Capital to payment of the obligations in such order as Dynamic Capital may see fit, if there is any surplus remaining, it shall be paid to any person having a claim thereto in priority to the Debtor, of whom Dynamic Capital has the knowledge and any balance remaining shall be paid to the Debtor; if the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement and the aforesaid costs, charges and expenses, the Debtor shall be liable to pay any deficiency to Dynamic Capital forthwith on demand.

ARTICLE SEVEN - COMPANIES' CREDITORS ARRANGEMENT ACT

- 7.01 The Debtor hereby agrees that if it makes an application pursuant to the Companies' Creditors Arrangement Act (Canada) or the Bankruptcy and Insolvency Act (Canada), based upon the unique nature of the Collateral secured hereunder and the remedies available with respect thereto and the lack of community interest among Dynamic Capital and other secured creditors of the Debtor, Dynamic Capital shall be placed in its own class of creditors separate from other creditors of the Debtor.
- 7.02 Dynamic Capital may exercise any remedy available to it pursuant to Section 6 of this Agreement and to the extent that Dynamic Capital is prohibited by court order from exercising those remedies all monies collected by the Debtor in connection with the Collateral or the proceeds thereof shall be held in trust solely for the benefit of Dynamic Capital.

ARTICLE EIGHT - GENERAL

8.01 Benefit of the Agreement

This Agreement shall be binding upon the heirs, executors, administrators, successors and permitted assigns of the Debtor and shall benefit the successors and assigns of Dynamic Capital. If there is more than one Debtor named herein, the term "Debtor" shall mean all and each of them, their obligations under this Agreement shall be joint and several and the Obligations shall include those of all or any one of them. No Debtor shall have any right of subrogation, exoneration, reimbursement or indemnity whatsoever and no right of recourse to the Collateral for the Obligations unless and until all of the Obligations have been paid or performed in full.

SKREENA SAWMILLS LTD.

PER: 
ROGER HARLEY KEERY

8.02 Entire Agreement

This Agreement, including any schedule now or hereafter annexed hereto, constitutes the entire agreement between the Debtor and Dynamic Capital with respect to the subject matter hereof. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between Dynamic Capital and the Debtor except as expressly set forth herein.

8.03 No Waiver

No delay or failure by Dynamic Capital in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.

8.04 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, the such invalidity or unenforceability shall attach only to such provision or part thereof and the such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement. To the extent permitted by applicable law the parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

8.05 Further Assurance

The Debtor will from time to time, at the request of Dynamic Capital and at the expense of the Debtor, make, do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters, things and assurances as Dynamic Capital may deem necessary or desirable to perfect and preserve the security granted hereby and give effect to this Agreement. The Debtor hereby irrevocably appoints Dynamic Capital as its attorney in fact to do all such acts and things, with full power substitution, and the Debtor agrees to ratify and confirm all such acts of the said attorney lawfully done. The Debtor shall pay all costs for searches and filings in connection with the registration, perfection and continuation of the security granted hereunder.

8.06 Notices

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and may be given by personal delivery, registered mail or by electronic means, addressed to the recipient as follows:

(a) To the Debtor.

SKREENA SAWMILLS LTD.
SUITE 1518 - 1030 WEST GEORGIA ST.
VANCOUVER BC V6E2Y3
Phone No: 1-800-800-5990

(b) To Dynamic Capital.

208, 1824 GORDON DRIVE
KELOWNA BC, V1Y0E2
Phone No.: 1-888-628-3002
Email: customerservice@dynamic-capital.ca

or such other address, electronic communication number or to the attention of such other individual as may be designated by notice by any party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the third day following the deposit day of actual delivery thereof and, if given by registered mail, on the third day following the deposit day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours and on the next business day if given after normal business hours on any day. If the party giving any communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

8.07 Modification; Assignment

This Agreement may not be amended or modified in any respect except by written instrument signed by all parties. The rights of Dynamic Capital under this Agreement may be assigned by Dynamic Capital without the prior consent of the Debtor, free of any set-off, counter-claim or equities between the Debtor and Dynamic Capital, and the Debtor shall not assert against any assignee of Dynamic Capital any claim or defense that the Debtor has against Dynamic Capital. The Debtor may not assign its obligations under this Agreement.

8.08 Additional Continuing Security

This Agreement and the security interest, assignment, mortgage and charge granted hereby are in addition to and not in substitution for any other security now or hereafter held by Dynamic Capital and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by Dynamic Capital.

8.09 Discharge

The Debtor shall not be discharged from any of the Obligations or from this Agreement except by a release or discharge signed in writing by Dynamic Capital.

8.10 Governing Law

This Agreement shall, for the purpose of determining the validity and enforceability of Dynamic Capital's security interest in the Collateral and its remedies upon a default, be governed by and construed in accordance with the laws of the jurisdiction where (i) the Debtor is located as of the date of this Agreement if the Collateral is inventory leased or held for lease to others or Collateral that is an intangible or Collateral that is normally used in more than one jurisdiction, and (ii) in all other cases, the laws of the jurisdiction where the Collateral is located. For all other purposes, this Agreement shall be governed by and construed in accordance with the laws of the Province of BRITISH COLUMBIA.

8.11 Executed Copy

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

8.12 The collection, use and disclosure of the personal information in this document is governed by the Dynamic Capital Privacy Policy.



ATTACHED TO AND FORMING PART OF SPECIFIC SECURITY AGREEMENT NO.: 27SSA00653

("SSA") dated as of the 17 day of AUGUST, 2021, and

BETWEEN DYNAMIC CAPITAL EQUIPMENT FINANCE INC. AND SKEENA SAWMILLS LTD.

1999 OPTIMIL CANTER LINE C/W DOUBLE LENGTH INFEED, S/N 63286
LOG TURNER, 4 SIDED CANTER, SPLINE REMOVER,
HORIZONTAL QUAD ARBOR EDGER, VERTICAL DOUBLE
ARBOR EDGER, HYDRAULIC POWER UNITS

By initialing here, you hereby irrevocably acknowledge and agree that the collateral description is subject to change upon Dynamic Capital Equipment Finance Inc., receiving satisfactory evidence of proof of title, final vendor invoice, or by other means of verification and you waive your rights regarding such change(s) in the collateral description with the irrevocable grant of this power of attorney in favour of Dynamic Capital Equipment Finance Inc.

Initial

DK

SKEENA SAWMILLS LTD.

PER: X

ROGER HARLEY KEERY



CERTIFICATE OF CORPORATE SECRETARY

The undersigned, PRESIDENT of SKEENA SAWMILLS LTD. (the "Corporation") hereby certifies to DYNAMIC CAPITAL EQUIPMENT FINANCE INC., its successors and assigns, that the foregoing Agreement, including the creation of any Obligations (as defined therein), was approved and executed by ROGER HARLEY KEERY acting on behalf of the Corporation, was authorized by resolution of the board of directors of the Corporation duly adopted at a valid meeting of the board of directors of the Corporation, which resolution has not been amended or revoked and remains in full force and effect. I further certify that the signatures appearing above are in fact the signatures of the persons so authorized. Dated this 17 day of AUGUST, 2021.

Per:  _____
PRESIDENT



LETTER OF DIRECTION

ATTACHED TO AND FORMING PART OF THE SPECIFIC SECURITY AGREEMENT NO.: 27SSA00653 ("SSA")
dated as of the 17 day of AUGUST, 2021, and BETWEEN DYNAMIC CAPITAL EQUIPMENT FINANCE INC.
AND SKEENA SAWMILLS LTD.

1. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay
ADMINISTRATION FEE an amount not in excess of \$4,500.00
2. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay DYNAMIC
CAPITAL EQUIPMENT FINANCE INC. an amount not in excess of \$26,811.58 (For Security
Deposit)
3. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay STERLING
APPRAISALS LTD. an amount not in excess of \$4,200.00 (\$4,000.00 PLUS \$200.00 GST)
4. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay SKEENA
SAWMILLS LTD. an amount not in excess of \$462,006.42

Dated this 17 day of AUGUST, 2021.

SKEENA SAWMILLS LTD.

PER: 

ROGER HARLEY KEERY

Definitions	The Account
<p>In this Agreement: "I", "We", "Our", "My", "Me", "Payor" refers to the person signing this Agreement;</p> <p>Pre-Authorized Debit ("PAD"): means a pre-authorized debit payment time in electronic form drawn pursuant to this agreement on my account at my Financial Institution ("FI").</p> <p>Operation</p> <p>I understand and undertake that: (a) this authorization is for the benefit of Dynamic Capital Equipment Finance Inc. ("the Company") And my financial Institution ("FI") where I have my account. My FI agrees to process debits against my account in accordance with the rules of the Canadian Payment Association ("CPA");</p> <p>(b) giving this authorization to the Company is the same as giving it to my FI;</p> <p>(c) my FI is not required to verify that the PAD conforms with my authorization;</p> <p>(d) my FI is not required to verify that the purpose of payment to which this PAD relates has been fulfilled;</p> <p>(e) revoking this authorization does not terminate any contract between me and the Company. My authorization applies only to the method of payment and has no bearing otherwise on the contract;</p> <p>Pre-Notification</p> <p>The Company and I agree to hereby waive all notification requirements from the Company for variable amount PADs.</p> <p>Cancellation</p> <p>I/We may revoke my/our authorization at any time, subject to providing notice of at any time, subject to providing notice of at least 10 days prior to next debit due date. I/We must advise the Company in writing or by signing the cancellation area below. To obtain a sample cancellation form, or for more information on my right to cancel a PAD Agreement, I/We may contact my FI or visit www.cdnpay.ca.</p>	<p>I confirm that:</p> <p>(a) all persons required to sign on my account with my FI have signed this agreement;</p> <p>(b) I certify that all of the personal and account information recorded in this Agreement is correct. I will inform the Company in writing of any change to such information at least 10 business days prior to the next due date of the PAD</p> <p>Dispute and Reimbursement</p> <p>I/We have certain recourse rights if any debit does not comply with this agreement. For example, I/We have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD Agreement. To obtain more information on my/our recourse rights, I/We may contact my/our FI or visit www.cdnpay.ca.</p> <p>I understand that:</p> <p>(a) I may dispute a PAD and may claim for reimbursement if: (i) the PAD was not drawn in accordance with this Agreement; or (ii) the Agreement was revoked; or (iii) no Agreement exists between me and the purported payee.</p> <p>(b) if I am claiming reimbursement, I must, within 90 calendar days of the date of posting of a personal PAD or Funds Transfer PAD or 10 business days in the case of a Business PAD, complete a declaration to my FI that I have a claim for one of the reasons given in the preceding paragraph;</p> <p>(c) in the case where the declared condition is "no Agreement exists between me and the purported Payee", I may claim reimbursement within 90 calendar days after the posting date on my account statement which shows the improperly processed debit;</p> <p>(d) any claim relating to a PAD which is advanced after the expiry of the time in the preceding paragraph or any Funds Transfer PADs is strictly a matter between me and the Company.</p>

I authorize the processing of a PAD through my account as detailed below:

Payor Name(s): Customer's Name: **SKEENA SAWMILLS LTD.**

Name of FI: Customer's Bank: _____

Address of FI: _____ Phone: _____

MICR Field Information (attach a void cheque):

Branch#			

Bank#			

Account#											

Frequency: **Monthly**

Amount: As noted on Contract # **27SSA00653**

I understand and agree to the terms and conditions of this Agreement

Date: **17 AUGUST, 2021**

Signature: 

Signature: 

Authorization to Cancel PAD	DYNAMIC CAPITAL EQUIPMENT FINANCE INC.
Signature	208, 1824 GORDON DRIVE KELOWNA BC, V1Y0E2
	1-888-626-3002
	www.dynamic-capital.ca customerservice@dynamic-capital.ca



Insurance Requirements

Date: **17 AUGUST, 2021**

Insured: **SKEENA SAWMILLS LTD.**

Address: **5330 16 HWY TERRACE BC V8G0C6**

Please include confirmation of the following requirements on the Certificate of Insurance:

Loss Payable:

**Dynamic Capital Equipment Finance Inc.
208, 1824 GORDON DRIVE KELOWNA BC,
V1Y0E2**

General Liability – Minimum \$2,000,000

Deductible – Maximum \$10,000 or 5% of equipment value

30 Days' Notice of Cancellation

Description of Property/Equipment

Limit (Property Coverage) Required

**1999 OPTIMIL CANTER LINE C/W DOUBLE LENGTH
INFEED, LOG TURNER, 4 SIDED CANTER, SPLINE
REMOVER, HORIZONTAL QUAD ARBOR EDGER, VERTICAL
DOUBLE ARBOR EDGER, HYDRAULIC POWER UNITS
S/N 63286**

\$1,100,000.00

COVID-19 ADDENDUM

Dynamic Capital Equipment Finance Inc.
208, 1824 GORDON DRIVE
KELOWNA BC, V1Y0E2

Dear Sirs,

Re: Specific Security Agreement No. 27SSA00653

Dated the 17 day of August, 2021

**Between SKEENA SAWMILLS LTD., as Borrower(s), and Dynamic Capital Equipment Finance Inc.
as Lender, (each as amended, modified, supplemented, restated or replaced, from time to time,
collectively, the "Agreement")**

The Borrower does hereby acknowledge that the Agreement is being entered into during a global COVID-19 pandemic and by signing below, the Borrower is agreeing to the following addendum:

1. The Borrower(s) will not, at any time in the next 12 months, request payment relief from the Lender on any open contract with the Lender.

Dated this 17 day of August, 2021.

SKEENA SAWMILLS LTD.

PER: 
ROGER HARLEY KEERY



AUGUST 17, 2021

PLEDGE OF CASH COLLATERAL

The undersigned **SKEENA SAWMILLS LTD.** hereby pledges to the Dynamic Capital Equipment Finance Inc. (herein called the "**Secured Party**"), all moneys heretofore and hereafter received, taken or withdrawn at any time and from time to time by the Secured Party from any moneys of the undersigned, who hereby authorizes and instructs to the Secured Party to all intents and purposes to receive, take and withdraw at any time and from time to time sufficient moneys in order that the Secured Party may have and hold and continue to have and hold as an effective pledge at all times moneys of the undersigned in an account designated "Cash Collateral Account to secure advances to \$26,811.58 which account may be an account of the Secured Party in which the undersigned has deposited monies, from to time, and the undersigned hereby pledges to the Secured Party all the moneys so received, taken or withdrawn at any time and from time to time and the delivery by the undersigned as pledgor and acceptance by the Secured Party as pledgee of any and all moneys received, taken or withdrawn as aforesaid are and will be effectively established by the delivery to or receipt, taking or withdraw by the Secured Party of such moneys.

The whole as a general and continuing collateral security for payment of all and every present and future indebtedness or liability direct or indirect, absolute or contingent, matured or not, of **SKEENA SAWMILLS LTD.** to the Secured Party, and any ultimate unpaid balances thereof and interest, and such money or any part of it may, without notice to the undersigned, as and when the Secured Party thinks fit, be appropriated on account of such parts of the indebtedness and liability as to the Secured Party seems best and such appropriations may be changed and varied from time to time.

And the undersigned further consents and agrees that the Secured Party shall not be required to surrender any of the collateral hereby pledged (all of which will remain effectively pledged), unless and until the whole indebtedness be paid and discharged.

The undersigned acknowledges receipt of an executed copy of this pledge of cash collateral and waives any right it may have to receive a financing statement, a financing change statement or verification statement relating to it.

SKEENA SAWMILLS LTD.

PER: 

ROGER HARLEY KEERY

AMOUNT: \$ 448,500.00

DATED the 29 day of JULY, 2021

FOR VALUE RECEIVED, the undersigned (the "**Borrower**"), jointly and severally (if more than one), hereby promises to pay to or to the order of **DYNAMIC CAPITAL EQUIPMENT FINANCE INC.** (the "**Lender**"), at #208, 1824 Gordon Drive, Kelowna, BC V1Y 0E2 (or to such other person or at such other place as the Lender may in writing direct), the principal sum of **FOUR HUNDRED FORTY-EIGHT THOUSAND FIVE HUNDRED AND 00/100 DOLLARS** (the "**Principal Sum**") together with interest.

at a fixed rate of **12.95%** per annum (the "**Fixed Rate**"), compounded monthly and accruing in arrears, in **48** consecutive blended monthly installments of principal and interest as set out in the schedule below with each such installment being payable on the **1ST** day of each month during the term of this Agreement.

[illegible]

All payments hereunder shall be made payable to the Lender, unless otherwise directed in writing by the Lender. Agreement cannot be prepaid except with the written consent of the Lender and on terms and conditions that the Lender stipulates. Any overdue payment of principal or interest shall bear interest before and after default, demand and judgment at a rate of interest per month equal to 2.0% (24% per annum) from the due date, calculated and compounded monthly in arrears. Borrower will pay Lender \$100.00 per occurrence for any payments returned for insufficient funds.

As security for the Borrower's obligations under this Agreement, the Borrower has executed and delivered to the Lender (Initial and check one or more):

Initial

21C

☒ Specific Security Agreement No. **27SSA00644** dated the **29** day of **JULY**, 2021.

General Security Agreement dated the ____ day of _____, 20__.

(Individually and collectively referred to herein as the "Security Agreement")

The terms and conditions of the Security Agreement are incorporated by reference into this Agreement and the parties agree that this Agreement, together with the Security Agreement, shall together constitute a single agreement between the Borrower and the Lender.

If the Borrower fails to pay any amount when due under the terms of this Agreement or any other event of default occurs under the Security Agreement (a "Default"), the Lender may, in addition to the remedies under the Security Agreement, declare all amounts then due under this Agreement and all unpaid and future payments under this Agreement to be immediately due and payable, without any additional notice or demand of any kind, and in such event the Borrower shall forthwith pay to the Lender all such amounts then due under this Agreement and, as a genuine pre-estimate of liquidated damages for loss of bargain and not as a penalty, the present value of all unpaid and future payments discounted from their respective due dates at a discount rate equal to six percent (6%) per annum.

Payments received by the Lender shall be applied first in payment of unpaid accrued interest and the balance, if any, to the reduction of the Principal Sum. The Borrower waives diligence, presentment, demand, notice, protest, notice of protest and notice of dishonour. The Borrower shall pay all costs arising or incurred by the Lender as a result of a Default, including reasonable legal fees on a solicitor and his own client basis. This Agreement has been written in the English language at the express request of the parties. Le présent document a été rédigé en langue anglaise à la demande expresse des parties.

This Agreement can be assigned by the Lender to any third party without notice to or consent of the Borrower. The Borrower may not assign this Agreement without the Lender's prior written consent. This Agreement shall be governed by and construed in accordance with the laws of the Province of **BRITISH COLUMBIA**.

The Lender is hereby irrevocably authorized and directed to pay **SEE ATTACHED LETTER OF DIRECTION** the Principal Sum and the Borrower acknowledges and confirms that the Lender making such payment as directed, the Borrower shall become indebted to the Lender for the Principal Sum and interest thereon pursuant to the terms and conditions hereof.

If this document contains personal information then the following applies - I consent to DYNAMIC CAPITAL EQUIPMENT FINANCE INC. collecting, using and disclosing personal information in this document pursuant to the terms of the DYNAMIC CAPITAL EQUIPMENT FINANCE INC. Privacy Policy (a copy of which is available at www.dynamic-capital.ca).

SKEENA SAWMILLS LTD.

PER: X ROGER HARLEY KERRY



THIS SPECIFIC SECURITY AGREEMENT NO. 27SSA00644 made as of the 29 day of JULY, 2021.

BY: **SKEENA SAWMILLS LTD.** a corporation incorporated under the laws of **BRITISH COLUMBIA** (hereinafter called the "Debtor") issued in favour of
DYNAMIC CAPITAL EQUIPMENT FINANCE INC.

WHEREAS Dynamic Capital Equipment Finance Inc. ("Dynamic Capital") has agreed to extend credit to the Debtor;

AND WHEREAS the Debtor has agreed to grant, as general and continuing security for the payment and performance of all its obligations to Dynamic Capital, the security interest and assignment, mortgage and charge granted herein;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the Debtor agrees with Dynamic Capital as follows:

ARTICLE ONE - INTERPRETATION

1.01 Interpretation

1. In this Agreement, unless something in the subject matter or context is inconsistent therewith,
 - (a) "Agreement" means this agreement and all schedules to this agreement, in each case as they may be amended or supplemented from time to time, and the terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement as a whole and not to any particular Article, Section or other portion hereof;
 - (b) "Collateral" has the meaning attributed thereto Section 2.01, and any reference to "Collateral" shall be deemed a reference to "Collateral" or any part thereof;
 - (c) "Obligations" means all obligations of the Debtor to Dynamic Capital including, without limiting the generality of the foregoing, all debts, liabilities, and indebtedness present or future, direct or indirect, absolute or contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to Dynamic Capital or remaining unpaid by the Debtor to Dynamic Capital and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether arising from dealings between Dynamic Capital and the Debtor or from other dealings or proceedings by which Dynamic Capital may be or become in any manner whatsoever a creditor of the Debtor and wherever incurred and whether incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
 - (d) the terms "accessions," and "proceeds" whenever used herein shall have the meaning given to those terms in the Personal Property Security Act (Ontario), as amended, re-enacted or replaced from time to time.
2. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, reference herein to Articles and Sections are to Articles and Sections of this Agreement.
3. In this Agreement words importing the singular number only shall include the plural and vice versa, words importing any gender shall include all genders and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

ARTICLE TWO - GRANT OF SECURITY

2.01 Security

As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to Dynamic Capital a continuing and specific security interest in and mortgages, charges and transfers and conveys as and by way of a fixed mortgage and charge, the assets and property (collectively, the "Collateral") set out below, together with all accessions and accretions thereto, all substitutions therefor and all proceeds therefrom: See Attached Equipment Schedule "A"

ARTICLE THREE - GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

3.01 Representations and Warranties

The Debtor hereby represents and warrants to Dynamic Capital that:

- (a) the Debtor, if a corporation, is a corporation duly incorporated and subsisting under the laws of its jurisdiction of incorporation; the Debtor has the power, corporate or otherwise, to enter into this Agreement; this Agreement has been duly authorized by all necessary action, corporate or otherwise, on the part of the Debtor; this Agreement constitutes a legal and valid agreement binding upon the Debtor enforceable in accordance with its terms; the making and performance of this Agreement will not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other rights of others upon any property of the Debtor pursuant to, the articles, by-laws or any other constituting documents of the Debtor or any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) all financial information provided by the Debtor to Dynamic Capital is true, correct and complete; all financial statements of the Debtor have been prepared in accordance with Canadian generally accepted accounting principles consistently applied; there has been no material adverse change in the Debtor's financial condition since the date of the most recent financial statements provided to Dynamic Capital; and
- (c) except as otherwise provided herein or disclosed in a schedule hereto, all of the Collateral is the sole property of the Debtor free from any liens, charges, security interests, encumbrances or any rights of others which rank prior to or pari passu with the security interest, assignment, mortgage and charge granted hereby; and
- (d) the Debtor's principal place of business, the location of the office where it keeps its records is that given in section 8.06 in this Agreement

3.02 Covenants

The Debtor covenants with Dynamic Capital that:

- (a) it shall ensure that the representations and warranties set forth in Section 3.01 are true and correct at all times;
- (b) it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful and business-like manner;
- (c) it shall not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of Dynamic Capital;
- (d) it shall defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests;
- (e) it shall not move the Collateral from the location(s) set out in Schedule 1 (being the sole locations of Collateral at the date of this Agreement) without Dynamic Capital's written consent;
- (f) it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to Dynamic Capital, when required, the receipts and vouchers establishing such payment;

- (g) it shall from time to time forthwith at the request of Dynamic Capital furnish to Dynamic Capital in writing all information requested relating to the Collateral, and Dynamic Capital shall be entitled from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes Dynamic Capital shall have access to all premises occupied by the Debtor or where the Collateral may be found;
- (h) it shall from time to time forthwith at the request of Dynamic Capital execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by Dynamic Capital to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment, mortgage and charge granted hereby, and the Debtor hereby irrevocably constitutes and appoints Dynamic Capital, or any Receiver appointed by the court or Dynamic Capital, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever Dynamic Capital or any such Receiver may consider it to be necessary or expedient;
- (i) it shall not change its name or, if the Debtor is a corporation, shall not amalgamate with any other corporation without first giving notice to Dynamic Capital of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective;
- (j) it shall pay to Dynamic Capital forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all legal, Receiver's and accounting fees and expenses) incurred by or on behalf of Dynamic Capital in connection with the preparation, execution, registration or amendment of this Agreement, the perfection or preservation of the security interest, assignment, mortgage and charge granted hereby and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (k) it shall not change its principal place of business or the location of the office where it keeps its records or move any other tangible Collateral (other than inventory in transit) from the location specified in section 3.01(d) without the prior written consent of Dynamic Capital.

3.03 The Debtor will keep all Equipment forming a part of the Collateral in good working order and condition, reasonable wear and tear excepted, and Dynamic Capital may, whenever it deems it to be necessary, either in person or by agent, inspect any such Equipment and make such repairs thereto as it deems are necessary, and the cost of such inspection and repairs shall be payable by the Debtor to Dynamic Capital upon demand.

3.04 If the Collateral should at any time hereafter include securities, instruments, chattel paper and negotiable documents of title, the Debtor will, if requested by Dynamic Capital, immediately deliver possession of such securities, instruments, chattel paper and negotiable documents of title to Dynamic Capital and, if requested by Dynamic Capital, will cause such securities included in the Collateral to be registered in Dynamic Capital's name so that Dynamic Capital may appear of record as the sole owner of such securities. Until the occurrence of an Event of Default, the Debtor shall be entitled to receive all distributions paid in respect of any securities included in the Collateral, shall be entitled to exercise all voting rights with respect to such securities and Dynamic Capital will deliver to the Debtor or to a person designated by the Debtor, upon written request and upon receipt of payment of Dynamic Capital's expenses in connection therewith, directions with respect to such distributions and a proxy vote to such securities. The Debtor waives all right to receive any such distribution after the occurrence of an Event of Default. The Debtor agrees that no proxy issued by Dynamic Capital to the Debtor or its order as aforesaid shall be effective from and after the occurrence of an Event of Default, and upon the occurrence of an Event of Default the Debtor shall immediately surrender any such proxy to Dynamic Capital.

ARTICLE FOUR - INSURANCE

4.01 Insurance

The Debtor shall obtain and maintain, at its own expense, insurance against loss or damage to the Collateral including, without limiting the generality of the foregoing, loss by fire (including so-called extended coverage), theft, collision and such other risks of loss as are customarily insured against on this type of Collateral, in any amount not less than the full replacement value thereof, in such form and with such insurers as shall be reasonably satisfactory to Dynamic Capital. If any such policies of insurance contain a co-insurance clause, the Debtor shall either cause any such co-insurance clause to be waived or maintain at all times a sufficient amount of insurance to meet the requirements of any such co-insurance clause so as to prevent the Debtor from becoming a co-insurer under the terms of any such policy. All such policies shall name Dynamic Capital as an additional insured and loss payee thereof, as Dynamic Capital's interests may appear, and shall provide that the insurer will give Dynamic Capital at least 10 days written notice of intended cancellation. At Dynamic Capital's request, the Debtor shall furnish Dynamic Capital with a copy of any policy of insurance and certificate of insurance or other evidence satisfactory to Dynamic Capital that such insurance coverage is in effect. The Debtor shall give Dynamic Capital notice of any damage to, or loss of, the Collateral forthwith upon the occurrence of any such damage or loss. Should the Debtor fail to make any payment or perform any other obligation provided in this Section, Dynamic Capital shall have the right, but not the obligation, without notice or demand upon the Debtor and without releasing the Debtor from any obligation hereunder or waiving any rights to enforce this Agreement, to perform any or all of such obligations. The amount of all such payments made and all costs, fees and expenses incurred by Dynamic Capital in performing such obligations shall be immediately due and payable by the Debtor.

ARTICLE FIVE - DEALING WITH COLLATERAL

5.01 Dealing with Collateral by the Debtor

The Debtor shall not sell, lease or otherwise dispose of the Collateral without the prior written consent of Dynamic Capital.

ARTICLE SIX - DEFAULT AND REMEDIES

6.01 Events of Default

- The Debtor shall be in default under this Agreement upon the occurrence of any of the following events (herein referred to as an "Event of Default"):
- (a) the Debtor fails to pay to Dynamic Capital all or any part of the Obligations when due;
 - (b) the Debtor fails to observe or perform any covenant or obligation of the Debtor contained in this Agreement (other than a covenant or obligation specifically dealt with elsewhere in this Section 6.01);
 - (c) any representation, warranty or statement made by the Debtor herein or in any document or certificate furnished at any time to Dynamic Capital in connection herewith shall prove to be incorrect or misleading when made or furnished;
 - (d) the Debtor is in default under any other agreement now existing or hereafter entered into with Dynamic Capital whether Debtor is bound alone or with others;
 - (e) the Debtor ceases or threatens to cease to carry on the business currently being carried on or sells or disposes of all or substantially all of its property;



SPECIFIC SECURITY AGREEMENT

- (f) the Debtor shall be an insolvent person within the meaning of the Bankruptcy and Insolvency Act (Canada) or commits or threatens to commit any act of bankruptcy;
- (g) if Debtor is a corporation, there is a change in its effective control without Dynamic Capital's prior written consent;
- (h) the Collateral or any part thereof is seized forfeited or confiscated or otherwise attached by anyone pursuant to any legal process or other means;
- (i) Dynamic Capital believes in good faith that the payment of the Obligations or the performance or observation of any covenant herein is impaired or that the Collateral is in danger of being lost, damaged or confiscated, or of being encumbered by the Debtor or seized or otherwise attached by anyone pursuant to any legal process or otherwise; or
- (j) Debtor dies or becomes mentally incompetent, if an individual, or is dissolved, amalgamated or is wound up if Debtor is a corporation.

6.02 Remedies

1. Upon the occurrence of any Event of Default and at any time thereafter, Dynamic Capital shall have, in addition to any right or remedy provided by law, the rights and remedies set out below, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively and all of which may be exercised by Dynamic Capital directly or through agents or nominees
 - (a) any or all of the Obligations shall at the option of Dynamic Capital become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; and the obligations, if any, of Dynamic Capital to make further advances to the Debtor shall cease; and any or all security granted hereby shall, at the option of Dynamic Capital, become immediately enforceable;
 - (b) Dynamic Capital may take possession of the Collateral and require the Debtor to assemble the Collateral and deliver or make the Collateral available to Dynamic Capital at such place or places as may be specified by Dynamic Capital;
 - (c) Dynamic Capital may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
 - (d) Dynamic Capital may sell, lease or otherwise dispose of the Collateral at public auction, by private tender or by private sale either for cash or upon credit upon such terms and conditions as Dynamic Capital may determine and without notice to the Debtor unless required by law;
 - (e) Dynamic Capital may retain the Collateral in satisfaction of the Obligations upon notice to the Debtor of its intention to do so in the manner required by law.
2. The Debtor further agrees with Dynamic Capital that:
 - (a) Dynamic Capital shall not be liable or responsible for any failure to seize, collect, realize, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of Dynamic Capital, the Debtor or any other person in respect of the Collateral;
 - (b) Dynamic Capital may grant extensions of time, take, abstain from taking and perfecting and give up security, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as Dynamic Capital may see fit without prejudice to the liability of the Debtor to Dynamic Capital or Dynamic Capital's rights hereunder;
 - (c) to facilitate the realization of the Collateral, Dynamic Capital may enter upon, occupy and use all or any of the premises owned or occupied by the Debtor and use all or any of the Equipment and other personal property of the Debtor for such time as Dynamic Capital requires, free of charge, and Dynamic Capital shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
 - (d) it shall pay to Dynamic Capital upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all legal, agent's and accounting fees and expenses) incurred by or on behalf of Dynamic Capital in connection with the preparation, execution, registration or amendment of this Agreement, the perfection or preservation of the security interest, assignment, mortgage and charge granted hereby and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
 - (e) Dynamic Capital may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
 - (f) any proceeds of realization of the Collateral may be applied by Dynamic Capital to the payment of reasonable costs, charges and expenses (including, without limiting the generality of the foregoing, legal, agent's and accounting fees and expenses incurred) in connection with the exercise of any of the rights, powers and remedies granted under this Agreement and any balance of such proceeds shall be applied by Dynamic Capital to payment of the obligations in such order as Dynamic Capital may see fit; if there is any surplus remaining, it shall be paid to any person having a claim thereto in priority to the Debtor of whom Dynamic Capital has knowledge and any balance remaining shall be paid to the Debtor; if the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement and the aforesaid costs, charges and expenses, the Debtor shall be liable to pay any deficiency to Dynamic Capital forthwith on demand.

ARTICLE SEVEN - COMPANIES' CREDITORS ARRANGEMENT ACT


- 7.01 The Debtor hereby agrees that if it makes an application pursuant to the Companies' Creditors Arrangement Act (Canada) or the Bankruptcy and Insolvency Act (Canada), based upon the unique nature of the Collateral secured hereunder and the remedies available with respect thereto and the lack of community interest among Dynamic Capital and other secured creditors of the Debtor, Dynamic Capital shall be placed in its own class of creditors separate from other creditors of the Debtor.
- 7.02 Dynamic Capital may exercise any remedy available to it pursuant to Section 6 of this Agreement and to the extent that Dynamic Capital is prohibited by court order from exercising those remedies all monies collected by the Debtor in connection with the Collateral or the proceeds thereof shall be held in trust solely for the benefit of Dynamic Capital.

ARTICLE EIGHT - GENERAL

8.01 Benefit of the Agreement

This Agreement shall be binding upon the heirs, executors, administrators, successors and permitted assigns of the Debtor and shall benefit the successors and assigns of Dynamic Capital. If there is more than one Debtor named herein, the term "Debtor" shall mean all and each of them, their obligations under this Agreement shall be joint and several and the Obligations shall include those of all or any one of them. No Debtor shall have any right of subrogation, exoneration, reimbursement or indemnity whatsoever and no right of recourse to the Collateral for the Obligations unless and until all of the Obligations have been paid or performed in full.

SKEENA SAWMILLS LTD.

PER: 
ROGER HARLEY KEERY

8.02 Entire Agreement

This Agreement, including any schedule now or hereafter annexed hereto, constitutes the entire agreement between the Debtor and Dynamic Capital with respect to the subject matter hereof. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between Dynamic Capital and the Debtor except as expressly set forth herein.

8.03 No Waiver

No delay or failure by Dynamic Capital in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.

8.04 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. To the extent permitted by applicable law the parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

8.05 Further Assurance

The Debtor will from time to time, at the request of Dynamic Capital and at the expense of the Debtor, make, do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters, things and assurances as Dynamic Capital may deem necessary or desirable to perfect and preserve the security granted hereby and give effect to this Agreement. The Debtor hereby irrevocably appoints Dynamic Capital as its attorney in fact to do all such acts and things, with full power substitution, and the Debtor agrees to ratify and confirm all such acts of the said attorney lawfully done. The Debtor shall pay all costs for searches and filings in connection with the registration, perfection and continuation of the security granted hereunder.

8.06 Notices

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and may be given by personal delivery, registered mail or by electronic means, addressed to the recipient as follows:

(a) To the Debtor:

SKEENA SAWMILLS LTD.
SUITE 1518 - 1030 WEST GEORGIA ST.
VANCOUVER BC V6E2Y3
Phone No: 1-604-800-5990

(b) To Dynamic Capital:

208, 1824 GORDON DRIVE
KELOWNA BC, V1Y0E2
Phone No.: 1-888-626-3002
Email: customerservice@dynamic-capital.ca

or such other address, electronic communication number or to the attention of such other individual as may be designated by notice by any party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the third day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours and on the next business day if given after normal business hours on any day. If the party giving any communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

8.07 Modification; Assignment

This Agreement may not be amended or modified in any respect except by written instrument signed by all parties. The rights of Dynamic Capital under this Agreement may be assigned by Dynamic Capital without the prior consent of the Debtor, free of any set-off, counter-claim or equities between the Debtor and Dynamic Capital, and the Debtor shall not assert against any assignee of Dynamic Capital any claim or defense that the Debtor has against Dynamic Capital. The Debtor may not assign its obligations under this Agreement.

8.08 Additional Continuing Security

This Agreement and the security interest, assignment, mortgage and charge granted hereby are in addition to and not in substitution for any other security now or hereafter held by Dynamic Capital and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by Dynamic Capital.

8.09 Discharge

The Debtor shall not be discharged from any of the Obligations or from this Agreement except by a release or discharge signed in writing by Dynamic Capital.

8.10 Governing Law

This Agreement shall, for the purpose of determining the validity and enforceability of Dynamic Capital's security interest in the Collateral and its remedies upon a default, be governed by and construed in accordance with the laws of the jurisdiction where (i) the Debtor is located as of the date of this Agreement if the Collateral is inventory leased or held for lease to others or Collateral that is an intangible or Collateral that is normally used in more than one jurisdiction, and (ii) in all other cases, the laws of the jurisdiction where the Collateral is located. For all other purposes, this Agreement shall be governed by and construed in accordance with the laws of the Province of BRITISH COLUMBIA.

8.11 Executed Copy

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

8.12 The collection, use and disclosure of the personal information in this document is governed by the Dynamic Capital Privacy Policy.

ATTACHED TO AND FORMING PART OF SPECIFIC SECURITY AGREEMENT NO.: **27SSA00644** ("SSA")
dated as of the **29** day of **JULY, 2021**, and

BETWEEN DYNAMIC CAPITAL EQUIPMENT FINANCE INC. AND SKEENA SAWMILLS LTD.

[illegible]

By initiating here, you hereby irrevocably acknowledge and agree that the collateral description is subject to change upon Dynamic Capital Equipment Finance Inc., receiving satisfactory evidence of proof of title, final vendor invoice, or by other means of verification and you waive your rights regarding such change(s) in the collateral description with the irrevocable grant of this power of attorney in favour of Dynamic Capital Equipment Finance Inc.

Initial 

SKEENA SAWMILLS LTD.


PER:

ROGER HARLEY KEERY



CERTIFICATE OF CORPORATE SECRETARY

The undersigned, PRESIDENT of SKEENA SAWMILLS LTD. (the "Corporation") hereby certifies to DYNAMIC CAPITAL EQUIPMENT FINANCE INC., its successors and assigns, that the foregoing Agreement, including the creation of any Obligations (as defined therein), was approved and executed by ROGER HARLEY KEERY acting on behalf of the Corporation, was authorized by resolution of the board of directors of the Corporation duly adopted at a valid meeting of the board of directors of the Corporation, which resolution has not been amended or revoked and remains in full force and effect. I further certify that the signatures appearing above are in fact the signatures of the persons so authorized. Dated this 29 day of JULY, 2021.

Per: X 
PRESIDENT

<p>Definitions</p> <p>In this Agreement: "I", "We", "Our", "My", "Me", "Payor" refers to the person signing this Agreement;</p> <p>Pre-Authorized Debit ("PAD"): means a pre-authorized debit payment time in electronic form drawn pursuant to this agreement on my account at my Financial Institution ("FI").</p> <p>Operation</p> <p>I understand and undertake that: (a) this authorization is for the benefit of Dynamic Capital Equipment Finance Inc. ("the Company") And my financial Institution ("FI") where I have my account. My FI agrees to process debits against my account in accordance with the rules of the Canadian Payment Association ("CPA");</p> <p>(b) giving this authorization to the Company is the same as giving it to my FI;</p> <p>(c) my FI is not required to verify that the PAD conforms with my authorization;</p> <p>(d) my FI is not required to verify that the purpose of payment to which this PAD relates has been fulfilled;</p> <p>(e) revoking this authorization does not terminate any contract between me and the Company. My authorization applies only to the method of payment and has no bearing otherwise on the contract;</p> <p>Pre-Notification</p> <p>The Company and I agree to hereby waive all notification requirements from the Company for variable amount PADs.</p> <p>Cancellation</p> <p>I/We may revoke my/our authorization at any time, subject to providing notice of at any time, subject to providing notice of at least 10 days prior to next debit due date. I/We must advise the Company in writing or by signing the cancellation area below. To obtain a sample cancellation form, or for more information on my right to cancel a PAD Agreement, I/We may contact my FI or visit www.cdnipay.ca.</p>	<p>The Account</p> <p>I confirm that:</p> <p>(a) all persons required to sign on my account with my FI have signed this agreement;</p> <p>(b) I certify that all of the personal and account information recorded in this Agreement is correct. I will inform the Company in writing of any change to such information at least 10 business days prior to the next due date of the PAD</p> <p>Dispute and Reimbursement</p> <p>I/We have certain recourse rights if any debit does not comply with this agreement. For example, I/We have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD Agreement. To obtain more information on my/our recourse rights, I/We may contact my/our FI or visit www.cdnipay.ca.</p> <p>I understand that:</p> <p>(a) I may dispute a PAD and may claim for reimbursement if; (i) the PAD was not drawn in accordance with this Agreement; or (ii) the Agreement was revoked; or (iii) no Agreement exists between me and the purported payee.</p> <p>(b) if I am claiming reimbursement, I must, within 90 calendar days of the date of posting of a personal PAD or Funds Transfer PAD or 10 business days in the case of a Business PAD, complete a declaration to my FI that I have a claim for one of the reasons given in the preceding paragraph;</p> <p>(c) in the case where the declared condition is "no Agreement exists between me and the purported Payee", I may claim reimbursement within 90 calendar days after the posting date on my account statement which shows the improperly processed debit;</p> <p>(d) any claim relating to a PAD which is advanced after the expiry of the time in the preceding paragraph or any Funds Transfer PADs is strictly a matter between me and the Company.</p>
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I authorize the processing of a PAD through my account as detailed below:

Payor Name(s): Customer's Name : **SKEENA SAWMILLS LTD.**

Name of FI: Customer's Bank : _____

Address of FI: _____ Phone: _____
MICR Field Information (attach a void cheque):

Branch#			

Bank#	


Account#									

Frequency: **Monthly**

Amount: As noted on Contract # **27SSA00644**

I understand and agree to the terms and conditions of this Agreement.

Date: **29 JULY, 2021**

Signature: 

Signature: 

Authorization to Cancel PAD	DYNAMIC CAPITAL EQUIPMENT FINANCE INC.
Signature	208, 1824 GORDON DRIVE KELOWNA BC, V1Y6E2
	1-888-626-3002
	www.dynamic-capital.ca customerservice@dynamic-capital.ca



COVID-19 ADDENDUM

Dynamic Capital Equipment Finance Inc.
208, 1824 GORDON DRIVE
KELOWNA BC, V1Y0E2

Dear Sirs,

Re: Specific Security Agreement No. 27SSA00644

Dated the 29 day of July, 2021

**Between SKEENA SAWMILLS LTD., as Borrower(s), and Dynamic Capital Equipment Finance Inc.
as Lender, (each as amended, modified, supplemented, restated or replaced, from time to time,
collectively, the "Agreement")**

The Borrower does hereby acknowledge that the Agreement is being entered into during a global COVID-19 pandemic and by signing below, the Borrower is agreeing to the following addendum:

1. The Borrower(s) will not, at any time in the next 12 months, request payment relief from the Lender on any open contract with the Lender.

Dated this **29** day of **July**, 2021.

SKEENA SAWMILLS LTD.

PER: 

ROGER HARLEY KEERY



LETTER OF DIRECTION

ATTACHED TO AND FORMING PART OF THE SPECIFIC SECURITY AGREEMENT NO.: **27SSA00644** ("SSA") dated as of the **29** day of **JULY, 2021**, and BETWEEN DYNAMIC CAPITAL EQUIPMENT FINANCE INC. AND **SKEENA SAWMILLS LTD.**

1. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay **ADMINISTRATION FEE** an amount not in excess of **\$4,500.00**
2. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay **CATERPILLAR FINANCIAL SERVICES LIMITED** an amount not in excess of \$ 37,017.78 Initial: DK
3. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay **SECURITY DEPOSIT** TO DYNAMIC CAPITAL EQUIPMENT FINANCE INC. an amount not in excess of **\$24,067.60**
4. We authorize and request DYNAMIC CAPITAL EQUIPMENT FINANCE INC. to pay **SKEENA SAWMILLS LTD.** an amount not in excess of \$ 382,914.62 Initial: DK

Dated this **29** day of **JULY, 2021**.

SKEENA SAWMILLS LTD.

PER: X

ROGER HARLEY REERY



PLEDGE OF CASH COLLATERAL

JULY 29, 2021

The undersigned **SKEENA SAWMILLS LTD.** hereby pledges to the Dynamic Capital Equipment Finance Inc. (herein called the "**Secured Party**"), all moneys heretofore and hereafter received, taken or withdrawn at any time and from time to time by the Secured Party from any moneys of the undersigned, who hereby authorizes and instructs to the Secured Party to all intents and purposes to receive, take and withdraw at any time and from time to time sufficient moneys in order that the Secured Party may have and hold and continue to have and hold as an effective pledge at all times moneys of the undersigned in an account designated "Cash Collateral Account to secure advances to \$24,067.60 which account may be an account of the Secured Party in which the undersigned has deposited monies, from to time, and the undersigned hereby pledges to the Secured Party all the moneys so received, taken or withdrawn at any time and from time to time and the delivery by the undersigned as pledgor and acceptance by the Secured Party as pledgee of any and all moneys received, taken or withdrawn as aforesaid are and will be effectively established by the delivery to or receipt, taking or withdraw by the Secured Party of such moneys.

The whole as a general and continuing collateral security for payment of all and every present and future indebtedness or liability direct or indirect, absolute or contingent, matured or not, of **SKEENA SAWMILLS LTD.** to the Secured Party, and any ultimate unpaid balances thereof and interest, and such money or any part of it may, without notice to the undersigned, as and when the Secured Party thinks fit, be appropriated on account of such parts of the indebtedness and liability as to the Secured Party seems best and such appropriations may be changed and varied from time to time.

And the undersigned further consents and agrees that the Secured Party shall not be required to surrender any of the collateral hereby pledged (all of which will remain effectively pledged), unless and until the whole indebtedness be paid and discharged.

The undersigned acknowledges receipt of an executed copy of this pledge of cash collateral and waives any right it may have to receive a financing statement, a financing change statement or verification statement relating to it.

SKEENA SAWMILLS LTD.

PER: 

ROGER HARLEY KEERY

1. FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the undersigned (the "Guarantor"), and each of them jointly and severally (if more than one Guarantor), hereby irrevocably and unconditionally guarantees, as primary obligor and not merely as surety, without offset or deduction, the full and prompt performance and payment by SKEENA SAWMILLS LTD. ("Debtor") to Dynamic Capital Equipment Finance Inc. ("Lender") of: (Initial and check one of the boxes below)

- ☒ A. any and all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, mature or otherwise, ("Liabilities") incurred by the Debtor without any limitations.
- ☐ B. any and all Liabilities incurred by the Debtor arising out of or relating to the _____ between the Debtor and Lender dated the _____ day of _____, 20____ and all schedules and amendments thereto.
- ☐ C. any and all Liabilities incurred by the Debtor pursuant to the _____ dated the _____ day of _____, 200____ and all schedules and amendments thereto up to an amount not to exceed \$ _____.
- ☐ D. only those Liabilities incurred by Debtor pursuant to the _____ dated the _____ day of _____, 20____ and all schedules and amendments thereto, which are originally scheduled to be paid (Initial and check one box)
- ☐ (i) for the first _____ instalment payments or
- ☐ (ii) on or before _____, 200____

2. Guarantor also irrevocably and unconditionally guarantees, as primary debtor and not merely as a surety, all legal fees (as rendered on a solicitor and his own client basis) and disbursements and all other costs, charges and expenses that Lender incurs enforcing its rights against the Debtor. In the event that the amounts due from the Guarantor to the Lender hereunder are not paid when due, such unpaid amounts shall bear interest at a rate of twenty-four percent (24%) per annum compounded and calculated monthly, from the due date until date of actual payment. All amounts due to the Lender by Guarantor shall be payable on demand and the date of such demand shall be the due date.

3. The amount payable by Guarantor pursuant to Sections 1 and 2 of this Guarantee shall be paid to Lender forthwith on demand, whether or not any demand has been made upon Debtor or any other person or any other action has been taken to enforce the performance or payment of the Liabilities or the realization upon any property securing the Liabilities.

4. This Guarantee is a continuing one and covers and secures the present and future amounts due or that may become due pursuant to Sections 1 and 2, and shall not terminate for any reason, except that Guarantor, by giving 30 days' advance written notice to Lender, may terminate its further obligations under this Guarantee with respect to those Liabilities incurred or arising under transactions entered into by the Debtor after the expiration of such 30-day period, but in no event shall such termination apply to or in any manner affect Guarantor's obligations for all Liabilities incurred or arising under transactions entered into by Debtor prior to the expiration of such 30-day period.

5. Guarantor hereby agrees that:

- (a) without affecting Guarantor's liabilities and obligations hereunder, Lender may from time to time:
- (i) grant time, extensions, renewals, indulgences, releases and discharges to the Debtor or any other person primarily or secondarily liable for the Liabilities (including any other guarantor);
 - (ii) change the amount, time, manner of payment or calculation or any other terms of all or any part of the Liabilities;
 - (iii) amend, waive or supplement any agreement or instrument relating to the Liabilities;
 - (iv) without notice to or consent of Guarantor may assign this Guarantee in whole or in part and/or any agreement or instrument relating to all or any part of the Liabilities;
 - (v) consent to the assignment by Debtor of any of Debtor's rights and obligations relating to the Liabilities;
 - (vi) take and hold, or abstain from taking and holding, any security for the payment and performance of the Liabilities or any part thereof and amend, extend, renew, enforce, waive or release any such security;
 - (vii) apply or deal with such security or any property covered thereby or direct the order or manner of sale thereof as Lender in its discretion may determine; or
 - (viii) release or substitute any other guarantor or person liable directly or as surety or otherwise for all or any part of the Liabilities.

- (b) Guarantor's liability hereunder shall not be impaired, affected or diminished by:

- (i) the death or loss or diminution of capacity of Debtor or of Guarantor or any change in the name or business of Debtor or, in the event Debtor is a firm or corporation, any change in the constitution, constituting documents, membership or principals of such firm or corporation or any winding up or dissolution of Debtor or amalgamation of Debtor with any other person;
- (ii) any repayment from time to time of the whole or any part of the Liabilities of Debtor to Lender;
- (iii) any applicable law or regulation purporting to prohibit the payment by the Debtor of any of the Liabilities;
- (iv) the invalidity, illegality or unenforceability of the Liabilities or any part thereof or of any document or agreement relating to the Liabilities, or any incapacity, lack of authority, or other defence of the Debtor or any other person;
- (v) any irregularity, defect or omission in the documentation relating to the Liabilities or any failure or omission by or negligence of Lender in the taking, maintaining, perfecting or enforcing of any security therefor;
- (vi) any dissolution, insolvency, bankruptcy, compromise, arrangement or plan of reorganization affecting Debtor or any other person, or any omission or refraining from proving the claim or any part thereof by Lender in any such proceedings relating to the Debtor or any other person;
- (vii) any renewal, extension, modification, waiver, amendment or rearrangement of any or all of the Liabilities or any instrument, document or agreement evidencing, securing or otherwise relating to any or all of the Liabilities;
- (viii) any payment by or on behalf of the Debtor being held to constitute a preference or conveyance under bankruptcy or insolvency law, to the extent that a payment is rescinded or must be returned because such payment is a preference or conveyance, this Guarantee shall continue to be effective and the Guarantor shall be liable to make such payment to Lender; or
- (ix) any other act or omission of any kind by the Debtor, Lender or any other person or any other circumstance whatsoever which might otherwise constitute a defence available to, or legal or equitable discharge of the Guarantor hereunder or of the Debtor or any other person in respect of the Liabilities.

- (c) As security for the performance of the Guarantor's covenants herein and the payment of the present and future debts and liabilities of the Debtor to the Lender, the Guarantor hereby grants to the Lender a security interest in all debts and liabilities, present and future, of the Debtor to the Guarantor, all of which are hereby assigned by the Guarantor to the Lender and postponed to the present and future debts and liabilities of the Debtor to the Lender. Any monies or other proceeds received by the Guarantor in respect of such debts and liabilities shall be received in trust for and forthwith paid over to the Lender, in whole, without in any way limiting or lessening the liability of the Guarantor hereunder. Notwithstanding anything to the contrary herein, the assignment and postponement contained in this paragraph (c) are intended to be and are independent of the remainder of this guarantee and may, at the option of the Lender, be severed therefrom. The Guarantor hereby acknowledges receiving a copy of this guarantee and waives all rights to receive from the Lender a copy of any financing statement, financing change statement or verification statement filed or issued at any time in respect of this assignment. The Guarantor further acknowledges that, at the Lender's option, any additional security granted by the Guarantor in support of this guarantee shall be deemed to be incorporated into this guarantee by reference. In particular, the Guarantor acknowledges that such additional security shall be valid without the necessity of a further Guarantees Acknowledgement Act Certificate and all debts and liabilities, present and future, of the Debtor to the Guarantor are hereby postponed to the Liabilities hereby guaranteed and any moneys received by Guarantor in respect thereof shall be received in trust for, and forthwith paid to, Lender; and

- (d) Guarantor shall have no right to be subrogated to Lender or claim or prove in any bankruptcy or insolvency of Debtor in competition with Lender until the Liabilities and any claim of Lender have been satisfied in full.

Initial: 

6. Guarantor hereby waives:

- (a) any requirement that Lender proceed, or exhaust its recourses, against Debtor or any other party, pursue any other remedy whatsoever or enforce any security prior to any demand under this Guarantee;
- (b) any requirement that Lender obtain or assert a claim for judgment against Debtor or any person for any Liabilities;
- (c) exercise or assert any other right or remedy to which Lender is or may be entitled in connection with the Liabilities or any security or other guarantee thereof;
- (d) notice of the creation of all or any of the Liabilities or of any default by Debtor or demand by Lender with respect to the Liabilities;
- (e) all presentment, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonour and notices of acceptance of this Guarantee;
- (f) to the full extent allowed by law, any rights and benefits given by the provisions of any existing or future statutes which impose limitations upon the rights and powers of Lender hereunder with respect to claims against Guarantor, and/or Debtor, and/or any security, including without limitation the provisions of the Civil Rights Act of Saskatchewan; and
- (g) the benefits of discussion and division.
7. Lender may, without notice to, or consent of, Guarantor or any other person, assign this Guarantee in whole or in part. Guarantor agrees that it shall not assign its obligations under this Guarantee without Lender's prior written consent. This Guarantee shall enure to the benefit of Lender, its successors and assigns, and shall be binding upon the heirs, executors, personal representatives and successors of Guarantor.
8. Guarantor acknowledges that there are no agreements, promises, representations or stipulations, oral or written, express or implied, with respect to the subject matter hereof other than those expressly stated herein.
9. Guarantor shall furnish to Lender its financial statements within 90 days after the end of each fiscal year of Guarantor prepared in accordance with generally accepted accounting principles consistent with prior statements. Guarantor shall also furnish such other information as Lender may from time to time reasonably require.
10. In all cases where there is more than one Guarantor, all words used herein in the singular shall be deemed to have been used in the plural where the context and construction so require.
11. In the event of a demand under this Guarantee, the Guarantor shall indemnify and save Lender harmless from and against any losses (including, without limitation, Liabilities otherwise payable pursuant to Section 1 and 2 of this Guarantee) which may arise by virtue of any of the Liabilities or any agreement relating to the Liabilities being or becoming for any reason whatsoever in whole or in part invalid, ineffective or otherwise unenforceable by Lender in accordance with their terms.
12. This Guarantee shall be governed by and construed in accordance with the laws of the Province indicated on the originating agreement documents and all actions and proceedings may be heard and determined by the courts of such province, provided, however, that nothing herein contained shall prevent Lender from proceeding at its election against Guarantor in the courts of any other jurisdiction.
13. The parties hereto acknowledge that they have required this Guarantee to be drawn up in the English language. Les parties reconnaissent avoir exigé que ce cautionnement soit rédigé en anglais.
14. I consent to Lender collecting, using and disclosing personal information in this document pursuant to the terms of the Dynamic Capital Equipment Finance Inc. Privacy Policy. (a copy of which is available at www.dynamic-capital.ca).

This Guarantee Agreement made as of the 29 day of JULY, 2021.

WITNESS:

XX
Signature

Name (Print)

David Fischer

Address

1039 Hendecourt Road

SKEENA BIOENERGY LTD.

Authorized Signatory: X


Note: If this Guarantee is executed in Alberta by an individual, the Certificate on the reverse side hereof must be completed (see over)



CERTIFICATE OF CORPORATE SECRETARY

The undersigned, PRESIDENT of SKEENA BIOENERGY LTD. (the "Corporation") hereby certifies to Lender, its successors and assigns, that the foregoing Guarantee AGREEMENT was approved and executed thereof by ROGER HARLEY KEERY acting on behalf of the Corporation, was authorized by resolution of the board of directors of the Corporation duly adopted at a valid meeting of the board of directors of the Corporation, which resolution has not been amended or revoked and remains in full force and effect. I further certify that the signatures appearing above are in fact the signatures of the persons so authorized.

Dated as of this 29 day of JULY , 2021.

PER:  _____
PRESIDENT



1. FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the undersigned (the "Guarantor"), and each of them jointly and severally (if more than one Guarantor), hereby irrevocably and unconditionally guarantees, as primary obligor and not merely as surety, without offset or deduction, the full and prompt performance and payment by SKEENA SAWMILLS LTD. ("Debtor") to Dynamic Capital Equipment Finance Inc. ("Lender") of: (Initial and check one of the boxes below)

- INITIAL HERE** ep ☒ A. any and all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, mature or otherwise, ("Liabilities") incurred by the Debtor without any limitations.
- ☐ B. any and all Liabilities incurred by the Debtor arising out of or relating to the _____ between the Debtor and Lender dated the _____ day of _____, 20____ and all schedules and amendments thereto.
- ☐ C. any and all Liabilities incurred by the Debtor pursuant to the _____ dated the _____ day of _____, 200____ and all schedules and amendments thereto up to an amount not to exceed \$_____.
- ☐ D. only those Liabilities incurred by Debtor pursuant to the _____ dated the _____ day of _____, 20____ and all schedules and amendments thereto, which are originally scheduled to be paid (Initial and check one box)
- ☐ (i) for the first _____ instalment payments or
- ☐ (ii) on or before _____, 200____.

2. Guarantor also irrevocably and unconditionally guarantees, as primary debtor and not merely as a surety, all legal fees (as rendered on a solicitor and his own client basis) and disbursements and all other costs, charges and expenses that Lender incurs enforcing its rights against the Debtor. In the event that the amounts due from the Guarantor to the Lender hereunder are not paid when due, such unpaid amounts shall bear interest at a rate of twenty-four percent (24%) per annum compounded and calculated monthly, from the due date until date of actual payment. All amounts due to the Lender by Guarantor shall be payable on demand and the date of such demand shall be the due date.

3. The amount payable by Guarantor pursuant to Sections 1 and 2 of this Guarantee shall be paid to Lender forthwith on demand, whether or not any demand has been made upon Debtor or any other person or any other action has been taken to enforce the performance or payment of the Liabilities or the realization upon any property securing the Liabilities.

4. This Guarantee is a continuing one and covers and secures the present and future amounts due or that may become due pursuant to Sections 1 and 2, and shall not terminate for any reason, except that Guarantor, by giving 30 days' advance written notice to Lender, may terminate its further obligations under this Guarantee with respect to those Liabilities incurred or arising under transactions entered into by the Debtor after the expiration of such 30-day period, but in no event shall such termination apply to or in any manner affect Guarantor's obligations for all Liabilities incurred or arising under transactions entered into by Debtor prior to the expiration of such 30-day period.

5. Guarantor hereby agrees that:

- (a) without affecting Guarantor's liabilities and obligations hereunder, Lender may from time to time:
- (i) grant time, extensions, renewals, indulgences, releases and discharges to the Debtor or any other person primarily or secondarily liable for the Liabilities (including any other guarantor);
 - (ii) change the amount, time, manner of payment or calculation or any other terms of all or any part of the Liabilities;
 - (iii) amend, waive or supplement any agreement or instrument relating to the Liabilities;
 - (iv) without notice to or consent of Guarantor may assign this Guarantee in whole or in part and/or any agreement or instrument relating to all or any part of the Liabilities;
 - (v) consent to the assignment by Debtor of any of Debtor's rights and obligations relating to the Liabilities;
 - (vi) take and hold, or abstain from taking and holding, any security for the payment and performance of the Liabilities or any part thereof and amend, extend, renew, enforce, waive or release any such security;
 - (vii) apply or deal with such security or any property covered thereby or direct the order or manner of sale thereof as Lender in its discretion may determine; or
 - (viii) release or substitute any other guarantor or person liable directly or as surety or otherwise for all or any part of the Liabilities.
- (b) Guarantor's liability hereunder shall not be impaired, affected or diminished by:
- (i) the death or loss or diminution of capacity of Debtor or of Guarantor or any change in the name or business of Debtor or, in the event Debtor is a firm or corporation, any change in the constitution, constituting documents, membership or principals of such firm or corporation or any winding up or dissolution of Debtor or amalgamation of Debtor with any other person;
 - (ii) any repayment from time to time of the whole or any part of the Liabilities of Debtor to Lender;
 - (iii) any applicable law or regulation purporting to prohibit the payment by the Debtor of any of the Liabilities;
 - (iv) the invalidity, illegality or unenforceability of the Liabilities or any part thereof or of any document or agreement relating to the Liabilities, or any incapacity, lack of authority, or other defence of the Debtor or any other person;
 - (v) any irregularity, defect or omission in the documentation relating to the Liabilities or any failure or omission by or negligence of Lender in the taking, maintaining, perfecting or enforcing of any security therefor;
 - (vi) any dissolution, insolvency, bankruptcy, compromise, arrangement or plan of reorganization affecting Debtor or any other person, or any omission or refraining from proving the claim or any part thereof by Lender in any such proceedings relating to the Debtor or any other person;
 - (vii) any renewal, extension, modification, waiver, amendment or rearrangement of any or all of the Liabilities or any instrument, document or agreement evidencing, securing or otherwise relating to any or all of the Liabilities;
 - (viii) any payment by or on behalf of the Debtor being held to constitute a preference or conveyance under bankruptcy or insolvency law, to the extent that a payment is rescinded or must be returned because such payment is a preference or conveyance, this Guarantee shall continue to be effective and the Guarantor shall be liable to make such payment to Lender; or
 - (ix) any other act or omission of any kind by the Debtor, Lender or any other person or any other circumstance whatsoever which might otherwise constitute a defence available to, or legal or equitable discharge of the Guarantor hereunder or of the Debtor or any other person in respect of the Liabilities.
- (c) As security for the performance of the Guarantor's covenants herein and the payment of the present and future debts and liabilities of the Debtor to the Lender, the Guarantor hereby grants to the Lender a security interest in all debts and liabilities, present and future, of the Debtor to the Guarantor, all of which are hereby assigned by the Guarantor to the Lender and postponed to the present and future debts and liabilities of the Debtor to the Lender. Any monies or other proceeds received by the Guarantor in respect of such debts and liabilities shall be received in trust for and forthwith paid over to the Lender, in whole, without in any way limiting or lessening the liability of the Guarantor hereunder. Notwithstanding anything to the contrary herein, the assignment and postponement contained in this paragraph (c) are intended to be and are independent of the remainder of this guarantee and may, at the option of the Lender, be severed therefrom. The Guarantor hereby acknowledges receiving a copy of this guarantee and waives all rights to receive from the Lender a copy of any financing statement, financing change statement or verification statement filed or issued at any time in respect of this assignment. The Guarantor further acknowledges that, at the Lender's option, any additional security granted by the Guarantor in support of this guarantee shall be deemed to be incorporated into this guarantee by reference. In particular, the Guarantor acknowledges that such additional security shall be valid without the necessity of a further Guarantees Acknowledgement Act Certificate and all debts and liabilities, present and future, of the Debtor to the Guarantor are hereby postponed to the Liabilities hereby guaranteed and any moneys received by Guarantor in respect thereof shall be received in trust for, and forthwith paid to, Lender; and
- (d) Guarantor shall have no right to be subrogated to Lender or claim or prove in any bankruptcy or insolvency of Debtor in competition with Lender until the Liabilities and any claim of Lender have been satisfied in full.

Initial: ep



6. Guarantor hereby waives:
- (a) any requirement that Lender proceed, or exhaust its recourses, against Debtor or any other party, pursue any other remedy whatsoever or enforce any security prior to any demand under this Guarantee;
 - (b) any requirement that Lender obtain or assert a claim for judgment against Debtor or any person for any Liabilities;
 - (c) exercise or assert any other right or remedy to which Lender is or may be entitled in connection with the Liabilities or any security or other guarantee thereof;
 - (d) notice of the creation of all or any of the Liabilities or of any default by Debtor or demand by Lender with respect to the Liabilities;
 - (e) all presentment, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonour and notices of acceptance of this Guarantee;
 - (f) to the full extent allowed by law, any rights and benefits given by the provisions of any existing or future statutes which impose limitations upon the rights and powers of Lender hereunder with respect to claims against Guarantor, and/or Debtor, and/or any security, including without limitation the provisions of the Civil Rights Act of Saskatchewan; and
 - (g) the benefits of discussion and division.
7. Lender may, without notice to, or consent of, Guarantor or any other person, assign this Guarantee in whole or in part. Guarantor agrees that it shall not assign its obligations under this Guarantee without Lender's prior written consent. This Guarantee shall enure to the benefit of Lender, its successors and assigns, and shall be binding upon the heirs, executors, personal representatives and successors of Guarantor.
8. Guarantor acknowledges that there are no agreements, promises, representations or stipulations, oral or written, express or implied, with respect to the subject matter hereof other than those expressly stated herein.
9. Guarantor shall furnish to Lender its financial statements within 90 days after the end of each fiscal year of Guarantor prepared in accordance with generally accepted accounting principles consistent with prior statements. Guarantor shall also furnish such other information as Lender may from time to time reasonably require.
10. In all cases where there is more than one Guarantor, all words used herein in the singular shall be deemed to have been used in the plural where the context and construction so require.
11. In the event of a demand under this Guarantee, the Guarantor shall indemnify and save Lender harmless from and against any losses (including, without limitation, Liabilities otherwise payable pursuant to Section 1 and 2 of this Guarantee) which may arise by virtue of any of the Liabilities or any agreement relating to the Liabilities being or becoming for any reason whatsoever in whole or in part invalid, ineffective or otherwise unenforceable by Lender in accordance with their terms.
12. This Guarantee shall be governed by and construed in accordance with the laws of the Province indicated on the originating agreement documents and all actions and proceedings may be heard and determined by the courts of such province, provided, however, that nothing herein contained shall prevent Lender from proceeding at its election against Guarantor in the courts of any other jurisdiction.
13. The parties hereto acknowledge that they have required this Guarantee to be drawn up in the English language. Les parties reconnaissent avoir exigé que ce cautionnement soit rédigé en anglais.
14. I consent to Lender collecting, using and disclosing personal information in this document pursuant to the terms of the Dynamic Capital Equipment Finance Inc. Privacy Policy. (a copy of which is available at www.dynamic-capital.ca).

This Guarantee Agreement made as of the 29 day of JULY, 2021.

WITNESS:

XX

Signature

Name (Print)

David Fischer

Address

1039 Hendecourt Road North Vancouver

ROC HOLDINGS LTD.

Authorized Signatory:



Note: If this Guarantee is executed in Alberta by an individual, the Certificate on the reverse side hereof must be completed (see over)

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CERTIFICATE OF CORPORATE SECRETARY

The undersigned, PRESIDENT of ROC HOLDINGS LTD. (the "Corporation") hereby certifies to Lender, its successors and assigns, that the foregoing Guarantee AGREEMENT was approved and executed thereof by XIAO PENG CUI acting on behalf of the Corporation, was authorized by resolution of the board of directors of the Corporation duly adopted at a valid meeting of the board of directors of the Corporation, which resolution has not been amended or revoked and remains in full force and effect. I further certify that the signatures appearing above are in fact the signatures of the persons so authorized.

Dated as of this 29 day of JULY , 2021.

PER: 

PRESIDENT

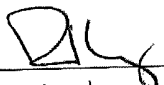
**ESTOPPEL CERTIFICATE
(Re: Guarantee)**

I, **ROGER HARLEY KEERY** of **Surrey, British Columbia**, hereby confirm that the Guarantee and Postponement of Claim dated the 29 day of **JULY, 2021** granted by **SKEENA BIOENERGY LTD.** in the respect of the liabilities of **SKEENA SAWMILLS LTD.** (the "Borrower") to Dynamic Capital Equipment Finance Inc. is in full force and effect.

I further confirm that I have reviewed the contract granted by Dynamic Capital Equipment Finance Inc. to the Borrower dated the **17** day of **AUGUST, 2021** and hereby consent to such contract and confirm the continuation of my Guarantee and Postponement of Claim as collateral security for all credit obligations and liabilities of the Borrower including those provided for in such contract.

DATED at **Surrey, British Columbia** this **17** day of **AUGUST, 2021**.

SKEENA BIOENERGY LTD.

✕ 
(Signature)


Witness



ESTOPPEL CERTIFICATE

(Re: Guarantee)

I, **XIAO PENG CUI** of Vancouver, British Columbia, hereby confirm that the Guarantee and Postponement of Claim dated the 29 day of JULY, 2021 granted by **ROC HOLDINGS LTD.** in the respect of the liabilities of **SKEENA SAWMILLS LTD.** (the "Borrower") to Dynamic Capital Equipment Finance Inc. is in full force and effect.

I further confirm that I have reviewed the contract granted by Dynamic Capital Equipment Finance Inc. to the Borrower dated the 17 day of **AUGUST, 2021** and hereby consent to such contract and confirm the continuation of my Guarantee and Postponement of Claim as collateral security for all credit obligations and liabilities of the Borrower including those provided for in such contract.

DATED at Vancouver, British Columbia this 17 day of **AUGUST, 2021.**

ROC HOLDINGS LTD.



(Signature)



Witness



SUBORDINATION OF DEBT

The undersigned has loaned to SKEENA SAWMILLS LTD. (herein called "DEBTOR"), the amount of **\$UNLIMITED** plus interest as evidenced by that certain promissory note or other evidence of indebtedness ("Note") (which Note, together with any other indebtedness now owing or hereafter owing by DEBTOR to the undersigned, including without limitation, any redemption or repurchase of share capital, or any distributions to the Debtor which are not approved by the holder of the SUPERIOR DEBT (as defined below), is hereinafter called "SUBORDINATED DEBT").

In order to induce you to enter into contracts with, make a loan or loans or extend credit to DEBTOR and in consideration of such contracts, loans, advances or extensions of credit, and for other valuable consideration, the undersigned consents and agrees that the SUBORDINATED DEBT is hereby expressly subordinated to the extent and in the manner hereinafter set forth in right by payment to the prior payment in full of any and every indebtedness, liability or obligation howsoever arising and of any nature whatever, which may now or at any time and from time to time hereafter exist or be incurred by DEBTOR to you together with all interest thereon and internal and external attorney's fees, costs and expenses of collection incurred by you in connection herewith (hereinafter called "SUPERIOR DEBT"). For the purpose of this Agreement, "Tangible Net Worth" means all assets (excluding intangibles such as, but not limited to, capitalized interest and expenses and goodwill) less all liabilities, determined in accordance with general accepted accounting principles.

1. In the event of any default by Debtor in its obligations to you or to the holder of the SUPERIOR DEBT, or in the event of any liquidation, dissolution, or winding up of DEBTOR or any receivership, insolvency, bankruptcy, readjustment, reorganization or other similar proceedings relative to DEBTOR or its property all SUPERIOR DEBT shall first be paid in full before any holder of SUBORDINATED DEBT shall be entitled to receive and retain any payment or contribution upon or in respect of the SUBORDINATED DEBT; and in any such event any payment or contribution of any kind or character whether in cash, property or securities to which any holder of SUBORDINATED DEBT would otherwise be entitled shall be paid or delivered by DEBTOR or by any receiver, trustee in bankruptcy, liquidation trustee, agent or other person making such payment or distribution or by any holder of SUBORDINATED DEBT if received by such holder to the holder of such SUPERIOR DEBT for application in payment thereof to the extent necessary to make payment in full of all such SUPERIOR DEBT before such payment or distribution shall be made to or retained by the holder of any SUBORDINATED DEBT.

2. Each and every holder of SUBORDINATED DEBT by acceptance hereof shall undertake and agree for the benefit of each holder of SUPERIOR DEBT to execute, verify, deliver and file any proofs of claims, consents, assignments or other instruments which any holder of SUPERIOR DEBT may at any time require in order to prove and realize upon any rights or claims pertaining to the SUBORDINATED DEBT and to effectuate the full benefit of the subordination contained herein and upon failure of any such holder of SUBORDINATED DEBT so to do any such holder of SUPERIOR DEBT shall be deemed to be irrevocably appointed the agent and attorney-in-fact of such holder of SUBORDINATED DEBT to execute, verify, delivery and file any such proofs of claim, consents, and assignments or other instruments.

3. No holder of SUPERIOR DEBT shall be prejudiced in his right to enforce subordination of SUBORDINATED DEBT by any act or failure to act on the part of DEBTOR. If payments of principal and/or interest are made by DEBTOR to the holder of any SUBORDINATED DEBT in violation of the terms hereof, the holder of SUBORDINATED DEBT by his acceptance hereof shall be deemed to have agreed that he holds any such payments as trust funds for the benefit of holders of SUPERIOR DEBT.

4. The undersigned hereby waives:

(a) Notice of (and acknowledges due notice of) acceptance of this Agreement by you or of the creation, renewal or accrual of any liability of DEBTOR, present or future, or of your reliance upon this agreement, (if being understood that any and every liability and obligation of DEBTOR to you shall conclusively be presumed to have been created, contracted or incurred in reliance upon this agreement.



(b) Demand of payment from DEBTOR in respect of any of the liabilities or obligations constituting SUPERIOR DEBT.

(c) Presentment for payment of any instrument of DEBTOR, protest thereof and notice of its dishonour to any party thereto and to the undersigned.

5. If any payments are made by the Debtor to the undersigned in violation of the terms of this agreement or if the undersigned takes any steps to enforce repayment or do indebtedness from the Debtor then each such event shall be considered a default under any agreement the Debtor has with you.

6. All evidences of SUBORDINATED DEBT shall bear the following legend:
"Payment of principal and interest subject to the restrictions contained in a Subordination of Debt executed by the holders hereof for the benefit of DYNAMIC CAPITAL EQUIPMENT FINANCE INC. dated JULY 29, 2021."

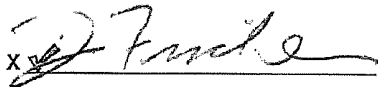
7. We shall not take any steps to require the repayment of or to accelerate the Subordinated Debt except as set out in this agreement without your prior written consent. We shall not amend or modify the terms and conditions of the Note or the Subordinated Debt without your prior written consent.

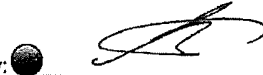
This Agreement shall, without further consent of or notice to the undersigned, pass to and may be relied upon and enforced by any successor or assignee of you and any transferee and subsequent holder of any or all SUPERIOR DEBT.

Yours very truly,

Witness:

Xiao Peng Cui

X 


By: 
Name: Xiao Peng Cui
Title:

The undersigned officer of Skeena Bioenergy Ltd. hereby consents and agrees to the above subordination and further agrees as additional inducement to the addressees for the consideration offered herein not to make any payments on SUBORDINATED DEBT in violation of the terms of the above agreement.

Witness:

Skeena Bioenergy Ltd.

X 

By: 
Name: Roger Harley Keen
Title: President



SUBORDINATION OF DEBT

The undersigned has loaned to Skeena Bioenergy Ltd. (herein called "DEBTOR"), the amount of \$UNLIMITED plus interest as evidenced by that certain promissory note or other evidence of indebtedness ("Note") (which Note, together with any other indebtedness now owing or hereafter owing by DEBTOR to the undersigned, including without limitation, any redemption or repurchase of share capital, or any distributions to the Debtor which are not approved by the holder of the SUPERIOR DEBT (as defined below), is hereinafter called "SUBORDINATED DEBT").

In order to induce you to enter into contracts with, make a loan or loans or extend credit to DEBTOR and in consideration of such contracts, loans, advances or extensions of credit, and for other valuable consideration, the undersigned consents and agrees that the SUBORDINATED DEBT is hereby expressly subordinated to the extent and in the manner hereinafter set forth in right by payment to the prior payment in full of any and every indebtedness, liability or obligation howsoever arising and of any nature whatever, which may now or at any time and from time to time hereafter exist or be incurred by DEBTOR to you together with all interest thereon and internal and external attorney's fees, costs and expenses of collection incurred by you in connection herewith (hereinafter called "SUPERIOR DEBT"). For the purpose of this Agreement, "Tangible Net Worth" means all assets (excluding intangibles such as, but not limited to, capitalized interest and expenses and goodwill) less all liabilities, determined in accordance with general accepted accounting principles.

1. In the event of any default by Debtor in its obligations to you or to the holder of the SUPERIOR DEBT, or in the event of any liquidation, dissolution, or winding up of DEBTOR or any receivership, insolvency, bankruptcy, readjustment, reorganization or other similar proceedings relative to DEBTOR or its property all SUPERIOR DEBT shall first be paid in full before any holder of SUBORDINATED DEBT shall be entitled to receive and retain any payment or contribution upon or in respect of the SUBORDINATED DEBT; and in any such event any payment or contribution of any kind or character whether in cash, property or securities to which any holder of SUBORDINATED DEBT would otherwise be entitled shall be paid or delivered by DEBTOR or by any receiver, trustee in bankruptcy, liquidation trustee, agent or other person making such payment or distribution or by any holder of SUBORDINATED DEBT if received by such holder to the holder of such SUPERIOR DEBT for application in payment thereof to the extent necessary to make payment in full of all such SUPERIOR DEBT before such payment or distribution shall be made to or retained by the holder of any SUBORDINATED DEBT.

2. Each and every holder of SUBORDINATED DEBT by acceptance hereof shall undertake and agree for the benefit of each holder of SUPERIOR DEBT to execute, verify, deliver and file any proofs of claims, consents, assignments or other instruments which any holder of SUPERIOR DEBT may at any time require in order to prove and realize upon any rights or claims pertaining to the SUBORDINATED DEBT and to effectuate the full benefit of the subordination contained herein and upon failure of any such holder of SUBORDINATED DEBT so to do any such holder of SUPERIOR DEBT shall be deemed to be irrevocably appointed the agent and attorney-in-fact of such holder of SUBORDINATED DEBT to execute, verify, delivery and file any such proofs of claim, consents, and assignments or other instruments.

3. No holder of SUPERIOR DEBT shall be prejudiced in his right to enforce subordination of SUBORDINATED DEBT by any act or failure to act on the part of DEBTOR. If payments of principal and/or interest are made by DEBTOR to the holder of any SUBORDINATED DEBT in violation of the terms hereof, the holder of SUBORDINATED DEBT by his acceptance hereof shall be deemed to have agreed that he holds any such payments as trust funds for the benefit of holders of SUPERIOR DEBT.

4. The undersigned hereby waives:

(a) Notice of (and acknowledges due notice of) acceptance of this Agreement by you or of the creation, renewal or accrual of any liability of DEBTOR, present or future, or of your reliance upon this agreement, (if being understood that any and every liability and obligation of DEBTOR to you shall conclusively be presumed to have been created, contracted or incurred in reliance upon this agreement.



(b) Demand of payment from DEBTOR in respect of any of the liabilities or obligations constituting SUPERIOR DEBT.

(c) Presentment for payment of any instrument of DEBTOR, protest thereof and notice of its dishonour to any party thereto and to the undersigned.

5. If any payments are made by the Debtor to the undersigned in violation of the terms of this agreement or if the undersigned takes any steps to enforce repayment or do indebtedness from the Debtor then each such event shall be considered a default under any agreement the Debtor has with you.

6. All evidences of SUBORDINATED DEBT shall bear the following legend:
"Payment of principal and interest subject to the restrictions contained in a Subordination of Debt executed by the holders hereof for the benefit of DYNAMIC CAPITAL EQUIPMENT FINANCE INC. dated JULY 29, 2021."

7. We shall not take any steps to require the repayment of or to accelerate the Subordinated Debt except as set out in this agreement without your prior written consent. We shall not amend or modify the terms and conditions of the Note or the Subordinated Debt without your prior written consent.

This Agreement shall, without further consent of or notice to the undersigned, pass to and may be relied upon and enforced by any successor or assignee of you and any transferee and subsequent holder of any or all SUPERIOR DEBT.

Yours very truly,

Xiao Peng Cui

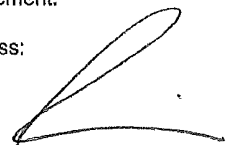
Witness:

X 

By: 
Name: Xiao Peng Cui
Title:

The undersigned officer of SKEENA SAWMILLS LTD. hereby consents and agrees to the above subordination and further agrees as additional inducement to the addressees for the consideration offered herein not to make any payments on SUBORDINATED DEBT in violation of the terms of the above agreement.

Witness:

X 

SKEENA SAWMILLS LTD.

By: 
Name: Roger Harley Keen
Title: President



SUBORDINATION OF DEBT

The undersigned has loaned to Roc Holdings Ltd. (herein called "DEBTOR"), the amount of **\$UNLIMITED** plus interest as evidenced by that certain promissory note or other evidence of indebtedness ("Note") (which Note, together with any other indebtedness now owing or hereafter owing by DEBTOR to the undersigned, including without limitation, any redemption or repurchase of share capital, or any distributions to the Debtor which are not approved by the holder of the SUPERIOR DEBT (as defined below), is hereinafter called "SUBORDINATED DEBT").

In order to induce you to enter into contracts with, make a loan or loans or extend credit to DEBTOR and in consideration of such contracts, loans, advances or extensions of credit, and for other valuable consideration, the undersigned consents and agrees that the SUBORDINATED DEBT is hereby expressly subordinated to the extent and in the manner hereinafter set forth in right by payment to the prior payment in full of any and every indebtedness, liability or obligation howsoever arising and of any nature whatever, which may now or at any time and from time to time hereafter exist or be incurred by DEBTOR to you together with all interest thereon and internal and external attorney's fees, costs and expenses of collection incurred by you in connection herewith (hereinafter called "SUPERIOR DEBT"). For the purpose of this Agreement, "Tangible Net Worth" means all assets (excluding intangibles such as, but not limited to, capitalized interest and expenses and goodwill) less all liabilities, determined in accordance with general accepted accounting principles.

1. In the event of any default by Debtor in its obligations to you or to the holder of the SUPERIOR DEBT, or in the event of any liquidation, dissolution, or winding up of DEBTOR or any receivership, insolvency, bankruptcy, readjustment, reorganization or other similar proceedings relative to DEBTOR or its property all SUPERIOR DEBT shall first be paid in full before any holder of SUBORDINATED DEBT shall be entitled to receive and retain any payment or contribution upon or in respect of the SUBORDINATED DEBT; and in any such event any payment or contribution of any kind or character whether in cash, property or securities to which any holder of SUBORDINATED DEBT would otherwise be entitled shall be paid or delivered by DEBTOR or by any receiver, trustee in bankruptcy, liquidation trustee, agent or other person making such payment or distribution or by any holder of SUBORDINATED DEBT if received by such holder to the holder of such SUPERIOR DEBT for application in payment thereof to the extent necessary to make payment in full of all such SUPERIOR DEBT before such payment or distribution shall be made to or retained by the holder of any SUBORDINATED DEBT.

2. Each and every holder of SUBORDINATED DEBT by acceptance hereof shall undertake and agree for the benefit of each holder of SUPERIOR DEBT to execute, verify, deliver and file any proofs of claims, consents, assignments or other instruments which any holder of SUPERIOR DEBT may at any time require in order to prove and realize upon any rights or claims pertaining to the SUBORDINATED DEBT and to effectuate the full benefit of the subordination contained herein and upon failure of any such holder of SUBORDINATED DEBT so to do any such holder of SUPERIOR DEBT shall be deemed to be irrevocably appointed the agent and attorney-in-fact of such holder of SUBORDINATED DEBT to execute, verify, delivery and file any such proofs of claim, consents, and assignments or other instruments.

3. No holder of SUPERIOR DEBT shall be prejudiced in his right to enforce subordination of SUBORDINATED DEBT by any act or failure to act on the part of DEBTOR. If payments of principal and/or interest are made by DEBTOR to the holder of any SUBORDINATED DEBT in violation of the terms hereof, the holder of SUBORDINATED DEBT by his acceptance hereof shall be deemed to have agreed that he holds any such payments as trust funds for the benefit of holders of SUPERIOR DEBT.

4. The undersigned hereby waives:

(a) Notice of (and acknowledges due notice of) acceptance of this Agreement by you or of the creation, renewal or accrual of any liability of DEBTOR, present or future, or of your reliance upon this agreement, (if being understood that any and every liability and obligation of DEBTOR to you shall conclusively be presumed to have been created, contracted or incurred in reliance upon this agreement.



(b) Demand of payment from DEBTOR in respect of any of the liabilities or obligations constituting SUPERIOR DEBT.

(c) Presentment for payment of any instrument of DEBTOR, protest thereof and notice of its dishonour to any party thereto and to the undersigned.

5. If any payments are made by the Debtor to the undersigned in violation of the terms of this agreement or if the undersigned takes any steps to enforce repayment or do indebtedness from the Debtor then each such event shall be considered a default under any agreement the Debtor has with you.

6. All evidences of SUBORDINATED DEBT shall bear the following legend:
"Payment of principal and interest subject to the restrictions contained in a Subordination of Debt executed by the holders hereof for the benefit of DYNAMIC CAPITAL EQUIPMENT FINANCE INC. dated JULY 29, 2021."

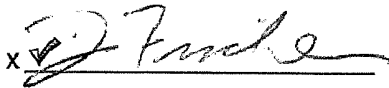
7. We shall not take any steps to require the repayment of or to accelerate the Subordinated Debt except as set out in this agreement without your prior written consent. We shall not amend or modify the terms and conditions of the Note or the Subordinated Debt without your prior written consent.

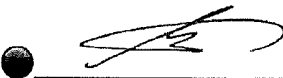
This Agreement shall, without further consent of or notice to the undersigned, pass to and may be relied upon and enforced by any successor or assignee of you and any transferee and subsequent holder of any or all SUPERIOR DEBT.

Yours very truly,

Witness:

Xiao Peng Cui

x 

By: 
Name: Xiao Peng Cui
Title:

The undersigned officer of Roc Holdings Ltd. hereby consents and agrees to the above subordination and further agrees as additional Inducement to the addressees for the consideration offered herein not to make any payments on SUBORDINATED DEBT in violation of the terms of the above agreement.

Witness:

Roc Holdings Ltd.

x 

By: 
Name: Xiao Peng Cui
Title: President

To Borrower SKEENA SAWMILLS LTD.

Client "DCEFI" Contact: Dustin White

-for questions of concerns please contact the name noted as your DCEFI Contact named above.

Date: September 21, 2023

Subject: Full Payout

Dynamic Capital Contract Number	27SSA00653
Equipment Description	1999 OPTIMIL CANTER LINE C/W DOUBLE LENGTH INFEED, LOG TURNER, 4 SIDED CANTER, SPLINE REMOVER, HORIZONTAL QUAD ARBOR EDGER, VERTICAL DOUBLE ARBOR EDGER, HYDRAULIC POWER UNITS; CASH COLLATERAL
Serial Number	63286;

Further to your request, the Payout quotation is as set out below:

Payout	\$321,738.96
Arrears	\$0.00
Subtotal	<hr/> \$321,738.96
GST	\$0.00
PST	\$0.00
Total Buyout (CDN)	<hr/> \$321,738.96

Effective Date*: September 21, 2023

Valid Until: September 30, 2023

Daily Per Diem Fee**: \$100.10

**This quote assumes all payments, up to the "effective date," are made and not returned.*

***Please notify your contact named above no less than two business days prior to the valid until date to confirm that you will be proceeding with this payout quote.*

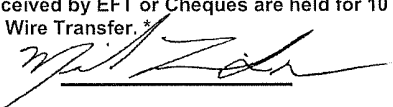
****The daily per diem fee must be added to the total buyout for each day that passes from the valid until date.*

If you wish to proceed with this transaction, please provide Dynamic with a wire transfer, certified cheque or bank draft made payable to Dynamic Capital Equipment Finance Inc. All cheques and bank drafts should be mailed to:
208 - 1824 Gordon Drive Kelowna, BC V1Y 0E2

All wire transfers should be wired to:

SWIFT Code: HKBCCATT
Institution#: 0016
Transit#: 10099
Account#: 301032002
HSBC Bank Canada
10250 101 Street
Edmonton, AB T5J 3P4

Please note, funds received by EFT or Cheques are held for 10 Business Days, to ensure the payout is processed in a timelier manner, please send funds via Wire Transfer.

Authorized Signature: 

Upon receipt by Dynamic Capital Equipment Finance Inc of payment in full by certified cheque, bank draft or wire transfer and confirmation of cross collateral agreements, this lease will be terminated and/or security released where applicable. Any partial payment received will be applied against your account and you will continue to be liable for the balance owing.

CONFIDENTIALITY CAUTION AND DISCLAIMER

This message is intended only for the use of the individual or entity to which it is addressed and contains information that is privileged and confidential. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately at (780) 538-4492.

To Borrower SKEENA SAWMILLS LTD.

Client "DCEFI" Contact: Dustin White

-for questions of concerns please contact the name noted as your DCEFI Contact named above.

Date: September 21, 2023

Subject: Full Payout

Dynamic Capital Contract Number	27SSA00644
Equipment Description	2018 RAM 2500 TRADESMAN 4X4 CREWCAB PICKUP TRUCK; 2018 RAM 2500 TRADESMAN 4X4 CREWCAB PICKUP TRUCK; 2013 CATERPILLAR 980K LOG LOADER C/W WBMM33 LOG GRAPPLE S/N 1W45785-1; 2011 CATERPILLAR 950H FORKLIFT; 2004 CATERPILLAR 924G FORKLIFT C/W MAST S/N M2S15W160LV02-HD; 2012 TAYLOR TX330M FORKLIFT; 2013 HYUNDAI H160D-7E FORKLIFT; 2012 HYUNDAI 110D-7E FORKLIFT; 2010 DOOSAN D90S-5 FORKLIFT; 2013 CHEVROLET 2500HD 4X4 REGCAB PICKUP TRUCK; 2013 GMC 2500HD 4X4 REGCAP PICKUP TRUCK; 2011 CHEVROLET SILVERADO 2500HD 4X4 CREWCAB PICKUP TRUCK; 2011 CHEVROLET SILVERADO 2500HD 4X4 CREWCAB PICKUP TRUCK; CASH COLLATERAL
Serial Number	3C6TR5CT4JG273565; 3C6TR5CT6JG273566; CAT0980KCW7K01406; CAT0950HTJAD01002; CAT0924GCRTA00221; S-GE-37856; HHKHFT08HD0000955; HHKHFT05KC0000188; PA-00818; 1GT02ZCGXDZ140209; 1GT02ZCGD2Z163547; 1GC1KVC5BF263802; 1GC1KVC5BF256025;

Further to your request, the Payout quotation is as set out below:

Payout	\$211,062.95
Arrears	\$0.00
Subtotal	\$211,062.95
GST	\$0.00
PST	\$0.00
Total Buyout (CDN)	\$211,062.95

Effective Date*: September 21, 2023

Valid Until: September 30, 2023

Daily Per Diem Fee**: \$66.01

**This quote assumes all payments, up to the "effective date," are made and not returned.*

***Please notify your contact named above no less than two business days prior to the valid until date to confirm that you will be proceeding with this payout quote.*

****The daily per diem fee must be added to the total buyout for each day that passes from the valid until date.*

If you wish to proceed with this transaction, please provide Dynamic with a wire transfer, certified cheque or bank draft made payable to Dynamic Capital Equipment Finance Inc. All cheques and bank drafts should be mailed to:

208 - 1824 Gordon Drive Kelowna, BC V1Y 0E2

All wire transfers should be wired to:

SWIFT Code: HKBCCATT

Institution#: 0016

Transit#: 10099

Account#: 301032002

HSBC Bank Canada

10250 101 Street

Edmonton, AB T5J 3P4

*Please note, funds received by EFT or Cheques are held for 10 Business Days, to ensure the payout is processed in a timelier manner, please send funds via Wire Transfer. *

Authorized Signature:



Upon receipt by Dynamic Capital Equipment Finance Inc of payment in full by certified cheque, bank draft or wire transfer and confirmation of cross collateral agreements, this lease will be terminated and/or security released where applicable. Any partial payment received will be applied against your account and you will continue to be liable for the balance owing.

CONFIDENTIALITY CAUTION AND DISCLAIMER

This message is intended only for the use of the individual or entity to which it is addressed and contains information that is privileged and confidential. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately at (780) 538-4492.

FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
Canada

T +1 604 631 3131
+1 866 635 3131
F +1 604 631 3232
fasken.com

October 20, 2023
File No.: 285937.00017/15053

Kibben Jackson
Direct Line / Fax +1 604 631 4786
kjackson@fasken.com

By Email

Duncan Craig LLP
#2800, 10060 Jasper Avenue
Edmonton, AB T5J 3V9

Attention: Ryan Quinlan

Dear Sirs/Mesdames:

**Re: In the Matter of the Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd.
and ROC Holdings Ltd. (collectively, the “Skeena Group”)
BCSC Action No. S-236214, Vancouver Registry (the “Receivership Proceedings”)**

We are legal counsel for Alvarez & Marsal Canada Inc. (the “**Receiver**”) in its capacity as court-appointed receiver of the assets and undertakings of the Skeena Group in the Receivership Proceedings. We write in response to your letter of September 26, 2023. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in your letter.

The Receiver has now had a chance to obtain preliminary valuations of the equipment subject to your client’s security agreements. The Receiver is satisfied that there is likely no equity in the canter line that is the subject of the August Loan and Security Agreement. That equipment is currently in storage. The Receiver is fine if your client wants to take possession of and remove the canter line. Alternatively, the Receiver is prepared to endeavour to sell the canter line for your client, though in that case your client would bear the costs of that exercise along with ongoing storage costs.

As to the equipment that is the subject of the July Loan and Security Agreement, the Receiver believes there is sufficient equity in that equipment to make it worthwhile retaining and selling that equipment in the receivership. The expectation is that your client will be paid in full the amount owing under the July Loan and Security Agreement from the proceeds of sale such that the court-ordered charges granted in the Receivership Proceedings would therefore only attach to the equity in the equipment.

We trust the foregoing addresses your client’s concerns as set out in your letter.

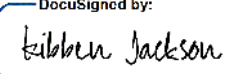


FASKEN

We are, of course, happy to discuss this matter further if that is of interest to you.

Sincerely,

FASKEN MARTINEAU DuMOULIN LLP

DocuSigned by:


RD7B38A852254F2
Kibben Jackson

Personal Law Corporation

KJ/

cc: Alvarez & Marsal Canada Inc. (attention: Anthony Tillman and Pinky Law)



Appendix C - Correspondence between counsel to the Pension Plan Trustee and Fasken



Heather McMahon, Legal Counsel
heather.mcmahon@iwafibp.ca

2100-3777 Kingsway
Burnaby, BC V5H 3Z7
D 604.454.5450
T 604.433.6310
F 604.433.7897
IWAFIBP.CA

Alvarez & Marsal Canada Inc.
In its capacity as Receiver of Skeena Sawmills Ltd.,
Skeena Bioenergy Ltd. and ROD Holdings Ltd.
Attn: Anthony Tillman
925 West Georgia Street, Suite 902
Vancouver, BC V6C 3L2

October 5, 2023

Dear Mr. Tillman:

RE: In the matter of the Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd. and ROC Holdings Ltd.

Further to your correspondence received in our office on October 4, 2023, and enclosing Form 87 – Notice and Statement of the Receiver, we write to set out the position of the IWA - Forest Industry Pension and LTD Plans (the “Plans”).

Total Contributions owed to the Plans

“The IWA – Forest Industry Benefit Plans” is listed among the secured creditors of Skeena Sawmills Ltd. The writer anticipates this is a reference to the Plans. The total amount owing to the Plans in Appendix A to Form 87 is \$71,078.86.

Skeena Sawmills Ltd. last reported contribution hours to the Plans on August 26, 2023. The contributions owed at that time totaled \$71,147.95. Skeena Sawmills Ltd. also owes the Plans contributions for all hours worked by members of the Plans from August 27, 2023 to their termination* on or around September 21, 2023. These hours have not been reported. We infer from Exhibit “D” to the affidavit #1 of Gui Hua Hu that the amount of contributions from September 1 to September 20 total \$30,873.44. The total owed to the Plans is approximately \$102,021.39.

*The terminations were alluded to but have not yet been confirmed to the Plans.

Skeena Sawmills holds the Contributions in Trust for the Plans

Skeena Sawmills Ltd. is obligated by the collective agreement with the United Steelworkers Local 1-1937 to participate in the Plans. It is a “Participating Employer” under the Plans. Skeena Sawmills Ltd, by its authorized signatory Xiaopeng Cui, agreed in the Pension and LTD Plan Participation Agreements (see Exhibits B and C to Affidavit #1 of Gary Luddu) to be bound by the terms of the Trust Agreements.

Affidavit #1 of Gary Luddu includes the provisions of the Pension and LTD Trust Agreements that establish Skeena Sawmills Ltd. trust obligations with respect to all contributions to the Plans.

Exhibit E – Section 17(b) of the Pension Trust Agreement reads:

All contributions deducted from payroll for Eligible Employees and all contributions due from a Participating Employer are deemed to be held in trust for the Trustees by the Participating Employer.

Exhibit G – Section 6.5(c) of the LTD Trust Agreement reads:

All Contributions deducted from payroll and all Contributions due are deemed to be held in trust by the Participating Employer

The \$102,021.39 owed to the Plans are trust funds (the “Trust Funds”). The Trust Funds are not part of Skeena Sawmills Ltd.’s estate and so they are not available for distribution in the receivership.

Form 87 seems to indicate that there is \$1,684,513.70 in cash and equivalents available from Skeena Sawmills Ltd. and the other two debtors. It seems likely that the Trust Funds owed to Plans are among the cash and equivalents and should be paid to the Plans before any distribution.

Proof of Claim

Paragraph 8 of Form 87 indicates that there is currently no procedure for proving claims and that each creditor will be notified *if* a claims order is granted. Kindly confirm, when we can anticipate that an order would be granted and, in the absence of a claims procedure order, when the Plans can provide proof of claim and submissions with respect to the Trust Funds and the Plans priority in the context of the distribution.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Heather McMahon', with a stylized, cursive script.

Heather McMahon
Legal Counsel

HM/hm
Enclosures

FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
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T +1 604 631 3131
+1 866 635 3131
F +1 604 631 3232
fasken.com

October 19, 2023
File No.: 285937.00017/15053

Kibben Jackson
Direct Line / Fax +1 604 631 4786
kjackson@fasken.com

By Email

The Plan Office of the IWA –
Forest Industry Pension and LTD Plans
2100 – 3777 Kingsway
Burnaby, BC V5H 3Z7

Attention: Heather McMahon

Dear Sirs/Mesdames:

Re: In the Matter of the Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd.
(“Bioenergy”) and ROC Holdings Ltd. (collectively, the “Skeena Group”)
BCSC Action No. S-236214, Vancouver Registry (the “Receivership Proceedings”)

We are legal counsel for Alvarez & Marsal Canada Inc. (the “Receiver”) in its capacity as court-appointed receiver of the assets and undertakings of the Skeena Group in the Receivership Proceedings. We write in response to your letters of September 27 and October 5, 2023.

As a starting point, we wish to make clear that the Receiver cannot provide any assurances that any contributions owing to the Plans (as defined in your letter) will be paid in the course of the receivership. Whether that happens will depend on the validity, amount and priority of your client’s claims (none of which have been investigated by the Receiver), and the nature and amount of funds available for distribution to creditors, which is unknown at this time. That is not to say that your client will not get paid, only that the Receiver is not presently in a position to confirm whether that is the case.

In your October 5, 2023 letter you refer to certain funds identified by the Receiver and suggest that it seems likely that the Trust Funds (as defined in your letter) comprise part of those funds. We confirm that, at this time, the Receiver is aware of only two sources of funds:

- Approximately \$1.58 million, which was in an account belonging to Bioenergy. The Receiver believes these funds were paid to Bioenergy by the Province of B.C., specifically the Minister of Environment and Climate Change Strategy. If that is in fact the case, then it seems unlikely that the Trust Funds comprise any part of those funds.



FASKEN

- Approximately \$181,000, which the Receiver was advised was paid into court pursuant to a garnishing order obtained by a lien claimant, garnished from accounts receivable of Sawmills. It is not known whether the Trust Funds comprised any part of those funds.
- Approximately \$118,000, consisting of approximately \$11,000 from Bioenergy's pre-receivership bank account and approximately \$107,000 from Sawmills' pre-receivership bank account. It is not known whether the Trust Funds comprised any part of those funds.


The Receiver has not paid out any of the above-referenced funds to any creditor, nor does it have any present intention to do so. Any distribution would likely only be made pursuant to a further order of the court in the Receivership Proceedings. That said, the available funds are subject to the court-ordered charges granted under the receivership order made September 20, 2023, and the funds are being used to fund the costs of the receivership.

The Receiver will be addressing your letter and the concerns and requests identified therein as part of its first report to the court. This will at least enable all parties to make any submissions—and, to the extent considered appropriate, seek any orders or directions—concerning your letter at the hearing on October 30, 2023.

We are, of course, happy to discuss this matter further if that is of interest to you.

Sincerely,

FASKEN MARTINEAU DuMOULIN LLP

DocuSigned by:

BD7B38A852254F2...

Kibben Jackson
Personal Law Corporation

KJ/

cc: Alvarez & Marsal Canada Inc. (attention: Anthony Tillman and Pinky Law)



Appendix D - Correspondence between counsel to Round Lake and Fasken



October 17, 2023

Private and Confidential

Charles W. Bois
Direct Line: 604.643.1224
Direct Fax: 604.643.1200
cbois@millerthomson.com

File: 0280270.0001

Sent via Email:
bgibbons@lawsonlundell.com

Lawson Lundell LLP
Suite 1600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Attention: Bryan C. Gibbons

Sent via Email:
kjackson@fasken.com

Lawson Lundell LLP
550 Burrard Street, Suite 2900
Vancouver, BC V6C 0A3

Attention: Kibben Jackson

Dear Sirs:

Re: Receivership of Skeena Sawmills Ltd. et al, and Claims of Round Lake Transport Ltd.

We are the solicitors for Round Lake Transport Ltd. ("**Round Lake**").

We write in response to the Form 87 Notice and Statement of the Receiver which was recently received by Round Lake, to bring to your attention that the information set out in Appendix A does not accurately reflect the amount owing to Round Lake.

Appendix A indicates that Round Lake is identified as an unsecured creditor and that it is owed \$50,704.36 by Skeena Sawmills Ltd. ("**Skeena**"). We understand that this information was likely based on records Skeena provided to the Receiver. However, the information is not correct, as the amount owing to Round Lake by Skeena is \$65,472.20. We have provided copies of Round Lake's outstanding invoices for your convenience and records.

In addition, we write to provide you with notice that on October 5, 2023, Round Lake claimed and registered a Contractor Lien, Registration Number 830659P, and a Contractor Charge, Registration Number 830654P, in accordance with the *Forestry Service Providers Protection Act*, and asserts that it has security interest in all Forest Products of Skeena, including Forest Products acquired by Skeena as set out in the attached invoices. We have attached a copy of the registered Contractor Lien and Contractor Charge.

We understand that the Receiver has not yet required creditors to file a Proof of Claim form. Round Lake reserves the right to file a Proof of Claim form during a claims process that may be implemented by the Receiver.

Yours truly,

MILLER THOMSON LLP

Per:

Charles W. Bois
CWB/dl

Enclosures





Round Lake Transport Ltd

29624 HIGHWAY 16
TELKWA, BC V0J 2X2 CANADA
250-643-1076
darren@roundlaketransport.com

Invoice Number: 00842
Invoice Date: 02/11/2023

Bill To:		Ship To:	
Company:	Skeena Sawmills		Tidal Coast Terminals
	Karie.DaPonte@skeenasawmills.com		
Address:	Box 780		
	Terrace, BC		Prince Rupert, BC
Postal Code	V8G 4R1		

Date	Shipment Number	Price	Fuel Surcharge	Amount
Jan. 3/23	1990 1992	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 4/23	1994 1996	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 5/23	1998 2002	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 6/23	2006 2003 2007	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 9/23	2010 2011	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 10/23	2013 2014	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 11/23	2017 2018	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 12/23	2020 2021	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 13/23	2022 2023	675.00	87.02 @ 1.8801/ltr = 762.02	1524.04
Jan. 16/23	2024 2025	675.00	77.27 @ 1.8151/ltr = 752.27	1504.54
Jan. 17/23	2029 2030 2031	675.00	77.27 @ 1.8151/ltr = 752.27	2256.81
Jan. 18/23	2032	675.00	77.27 @ 1.8151/ltr = 752.27	752.27
Jan. 20/23	2033 2034	675.00	77.27 @ 1.8151/ltr = 752.27	1504.54
Jan. 23/23	2035 2036	675.00	77.27 @ 1.8151/ltr = 752.27	1504.54
Jan. 24/23	2037 2039	675.00	77.27 @ 1.8151/ltr = 752.27	1504.54

Date	Shipment Number	Price	Fuel Surcharge	Amount
Jan. 25/23	2040 2041		77.27 @ 1.8151/ltr = 752.27	1504.54
Jan. 26/23	2042	675.00	77.27 @ 1.8151/ltr = 752.27	752.27
Jan. 27/23	2044	675.00	77.27 @ 1.8151/ltr = 752.27	752.27
Jan. 30/23	2045 2046 2047	675.00	77.27 @ 1.8151/ltr = 752.27	2256.81
Jan. 31/23	0002	675.00	77.27 @ 1.8151/ltr = 752.27	752.27
			Subtotal:	28,761.76
			* Tarping:	
		GST # 76195 8321 RT0001	* 5% GST:	
			Grand Total:	28,761.76

Notes:
balance \$762.02

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Round the Clock!*



Round Lake Transport Ltd

29624 HIGHWAY 16
TELKWA, BC V0J 2X2 CANADA
250-643-1076
darren@roundlaketransport.com

Invoice Number: 00851
Invoice Date: 03/13/2023

Bill To:		Ship To:	
Company:	Skeena Sawmills		Tidal Coast Terminals
	Karie.DaPonte@skeenasawmills.com		
Address:	Box 780		
	Terrace, BC		Prince Rupert, BC
Postal Code	V8G 4R1		

Date	Shipment Number	Price	Fuel Surcharge	Amount
Feb. 1/23	0001 0003	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 3/23	0005 0006	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 7/23	0010 0011	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 8/23	0015 0016	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 9/23	0021 0022	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 13/23	0027 0028	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 14/23	0030 0032	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 15/23	0037 0038	675.00	66.02 @ 1.7401/ltr = 741.02	1482.04
Feb. 16/23	0036 0039	675.00	54.75 @ 1.6650/ltr = 729.75	1459.50
Feb. 17/23	0045 0048	675.00	54.75 @ 1.6650/ltr = 729.75	1459.50
Feb. 21/23	0051	675.00	54.75 @ 1.6650/ltr = 729.75	729.75
Feb. 22/23	0052	675.00	54.75 @ 1.6650/ltr = 729.75	729.75
Feb. 23/23	0056 0063	675.00	54.75 @ 1.6650/ltr = 729.75	1459.50
Feb. 21/23	back hauls from Rupert	364.88 *		364.88
Feb. 22/23	back hauls from Rupert	364.88 *		364.88

			Subtotal:	18,424.08
			× Tarping:	
	GST # 76195 8321 RT0001		* 5% GST:	36.49
			Grand Total:	18,460.57

Notes:

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Round the Clock!*





Round Lake Transport Ltd

29624 HIGHWAY 16
TELKWA, BC V0J 2X2 CANADA
250-643-1076
darren@roundlaketransport.com

Invoice Number: 00889
Invoice Date: 08/11/2023

Bill To:		Ship To:	
Company:	Skeena Sawmills		Tidal Coast Terminals
	Karie.DaPonte@skeenasawmills.com		
Address:	Box 780		
	Terrace, BC		Prince Rupert, BC
Postal Code	V8G 4R1		

Date	Shipment Number	Price	Fuel Surcharge	Amount
July 3/23	0156 0157	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 4/23	0158	675.00	29.78 @ 1.4985/ltr = 704.78	704.78
July 5/23	0159 0160	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 6/23	0161 0162	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 7/23	0163 0164 0166 0167	675.00	29.78 @ 1.4985/ltr = 704.78	2819.12
July 10/23	0168 0169	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 11/23	0172	675.00	29.78 @ 1.4985/ltr = 704.78	704.78
July 12/23	0173 0174	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 13/23	0176 0177	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 14/23	0178 0179	675.00	29.78 @ 1.4985/ltr = 704.78	1409.56
July 17/23	0180	675.00	39.53 @ 1.5635/ltr = 714.53	714.53
July 18/23	0181 0182 0183	675.00	39.53 @ 1.5635/ltr = 714.53	2143.59
July 19/23	0184 0185	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
July 21/23	0188 0191	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06

Date	Shipment Number	Price	Fuel Surcharge	Amount
July 24/23	0192 0193	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
July 25/23	0195 0201	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
July 26/23	0202 0204	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
July 27/23	0205 0207	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
July 28/23	0209	675.00	39.53 @ 1.5635/ltr = 714.53	714.53
July 31/23	0213 0215	675.00	39.53 @ 1.5635/ltr = 714.53	1429.06
			Subtotal:	27,671.67
			* Tarping:	
		GST # 76195 8321 RT0001	* 5% GST:	
			Grand Total:	27,671.67

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Round the Clock!*



Round Lake Transport Ltd

29624 HIGHWAY 16
TELKWA, BC V0J 2X2 CANADA
250-643-1076
darren@roundlaketransport.com

Invoice Number: 00897
Invoice Date: 08/31/2023

Bill To:		Ship To:	
Company:	Skeena Sawmills		Tidal Coast Terminals
	Karie.DaPonte@skeenasawmills.com		
Address:	Box 780		
	Terrace, BC		Prince Rupert, BC
Postal Code	V8G 4R1		

Date	Shipment Number	Price	Fuel Surcharge	Amount
Aug. 1/23	0216 0218	675.00	57.53 @ 1.6835/ltr = 732.53	1465.06
Aug. 3/23	0219 0221	675.00	57.53 @ 1.6835/ltr = 732.53	1465.06
Aug. 9/23	0223 0224	675.00	57.53 @ 1.6835/ltr = 732.53	1465.06
Aug. 10/23	0226 0227	675.00	57.53 @ 1.6835/ltr = 732.53	1465.06
Aug. 14/23	0228	675.00	57.53 @ 1.6835/ltr = 732.53	732.53
Aug. 15/23	0229	675.00	57.53 @ 1.6835/ltr = 732.53	732.53
Aug. 16/23	0230 0231	675.00	67.28 @ 1.7485/ltr = 742.28	1484.56
Aug. 17/23	0232 0233	675.00	67.28 @ 1.7485/ltr = 742.28	1484.56
Aug. 18/23	0334	675.00	67.28 @ 1.7485/ltr = 742.28	742.28
Aug. 22/23	0235 0236	675.00	67.28 @ 1.7485/ltr = 742.28	1484.56
Aug. 23/23	0237 0238	675.00	67.28 @ 1.7485/ltr = 742.28	1484.56
			Subtotal:	14,005.82
			* Tarping:	
	GST # 76195 8321 RT0001		* 5% GST:	
			Grand Total:	14,005.82

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Round the Clock!*

Base Registration Number: 830659P

Base Registration Date and Time:	October 5, 2023 at 8:12:54 am Pacific time
Registration Length:	2 Years
Current Expiry Date and Time:	October 5, 2025 at 11:59:59 pm Pacific time
Folio Number:	0280270.0001

Secured Party Information

ROUND LAKE TRANSPORT LTD.

Address

29624 HIGHWAY 16
TELKWA BC
V0J 2X2 Canada

Debtor Information

SKEENA SAWMILLS LTD.

Address

5440 HIGHWAY 16 W
TERRACE BC
V8G 0C6 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

All "Forest Products" of the Debtor, including Forest Products acquired by the Debtor after "Services" were provided by the secured party to the Debtor. Words in quotations have the meaning ascribed to them in the Forest Service Providers Protection Act, S.B.C. 2010, c. 16.

Base Registration Number: 830659P

Registering Party Information

MILLER THOMSON LLP

Address

700 WEST GEORGIA STREET
SUITE 2200
VANCOUVER BC
V7Y 1K8 Canada



Base Registration Number: 830654P

Base Registration Date and Time:	October 5, 2023 at 8:08:24 am Pacific time
Registration Length:	2 Years
Current Expiry Date and Time:	October 5, 2025 at 11:59:59 pm Pacific time
Folio Number:	0280270.0001

Secured Party Information

ROUND LAKE TRANSPORT LTD.

Address

29624 HIGHWAY 16
TELKWA BC
V0J 2X2 Canada

Debtor Information

SKEENA SAWMILLS LTD.

Address

5440 HIGHWAY 16 W
TERRACE BC
V8G 0C6 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

All "Forest Products" of the Debtor, including Forest Products acquired by the Debtor after "Services" were provided by the secured party to the Debtor. Words in quotations have the meaning ascribed to them in the Forest Service Providers Protection Act, S.B.C. 2010, c. 16.

Base Registration Number: 830654P

Registering Party Information

MILLER THOMSON LLP

Address

700 WEST GEORGIA STREET
SUITE 2200
VANCOUVER BC
V7Y 1K8 Canada



Appendix E - Correspondence between counsel to Timber Baron and Fasken



DLA Piper (Canada) LLP
1133 Melville St, Suite 2700
Vancouver BC V6E 4E5
www.dlapiper.com

Dean Dalke
dean.dalke@dlapiper.com
T +1 604.643.6369
F +1 604.605.3566

FILE NUMBER: 050676-00005

August 16, 2023

DELIVERED BY COURIER

Skeena Sawmills Ltd.
1600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

To Whom it May Concern:

**Re: Timber Baron Contracting Ltd. v. Skeena Sawmills Ltd., S.C.B.C. Terrace Registry,
Action No. 21858 - Notice of Civil Claim and Garnishing Order Before Judgment**

We are counsel for Timber Baron Contracting Ltd. in the above-noted proceeding. We enclose for service upon you the following documents:

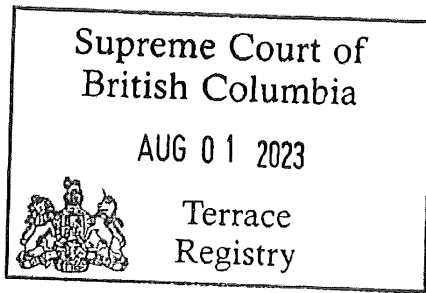
1. Notice of Civil Claim filed August 1, 2023;
2. Affidavit #1 of Matthew Thomson filed August 1, 2023; and
3. Garnishing Order Before Judgment granted on August 3, 2023.

Sincerely,
DLA Piper (Canada) LLP

A handwritten signature in black ink, appearing to read 'D. Dalke', with a stylized flourish at the end.

Dean Dalke

DXD
Enclosures



No. 21858
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

NOTICE OF CIVIL CLAIM

This action has been started by the plaintiff for the relief set out in Part 2 below.

If you intend to respond to this action, you or your lawyer must

- (a) file a response to civil claim in Form 2 in the above-named registry of this court within the time for response to civil claim described below, and
- (b) serve a copy of the filed response to civil claim on the plaintiff.

If you intend to make a counterclaim, you or your lawyer must

- (a) file a response to civil claim in Form 2 and a counterclaim in Form 3 in the above-named registry of this court within the time for response to civil claim described below, and
- (b) serve a copy of the filed response to civil claim and counterclaim on the plaintiff and on any new parties named in the counterclaim.

JUDGMENT MAY BE PRONOUNCED AGAINST YOU IF YOU FAIL to file the response to civil claim within the time for response to civil claim described below.

Time for response to civil claim

A response to civil claim must be filed and served on the plaintiff(s),

- (a) if you were served with the notice of civil claim anywhere in Canada, within 21 days after that service,
- (b) if you were served with the notice of civil claim anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the notice of civil claim anywhere else, within 49 days after that service, or
- (d) if the time for response to civil claim has been set by order of the court, within that time.

CLAIM OF THE PLAINTIFF

Part 1: STATEMENT OF FACTS

Background

1. The plaintiff Timber Baron Contracting Ltd. ("**Timber Baron**") is a company incorporated under the laws of British Columbia, with an address for service in this action c/o DLA Piper (Canada) LLP, 1133 Melville St, Suite 2700, Vancouver, British Columbia, V6E 4E5.
2. The defendant Skeena Sawmills Ltd. ("**Skeena**") is a company incorporated under the laws of British Columbia, with an address for service at 1600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.
3. Skeena is the holder of Forest Licence A16882 (the "**Licence**"), and is a "licence holder" within the meaning of the *Regulation*.
4. Timber Baron and Skeena entered into a written Replaceable Interior Timber Harvesting Contract effective January 1, 2016 (the "**Contract**") for the provision of timber harvesting, road building and related services. The Contract is a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. 22/96, as amended (the "**Regulation**"). Timber Baron is the contractor under the Contract.

5. The term of the Contract expired on December 31, 2020. Timber Baron and Skeena have since been negotiating the terms of a replacement contract. In the absence of agreement on a replacement contract, the Contract continues to govern the relationship between the parties.
6. Timber Baron and Skeena have not been able to agree on rates for a number of cut blocks subject to the Contract, and the parties have rate disputes for which arbitration proceedings are pending.
7. Timber Baron has also commenced dispute resolution proceedings against Skeena to collect monies owing to Timber Baron by Skeena for work performed under the Contract, among other claims. Disputes under the Contract are subject to mediation and arbitration.
8. A mediation session was held on November 1, 2022, which resulted in an agreement between Skeena and Timber Baron under which Skeena agreed to make certain payments to Timber Baron on specified dates ("**Mediation Agreement**"). Specifically, Skeena agreed to pay to Timber Baron:
 - (a) \$130,000 on November 25, 2022;
 - (b) \$130,000 on December 24, 2022;
 - (c) \$130,000 on January 25, 2023;
 - (d) \$130,000 on February 25, 2023;
 - (e) \$130,000 on March 25, 2023; and
 - (f) \$121,331.09 on April 25, 2023.

(the "**Payments**")

9. The Mediation Agreement also provides that the balance owing on the Payments will accrue interest at a simple rate of 5% per annum, in accordance with the Contract.

10. In addition to a \$130,000 payment on or about November 25, 2022 and a \$130,000 payment on or about December 24, 2022, Skeena also made a \$20,000 payment on or about July 21, 2023.
11. Although Skeena made the payments dated November 25, 2022, December 24, 2022, and a \$20,000 payment on July 21, 2023, Skeena has failed to make any further payments to Timber Baron under the Mediation Agreement.
12. Accordingly, Skeena is indebted to Timber Baron in the amount of \$491,331.09 (the "**Unpaid Amount**") as of the date of this Notice of Civil Claim, in respect of the Mediation Agreement.

Part 2: RELIEF SOUGHT

1. Judgment against Skeena in respect of the Unpaid Amount in the amount of \$491,331.09;
2. Judgment against Skeena for contractual interest on the Unpaid Amount of 5% *per annum* or, in the alternative, interest pursuant to the *Court Order Interest Act*; R.S.B.C. 1996, c. 1979;
3. Special costs or in the alternative costs; and
4. Such further and other relief as this Honourable Court deems just.

Part 3: LEGAL BASIS

1. Skeena has breached the Mediation Agreement by failing to make the payments to Timber Baron on the dates specified in the Mediation Agreement.
2. The Unpaid Amount is a just debt due and owing by Skeena to Timber Baron.
3. Skeena owes Timber Baron interest on the Unpaid Amount at a rate of 5% *per annum*.

4. Timber Baron relies on the law of debt, contract, the law of interest including the *Court Order Interest Act*, R.S.B.C. 1996, c. 1979, and the law of liquidated damages.
5. Timber Baron relies on section 45 of the *Arbitration Act*, S.B.C. 2020, c. 2.

Plaintiff's address for service: Dean Dalke
DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Fax number address for service (if any): 604.687.1612

E-mail address for service (if any): n/a

Place of trial: Terrace

The address of the registry is: 3408 Kalum Street
Terrace, BC V8G 2N6

August 1, 2023
Dated

DLA Piper (Canada) LLP
Signature of ☒ lawyer for plaintiff
DLA Piper (Canada) LLP (Dean Dalke)

Rule 7-1 (1) of the Supreme Court Civil Rules states:

(1) Unless all parties of record consent or the court otherwise orders, each party of record to an action must, within 35 days after the end of the pleading period,

- (a) prepare a list of documents in Form 22 that lists
 - (i) all documents that are or have been in the party's possession or control and that could, if available, be used by any party at trial to prove or disprove a material fact, and
 - (ii) all other documents to which the party intends to refer at trial, and
- (b) serve the list on all parties of record.

APPENDIX

COMMENT: The following information is provided for data collection purposes only and is of no legal effect.

Part 1: CONCISE SUMMARY OF NATURE OF CLAIM:



Part 2: THIS CLAIM ARISES FROM THE FOLLOWING:

COMMENT: Check one box below for the case type that best describes this case.

A personal injury arising out of:

- ☐ a motor vehicle accident
- ☐ medical malpractice
- ☐ another cause

A dispute concerning:

- ☐ contaminated sites
- ☐ construction defects
- ☐ real property (real estate)
- ☐ personal property
- ☒ the provision of goods or services or other general commercial matters
- ☐ investment losses
- ☐ the lending of money
- ☐ an employment relationship
- ☐ a will or other issues concerning the probate of an estate
- ☐ a matter not listed here

Part 3: THIS CLAIM INVOLVES:

COMMENT: Check all boxes below that Apply to this case.

- ☐ a class action
- ☐ maritime law
- ☐ aboriginal law
- ☐ constitutional law
- ☐ conflict of laws
- ☒ none of the above
- ☐ do not know

Part 4: THIS CLAIM INVOLVES:

COMMENT: If an enactment is being relied on, specify. Do not list more than 3 enactments.



No. _____
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

NOTICE OF CIVIL CLAIM

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No. 050676-00005

MOL/



This is the 1st affidavit
of Matthew Thomson in this case
and was made on August 01, 2023

No. 21858
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

INTENDED PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

INTENDED DEFENDANT

AFFIDAVIT IN SUPPORT OF GARNISHING ORDER BEFORE ACTION

I, Matthew Thomson, of Terrace, British Columbia, businessperson, MAKE OATH
AND SAY:

1. I am the vice-president of the above named intended plaintiff, and am aware of the facts referred to in this Affidavit.
2. The intended plaintiff wishes to commence an action against the above named intended defendant, Skeena Sawmills Ltd. ("**Skeena**"), for failure to pay amounts owing to the intended plaintiff, Timber Baron Contracting Ltd., that were agreed to between the parties under a Mediation Agreement dated November 1, 2022. Attached and marked hereto as **Exhibit "A"** to my affidavit is a copy of the unfiled Notice of Civil Claim in the intended action, which sets out the basis of Skeena's indebtedness to the intended plaintiff.

3. Attached and marked hereto as **Exhibit "B"** to my affidavit is a copy of the Mediation Agreement referred to in the Notice of Civil Claim.

4. That the actual amount of the debt, claim or demand in the cause of action is \$491,331.09 and that sum is justly due and owing by the intended defendant to the intended plaintiff after making all just discounts.

5. That to the best of my information and belief Trans-Pacific Trading Ltd., 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, the garnishee, is indebted, under obligation, or liable to the intended defendant and that the garnishee is in the jurisdiction of this court, and the indebtedness, obligation or liability of the garnishee is not for salary or wages.

SWORN BEFORE ME at Terrace,
British Columbia, on August 01, 2023.

A Commissioner for taking Affidavits for
British Columbia.

MATTHEW THOMSON

Sushil Parmar
Notary Public
P.O. Box 849
#201 - 4648 Lakeshore Avenue
Terrace, B.C., Canada
V8G 4R1 Ph: 250-635-6099

No. _____
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

INTENDED PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

INTENDED DEFENDANT

**AFFIDAVIT IN SUPPORT OF
GARNISHING ORDER BEFORE ACTION**

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 050676-00005

MOL/

This is Exhibit A referred to in the affidavit
of Matthew Thomson, sworn / affirmed before me at
Terrace, B.C. this 01 day of August, 2023.

Sushil Parmar
Notary Public
P.O. Box 849
#201 - 4848 L. Avenue
Terrace, B.C., Canada
V8G 4R1 Ph: 250-835-6099
No.

A Commissioner for taking Affidavits for British Columbia

Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

NOTICE OF CIVIL CLAIM

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If you intend to make a counterclaim, you or your lawyer must

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- (b) serve a copy of the filed response to civil claim and counterclaim on the plaintiff and on any new parties named in the counterclaim.

JUDGMENT MAY BE PRONOUNCED AGAINST YOU IF YOU FAIL to file the response to civil claim within the time for response to civil claim described below.

Time for response to civil claim

A response to civil claim must be filed and served on the plaintiff(s),

- 2 -

- (a) if you were served with the notice of civil claim anywhere in Canada, within 21 days after that service,
- (b) if you were served with the notice of civil claim anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the notice of civil claim anywhere else, within 49 days after that service, or
- (d) if the time for response to civil claim has been set by order of the court, within that time.

CLAIM OF THE PLAINTIFF

Part 1: STATEMENT OF FACTS

Background

1. The plaintiff Timber Baron Contracting Ltd. ("**Timber Baron**") is a company incorporated under the laws of British Columbia, with an address for service in this action c/o DLA Piper (Canada) LLP, 1133 Melville St, Suite 2700, Vancouver, British Columbia, V6E 4E5.
2. The defendant Skeena Sawmills Ltd. ("**Skeena**") is a company incorporated under the laws of British Columbia, with an address for service at 1600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.
3. Skeena is the holder of Forest Licence A16882 (the "**Licence**"), and is a "licence holder" within the meaning of the *Regulation*.
4. Timber Baron and Skeena entered into a written Replaceable Interior Timber Harvesting Contract effective January 1, 2016 (the "**Contract**") for the provision of timber harvesting, road building and related services. The Contract is a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. 22/96, as amended (the "**Regulation**"). Timber Baron is the contractor under the Contract.

5. The term of the Contract expired on December 31, 2020. Timber Baron and Skeena have since been negotiating the terms of a replacement contract. In the absence of agreement on a replacement contract, the Contract continues to govern the relationship between the parties.
6. Timber Baron and Skeena have not been able to agree on rates for a number of cut blocks subject to the Contract, and the parties have rate disputes for which arbitration proceedings are pending.
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 - (a) \$130,000 on November 25, 2022;
 - (b) \$130,000 on December 24, 2022;
 - (c) \$130,000 on January 25, 2023;
 - (d) \$130,000 on February 25, 2023;
 - (e) \$130,000 on March 25, 2023; and
 - (f) \$121,331.09 on April 25, 2023.

(the "**Payments**")

9. The Mediation Agreement also provides that the balance owing on the Payments will accrue interest at a simple rate of 5% per annum, in accordance with the Contract.

- 4 -

10. In addition to a \$130,000 payment on or about November 25, 2022 and a \$130,000 payment on or about December 24, 2022, Skeena also made a \$20,000 payment on or about July 21, 2023.
11. Although Skeena made the payments dated November 25, 2022, December 24, 2022, and a \$20,000 payment on July 21, 2023, Skeena has failed to make any further payments to Timber Baron under the Mediation Agreement.
12. Accordingly, Skeena is indebted to Timber Baron in the amount of \$491,331.09 (the "**Unpaid Amount**") as of the date of this Notice of Civil Claim, in respect of the Mediation Agreement.

Part 2: RELIEF SOUGHT

1. Judgment against Skeena in respect of the Unpaid Amount in the amount of \$491,331.09;
2. Judgment against Skeena for contractual interest on the Unpaid Amount of 5% *per annum* or, in the alternative, interest pursuant to the *Court Order Interest Act*; R.S.B.C. 1996, c. 1979;
3. Special costs or in the alternative costs; and
4. Such further and other relief as this Honourable Court deems just.

Part 3: LEGAL BASIS

1. Skeena has breached the Mediation Agreement by failing to make the payments to Timber Baron on the dates specified in the Mediation Agreement.
2. The Unpaid Amount is a just debt due and owing by Skeena to Timber Baron.
3. Skeena owes Timber Baron interest on the Unpaid Amount at a rate of 5% *per annum*.

- 5 -

4. Timber Baron relies on the law of debt, contract, the law of interest including the *Court Order Interest Act*, R.S.B.C. 1996, c. 1979, and the law of liquidated damages.
5. Timber Baron relies on section 45 of the *Arbitration Act*, S.B.C. 2020, c. 2.

Plaintiff's address for service: Dean Dalke
DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Fax number address for service (if any): 604.687.1612

E-mail address for service (if any): n/a

Place of trial: Terrace

The address of the registry is: 3408 Kalum Street
Terrace, BC V8G 2N6

Dated

Signature of ☒ lawyer for plaintiff
DLA Piper (Canada) LLP (Dean Dalke)

Rule 7-1 (1) of the Supreme Court Civil Rules states:

(1) Unless all parties of record consent or the court otherwise orders, each party of record to an action must, within 35 days after the end of the pleading period,

- (a) prepare a list of documents in Form 22 that lists
 - (i) all documents that are or have been in the party's possession or control and that could, if available, be used by any party at trial to prove or disprove a material fact, and
 - (ii) all other documents to which the party intends to refer at trial, and
- (b) serve the list on all parties of record.

- 6 -

APPENDIX

COMMENT: The following information is provided for data collection purposes only and is of no legal effect.

Part 1: CONCISE SUMMARY OF NATURE OF CLAIM:**Part 2: THIS CLAIM ARISES FROM THE FOLLOWING:**

COMMENT: Check one box below for the case type that best describes this case.

A personal injury arising out of:

- ☐ a motor vehicle accident
- ☐ medical malpractice
- ☐ another cause

A dispute concerning:

- ☐ contaminated sites
- ☐ construction defects
- ☐ real property (real estate)
- ☐ personal property
- ☒ the provision of goods or services or other general commercial matters
- ☐ investment losses
- ☐ the lending of money
- ☐ an employment relationship
- ☐ a will or other issues concerning the probate of an estate
- ☐ a matter not listed here

Part 3: THIS CLAIM INVOLVES:

COMMENT: Check all boxes below that Apply to this case.

- ☐ a class action
- ☐ maritime law
- ☐ aboriginal law
- ☐ constitutional law
- ☐ conflict of laws
- ☒ none of the above
- ☐ do not know

Part 4: THIS CLAIM INVOLVES:

COMMENT: If an enactment is being relied on, specify. Do not list more than 3 enactments.



No. _____
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

NOTICE OF CIVIL CLAIM

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No. 050676-00005

MOL/

This is Exhibit B referred to in the affidavit of Matthew Thomson, sworn / affirmed before me at Terrace, B.C. this 07th day of August, 2023.

A Commissioner for taking Affidavits for British Columbia

Sushil Parmar

Notary Public

P.O. Box 849

#201 - 4648 L~~o~~ Avenue

Terrace, B.C., Canada

V8G 4R1 Ph: 250-635-6099

8

TIMBER BARON CONTRACTING LTD.

CONTRACTOR

AND:

SKEENA SAWMILLS LTD.

LICENSEE

PAYMENT PLAN

WHEREAS

- A. Timber Baron Contracting Ltd. ("Timber Baron") and the Respondent, Skeena Sawmills Ltd. ("Skeena") are parties to a written Replaceable Interior Timber Harvesting Contract dated January 1, 2016 (the "Contract").
- B. The Contract expired on December 31, 2020, but the parties have not yet agreed on the terms of a replacement contract and, in the interim, the Contract continues to govern their relationship.
- C. The Parties attended a mediation session on November 1, 2022.
- D. As of November 1, 2022, Timber Baron has issued a number of invoices to Skeena in respect of Work performed under the Contract which remain unpaid (the "Unpaid Invoices"), in whole or in part.
- E. Skeena disputes certain of the Unpaid Invoices, either in whole or in part.
- F. Skeena agrees that, as of November 1, 2022, it is indebted to Timber Baron in the amount of \$771,331.09 (the "Outstanding Amount") for Work performed by Timber Baron under the Contract.

- G. The parties have agreed to a payment plan as set out below for the purposes of discharging the Outstanding Amount, without prejudice to their respective rights in respect of (i) the disputed amounts under the Unpaid Invoices; and (ii) any other matter forming the subject of a notice of dispute issued by either party to date under the Contract.

AGREEMENT

For good and valuable consideration, the sufficiency of which both parties acknowledge, the Parties agree as follows:

1. Skeena agrees to pay Timber Baron the following amounts to be credited against the Outstanding Amount:
 - (a) \$130,000 on November 25, 2022;
 - (b) \$130,000 on December 24, 2022;
 - (c) \$130,000 on January 25, 2023;
 - (d) \$130,000 on February 25, 2023;
 - (e) \$130,000 on March 25, 2023; and
 - (f) \$121,331.09 on April 25, 2023.

(each is individually a "Payment" and collectively the "Payments")
2. Nothing in the payment schedule set out in paragraph 1 of this Payment Plan shall limit Skeena's right to pre-pay any or all amounts owing in respect of the Outstanding Amount at any time. For clarity, once the Outstanding Amount is paid in full, either in accordance with the payment schedule or otherwise, Skeena's obligations to make the Payments in paragraph 1 shall cease.

3. The parties agree that the balance owing on the Outstanding Amount will accrue interest at a simple rate of 5% per annum in accordance with s. 8.6 of the Contract until it is paid in full.
4. Skeena will not require Timber Baron to perform any further Work until Skeena has paid the Outstanding Amount in full, without prejudice to Timber Baron's entitlement to the Amount of Work provided for in the Contract and without prejudice to Skeena's rights to allocate work in accordance with s. 10.3 of Schedule A to the Contract. For greater certainty, Skeena's commitment not to require Timber Baron to perform any further work until Skeena has paid the Payments in full is not a *bona fide* business and operating reason for purposes of Paragraph 10.3 of Schedule A of the Contract.
5. The quantum of the Outstanding Amount is agreed by the payments for the sole purpose of this Payment Plan and the parties agree that any Payment made pursuant to the Payment Plan is without prejudice to either party's position that a different amount is payable in respect of the Unpaid Invoices in any future mediation or arbitration under the *Regulation* in respect of the Work that forms the subject matter of the Unpaid Invoices.
6. The parties' agreement herein is for the sole purpose of facilitating payment of the Unpaid Invoices while the parties continue to negotiate, mediate and/or arbitrate the matters remaining in dispute between them which include, without limitation, rate disputes, amount of work disputes and disputes regarding Timber Baron's entitlement to payment for certain matters which the parties disagree on whether they are included in the interim rates being paid for the Work.
7. For clarity, this agreement is expressly without prejudice to any rights either party has under the Contract, and without prejudice to any adjustments to rates that will be made when final rates are agreed to or set under the *Regulation*.
8. Capitalized terms not otherwise defined have the meanings set out in the Contract.

9. Time is of the essence.

TIMBER BARON CONTRACTING LTD.

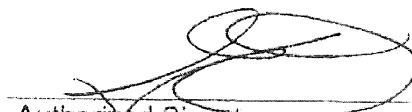
Per:



Authorized Signatory

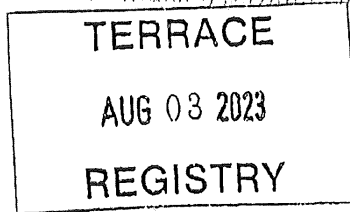
SKEENA SAWMILLS LTD.

Per:



Authorized Signatory

When making payment into Court this Action No. must be quoted



No. 21858
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

Before Mr./Madam H. KUPISU District Registrar

BETWEEN:

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

AND:

TRANS-PACIFIC TRADING LTD.

GARNISHEE

GARNISHING ORDER BEFORE JUDGMENT

On reading the affidavit #1 of Matthew Thomson, sworn August 1, 2023, and on it appearing that the indebtedness, obligation or liability of the garnishee is not for wages or salary, I order that all debts, obligations and liabilities owing, payable or accruing due from the above-named garnishee to the above named defendant, Skeena Sawmills Ltd.,

other than for wages or salary, be attached to the total amount set out below and paid into court.

AUG 03 2023

Dated _____



DEPUTY DISTRICT REGISTRAR

DLA Piper (Canada) LLP
Barristers & Lawyers
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Remit this
copy with
payment.

THE LAW COURTS
3408 KALUM STREET
TERRACE, BC
V8G 2N6

To the defendant

Skeena Sawmills Ltd.
5530 Highway 16 West, Box 780
Terrace, BC V8G 4R1

To the garnishee

Trans-Pacific Trading Ltd.
1500 Royal Centre
1055 West Georgia Street, P.O. Box
11117
Vancouver, BC V6E 4N7

Amount Due	\$491,331.09
Cost of attachment proceedings	
Court fee for filing garnishing order	\$80.00
Fee for garnishment process (Schedule 2, Appendix B)	\$185.00
TOTAL AMOUNT ATTACHED	\$491,596.09

NOTICE TO GARNISHEE

If you do not pay into court at once the amount of your indebtedness to the defendant(s), an order may be made against you for the payment of the full amount with costs.

If you dispute your liability, you should at once file a dispute note.

NOTICE TO DEFENDANT(S)

You may apply to the Registrar or the court and, if considered just in all the circumstances, an order may be made releasing all or part of this garnishment.

Name of the Lawyer:

Dean Dalke
DLA Piper (Canada) LLP
Barristers & Lawyers

Address:

Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Telephone:

604.687.9444

No. _____
Terrace Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN;

TIMBER BARON CONTRACTING LTD.

PLAINTIFF

AND:

SKEENA SAWMILLS LTD.

DEFENDANT

AND:

TRANS-PACIFIC TRADING LTD.

GARNISHEE

GARNISHING ORDER BEFORE JUDGMENT

DLA Piper (Canada) LLP
Barristers & Lawyers
Suite 2700 The Stack
1133 Melville St.
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 050676-00005

MOL/



DLA Piper (Canada) LLP
1133 Melville St, Suite 2700
Vancouver BC V6E 4E5
www.dlapiper.com

Colin Brousson
colin.brousson@dlapiper.com
T +1 604.643.6400
F +1 604.605.4875

October 5, 2023

FILE NUMBER: 050676-00005

DELIVERED BY EMAIL

Fasken Martineau DuMoulin LLP
2900 - 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Kibben Jackson

Dear Sir:

**Re: Receivership of Skeena Sawmills Ltd. ("Skeena"), Skeena Bioenergy Ltd. ("Bioenergy"), and ROC Holdings Ltd. ("ROC" and collectively with Skeena and Bioenergy, the "Debtors")
Supreme Court of British Columbia, Vancouver Registry No. S-236214 (the "Receivership Proceedings")**

We are counsel for Timber Baron Contracting Ltd. ("**Timber Baron**") in connection with the Receivership Proceedings. We confirm that you are counsel to Alvarez & Marsal Canada Inc. in its capacity as receiver and receiver manager of the assets and undertakings of the Debtors pursuant to the Receivership Order (the "**Receiver**").

We write to provide the Receiver with the background and legal basis for Timber Baron's priority secured claim in this matter.

The total amount of the Timber Baron secured claim is **\$3,957,686.59** together with costs to be determined.

This secured claim is much larger than the amount which has been attributed as owing to our client in materials we have seen produced by other parties to date. The differential between our client's actual claim and the amount we have seen in the material issued by the Petitioner to date appears to be the result of the Petitioner only addressing the amount which Skeena specifically acknowledged as part of a payment plan following a mediation on November 1, 2022 (the "**Mediation Agreement**"). The Mediation Agreement amount only dealt with one of the smaller aspects of our client's total claim. Further, because there was some dispute in the mediation about the amounts owing, Timber Baron and Skeena agreed to lower amounts for the purposes of the payment plan and Timber Baron reserved all rights to claim the higher amount on its books in the future.

Our client is confident in the two much larger heads of our client's claim, which are detailed further in this letter and the attached Tables, as well as the additional accounts in relation to which it reserved rights at the mediation. We are happy to provide more back-up for these claims as required if the information in this letter does not suffice for any reason.

Background of Debt Claim

Timber Baron is a family-owned and operated timber harvesting and road building company based out of Terrace, BC.

Timber Baron and Skeena entered into a written Replaceable Interior Timber Harvesting Contract effective January 1, 2016 (the "**Contract**") for the provision of timber harvesting, road building and related services to be provided by Timber Baron to Skeena in relation to Forest Licence A16882.

The Contract is a "replaceable contract" under the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. 22/96, as amended (the "**Regulation**"). The *Regulation* is intended to give security of tenure to logging contractors working for forest licence holders by providing perpetually renewable rights in relation to a prescribed amount of work entitlement. The Contract requires Skeena provide Timber Baron with 50,395 m3 of harvesting work each year.

Although the term of the Contract expired on December 31, 2020, the Regulation provides that the contract will continue to govern until the parties agree on a replacement contract.

The Contract and Regulation set out a process for agreeing on rates for the work performed under the Contract. Where the parties cannot agree, the Regulation provides for final offer arbitration to resolve rate disputes. When the receivership order was made, Timber Baron and Skeena had a pending rate dispute arbitration for nine cut blocks.

The arbitration was also to deal with Timber Baron's claims against Skeena to collect monies owing to Timber Baron by Skeena for work performed under the Contract based on provisional rates, and for Skeena's breach of its amount of work obligation under the Contract.

Rate Arbitration

In the rate arbitration, Timber Baron and Skeena have exchanged final rate offers, supporting evidence, and written submissions. Timber Baron's final offers meet the rate test under section 26.01 of the Regulation¹

Timber Baron will be entitled to be paid the difference between the provisional rates and Timber Baron's final offer rates in respect of log harvesting and related work completed under the Contract for each cut block where rates were in dispute. The provisional rates and Timber Baron's final rate offers are summarized in the table below.

<u>Timber Mark</u>	<u>Block</u>	<u>Provisional Rate</u>	<u>Timber Baron Rate (per m3)</u>

¹ Section 26.01 of the Regulation provides that the rate for timber harvesting services must be a rate that "...would permit a contractor operating in a manner that is reasonably efficient in the circumstances, in terms of costs and productivity, to earn a reasonable profit."

		<u>(per m3)</u>	
FD2451	451-2	\$32.99	\$44.17
FD2451	451-1	\$32.99	\$40.50
FD2510	510-1	\$34.25	\$31.27
FD2510	510-2	\$34.25	\$40.60
FD2517	PAW001	\$34.25	\$66.80
FD2517	PAW003	\$34.25	\$66.80
FD2518	NIS005	\$34.25	\$59.04
FD2523	NIS001	\$34.25	\$58.22
FD2523	NIS002	\$34.25	\$40.38

The amounts Timber Baron is entitled to be paid are based on Timber Baron's final rate offers.

These amounts are set out in the attached Table 1 and total **\$1,569,876.98**.

Amount of Work Claim

Skeena is also in breach of its obligation under the Contract and the *Regulation* to provide Timber Baron with 50,395 m3 of harvesting and related work each year under the Contract. The table below outlines the years in which Skeena failed to provide the required amount of work. Skeena has also not provided any work to Timber Baron in 2023.

Year	Volume under (m³)	Billed Licence	Required Amount of Work (m³)	Allocated Amount of Work (m³)	Shortfall (m³)
2017	38,389		38,389	20,870.13	17,518.87
2020	144,391		50,395	48,208.852	2,186.148
2021	128,550		50,395	4,659.669	45,735.331
2022	125,206		50,395	33,098.727	17,296.273
2023	14,741		14,741	0	14,741.37

Timber Baron has suffered damages from Skeena's breach of contract in failing to allocate the required amount of work to Timber Baron, including loss of profit and fixed costs thrown away.

The total damages in this regard are **\$1,572,444.69** as summarized in the attached Table 2.

Skeena's Non-Payment

Skeena is in breach of its obligation to pay Timber Baron for the work it performed under the Contract. Skeena's arrears go back almost three years. Despite its contractual obligations, Skeena has repeatedly failed to pay invoices properly issued by Timber Baron for work completed under the Contract.

Skeena has failed to pay amounts that it acknowledges are undisputed, and that it unequivocally agreed to pay under an agreement reached at a mediation on November 1, 2022 (the "**Mediation Agreement**"). Under the Mediation Agreement, Skeena agreed it owed Timber Baron \$771,331.09.

To date, Skeena has paid \$280,000 of the above amount, leaving a balance owing of **\$491,331.09** owing under the Mediation Agreement.

Additional Accounts

We note that at the time the Mediation Agreement and payment plan was acknowledged, Timber Baron reserved all rights to recover amounts over and above the amount in the Mediation Agreement. These additional amounts were to be resolved through the future arbitration. The discrepancy between the amount outstanding on the Timber Baron books versus the acknowledged amount under the Mediation Agreement (which are not accounted for under other aspects of Timber Baron's claim) is a total of **\$255,827**.

Garnished Funds

On August 1, 2023, Timber Baron filed BC Supreme Court action No. 21858, Terrace Registry, to recover the monies owing under the Mediation Agreement and obtain garnishing orders under the *Court Order Enforcement Act*. Monies in the amount of approximately **\$181,000** have been paid into court under a garnishing order obtained by Timber Baron (the "**Garnished Funds**").

Interest Amounts

We also note that Timber Baron is further entitled to contractual interest of 5% on Skeena's late accounts.

The attached Table 3 sets out the calculation of interest in the amount of **\$68,206.83**.

Costs

Timber Baron should also be entitled to its costs of enforcing its rights in this matter. We have set these out in the Total Debt table below as "to be determined".

Total Debt Summary

The Table below summarizes and breaks down the total amount owed to Timber Baron in this matter to be the amount of **\$ 3,957,686.59** together with costs to be determined (the "**Total Debt**").

Rate Dispute Amount (Table 1)	\$1,569,876.98
Amount of Work Claim (Table 2)	\$1,572,444.69
Mediation Agreement - Still Owed	\$ 491,331.09
Additional Accounts	\$ 255,827
Interest	\$68,206.83
Costs	TBD
Total:	\$ 3,957,686.59 together with costs TBD

Timber Baron is a Secured Creditor

The Total Debt is secured in favour of Timber Baron as against both Forest Products (as defined under the FSPPA) and the accounts receivable of Skeena (the "**Timber Baron Lien**") pursuant to the *Forest Service Providers Protection Act* [SBC 2010 C 16 (the "**FSPPA**")].

The Timber Baron Lien was perfected by registration in the *Personal Property and Security Act* (the "**PPSA**") on August 5, 2022 base registration #s 903702N and 903703N.

If the Receiver requires any further documentation from us to prove the Timber Baron Lien is secured please advise.

Timber Baron has First Charge Security over Accounts and Forest Products

The Timber Baron Lien appears to clearly have first priority as against Skeena's accounts receivable and any "Forest Products" of Skeena in the amount of the Total Debt.

This priority secured claim is based upon sections 5 and 9 of the FSPPA which state (with our **emphasis**) as follows:

Priority of contractor's lien

5 (1) A contractor's lien has priority over any other interest in the forest products subject to the lien except as otherwise provided in this or any other Act.

(2) A contractor's lien is subordinate to a security interest in the forest products subject to the lien (a) if

(i) the agreement under which the security interest arises is entered into, and

- (ii) the security interest is registered
before the contractor's lien is validly registered, or*
- (b) if the security interest has been enforced through seizure and sale of the forest products before the contractor's lien is validly registered.*
- (3) The priority of security interest under subsection (2) (a) applies to all advances or obligations secured under the agreement or an amendment to the agreement providing for additional advances, including advances made or obligations incurred after the contractor's lien is validly registered.*

Priority of contractor's charge

- 9 (1) A contractor's charge has priority over any other interest in the accounts due to a forest products owner, except as otherwise provided in this or any other Act.*
- (2) A contractor's charge is subordinate to an interest, including a security interest, in the accounts due to the forest products owner if*

- (a) the agreement under which the interest arises is entered into, and*
- (b) the interest is registered*

before the contractor's charge is validly registered.

- (3) The priority of a security interest under subsection (2) applies to all advances or obligations secured under the agreement or an amendment to the agreement providing for additional advances, including advances made or obligations incurred after the contractor's charge is validly registered.*

Our review of the PPSA registrations in this matter indicates that the only security interests against Skeena which had been registered in the PPSA before the Timber Baron Lien was validly registered were as follows:

1. Delta Cedar Specialties Ltd. which registered on October 4, 2021 against Skeena present and future inventory (the "**Delta Inventory Claim**"); and
2. A number of registrations concerning owned and leased vehicles of Skeena (the "**Vehicle Registrations**").

Our client would like to better understand the Delta Inventory Claim to determine if it might overlap with the priority charge of Timber Baron over the forest products of Skeena. However, neither the Vehicle Registrations nor the Delta Inventory Claim appear to have registered security against the accounts

receivable of Skeena at all, so there should be no dispute about priority with regard to Skeena's accounts receivable.

Receiver's Charge Allocation

There are a few key points we wish to make which flow from Timber Baron being the first priority secured charge over the accounts receivable and forest products of Skeena for the Total Debt. We wanted to bring these to the attention of the Receiver in this letter prior to completion of its upcoming report to the Court. These are as follows:

1. As we noted in Court at the receivership application, the allocation of the Receiver's Charge over the various assets is going to be important here. Obviously our client will not wish to pay for receiver's work and fees (or have a priority charge allocated towards the accounts or forest products) unless that work directly related to the recovery of the accounts receivable and forest products of Skeena;
2. We are hoping that the Receiver can do some analysis of the Timber Baron Lien and secured claim based upon the content of this letter which could allow the Garnished Funds to be released and paid to Timber Baron forthwith. Other than the analysis of the Timber Baron Lien claim as noted herein, there does not appear to be further work needed in relation to these Garnished Funds which could result in allocation of the Receiver's Charge over those monies;
3. We understand that Mr. Williams, legal counsel for a number of unsecured creditors, may have asked that the Receiver undertake something akin to a forensic analysis of the Petitioner's alleged secured claim in this matter. While we generally agree that the Petitioner's secured claim is invalid for many of the reasons other creditors, including Mr. Williams, have indicated, Timber Baron does not wish to pay for that analysis since our client would rank in priority to the Petitioner's claim even if it was valid as against accounts receivable and forest products. As a result, it is Timber Baron's view that it would be premature for the receiver to begin such an expensive undertaking until we have a sense of the value of the assets the Receiver will be able to recover in this matter.

We reiterate that we are happy to assist the Receiver with anything further it might need to evaluate the Timber Baron Lien claim.

Yours truly,

Sincerely,
DLA Piper (Canada) LLP
Per:



Colin Brousseau

CDB:day

TABLE 1



Timber Baron Contracting (2013) Ltd.

FINAL RATE OFFERS

Block	Year	Activity	Volume Delivered	Interim Rate	FINAL RATE OFFER	Difference
451-1	2019	Logging	20192.588	\$ 32.99	\$ 41.00	\$ 161,742.63
451-1	2019	Hauling	17656.14	\$ 3.72	\$ 4.12	\$ 20,127.53
451-1	2019	Road Building	1895	\$ 60.85	\$ 80.91	\$ 38,013.70
451-1	2019	LOA	324	\$ 150.00	\$ 172.50	\$ 7,290.00
451-2	2019	Logging	10270.906	\$ 32.99	\$ 44.50	\$ 118,218.13
451-2	2019	Hauling	9212.330	\$ 3.69	\$ 4.12	\$ 29,077.92
451-2	2019	Road Building	1257	\$ 64.03	\$ 64.03	\$ -
451-2	2019	LOA	113	\$ 150.00	\$ 172.50	\$ 2,542.50
510-1	2019/2020	Logging	50031.879	\$ 34.25	\$ 36.00	\$ 87,555.79
510-1	2019	Hauling	15775.43	not on term sheet	\$ 4.12	\$ 32,987.42
510-1	2020	Hauling	26350.30	not on term sheet	\$ 4.11	
510-1	2019/2020	Road Building	5826	\$ 64.37	\$ 64.37	\$ -
510-1	2019/2020	LOA	665	\$ 150.00	\$ 172.50	\$ 14,962.50
510-2	2020	Logging	6383.535	\$ 34.25	\$ 38.50	\$ 27,130.02
510-2	2020	Hauling	5372.71	not on term sheet	\$ 4.11	\$ 2,176.94
510-2	2020	Road Building	348	\$ 70.47	\$ 70.47	\$ -
510-2	2020	LOA	0	\$ 150.00	\$ 172.50	\$ -
PAW001	2020	Logging	2314.355	\$ 34.25	\$ 55.50	\$ 49,180.04
PAW001	2020	Hauling	2025.26	not on term sheet	\$ 4.11	\$ 2,497.05
PAW001	2020	Road Building	807	\$ 189.68	\$ 189.68	\$ -
PAW001	2020	LOA	260	\$ 150.00	\$ 172.50	\$ 5,850.00
PAW003	2020	Logging	8117.927	\$ 34.25	\$ 55.50	\$ 172,505.95
PAW003	2020	Hauling	6826.45	not on term sheet	\$ 4.11	\$ 15,384.59
PAW003	2020	Road Building	1359	\$ 189.68	\$ 189.68	\$ -
PAW003	2020	LOA	0	\$ 150.00	\$ 172.50	\$ -
NIS001	2021/2022	Logging	11027.024	\$ 34.25	\$ 54.50	\$ 223,297.24
NIS001	2022	Hauling	10729.51	not on term sheet	\$ 5.15	\$ 69,879.91
NIS001	2021/2022	Road Building	1248	\$ 25.59	\$ 25.59	\$ -
NIS001	2021/2022	LOA	0	\$ 150.00	\$ 172.50	\$ -
NIS002	2022	Logging	17622.808	\$ 34.25	\$ 44.00	\$ 171,822.38
NIS002	2022	Hauling	14955.70	not on term sheet	\$ 5.15	\$ 23,018.03
NIS002	2022	Road Building	3743	\$ 56.03	\$ 74.64	\$ 69,657.23
NIS002	2022	LOA	0	\$ 150.00	\$ 172.50	\$ -
NIS005	2021/2022	Logging	9084.548	\$ 34.25	\$ 51.50	\$ 156,708.45
NIS005	2021	Hauling	3861.96	\$ 4.10	\$ 4.20	\$ 6,788.65
NIS005	2022	Hauling	4143.64	not on term sheet	\$ 5.15	\$ 16,518.52
NIS005	2021/2022	Road Building	1534	\$ 111.47	\$ 137.46	\$ 39,868.66
NIS005	2021/2022	LOA	829	\$ 150.00	\$ 172.50	\$ 18,652.50

Total Claim \$ 1,569,876.98

TABLE 2



Timber Baron Contracting (2013) Ltd.

ALLOCATION OF WORK

Year	Volume Billed under Licence (m3)	Required Amount of Work (m3)	Allocated Amount of Work (m3)	Shortfall (m3)	Profit Margin (m3)	Shortfall (\$)	Annual Fixed Costs	% of Year Allocated to Skeena	Fixed Costs	Fixed Costs Recovered from Skeena Work	Fixed Costs Thrown Away	Total Shortfall
2017	38,389.00	38,389.00	20,870.130	17,518.87	\$	\$ 97,054.54	\$ 542,949.43	50%	\$ 271,474.72	\$ 147,586.88	\$ 123,887.84	\$ 220,942.38
2020	144,391.00	50,395.00	48,208.852	2,186.15	\$	\$ 13,226.20	\$ 563,414.52	50%	\$	\$ 269,486.73	\$ 12,220.53	\$ 25,446.73
2021	128,550.00	50,395.00	4,659.669	45,735.33	\$	\$ 305,176.20	\$ 562,685.78	50%	\$ 281,342.87	\$ 26,013.78	\$ 255,329.08	\$ 580,507.28
2022	125,206.00	50,395.00	33,098.727	17,296.27	\$	\$ 121,771.70	\$ 644,110.65	50%	\$ 322,053.33	\$ 211,521.41	\$ 110,533.92	\$ 223,305.62
2023	14,741.371	14,741.371	-	14,741.37	\$	\$ 96,113.74	\$ 852,257.87	50%	\$ 426,128.94	\$	\$	\$ 522,242.67

Total Claim

\$ 1,572,444.69

TABLE 3



Timber Baron Contracting (2013) Ltd.
Skeena Sawmills Interest Owning (2017-Present)
2017-2023

<u>Date</u>	<u>Amount Outstanding</u>	<u>Interest Incurred</u>
Jan 2017	\$ -	\$ -
Feb 2017	\$ -	\$ -
Mar 2017	\$ -	\$ -
Apr 2017	\$ 11,861.57	\$ 36.83
May 2017	\$ 8,052.22	\$ 29.15
Jun 2017	\$ 8,056.77	\$ 33.70
Jul 2017	\$ 12,404.47	\$ 29.15
Aug 2017	\$ 20,330.03	\$ 11.47
Sep 2017	\$ 1,186.22	\$ 4.96
Oct 2017	\$ 5,060.72	\$ 4.96
Nov 2017	\$ 1,186.22	\$ 4.96
Dec 2017	\$ 1,186.22	\$ 4.96
2017 Total Interest	\$	<u>160.14</u>

<u>Date</u>	<u>Amount Outstanding</u>	<u>Interest Incurred</u>
Jan 2018	\$ 1,186.22	\$ 4.96
Feb 2018	\$ 1,186.22	\$ 4.96
Mar 2018	\$ 1,186.22	\$ 4.96
Apr 2018	\$ 1,186.22	\$ 4.96
May 2018	\$ 1,186.22	\$ 4.96
Jun 2018	\$ 27,900.63	\$ 4.96
Jul 2018	\$ 382,516.61	\$ 87.04
Aug 2018	\$ 217,600.02	\$ 4.96
Sep 2018	\$ 386,944.30	\$ 4.96
Oct 2018	\$ 472,959.52	\$ 43.33
Nov 2018	\$ 472,448.84	\$ 4.96
Dec 2018	\$ 223,392.96	\$ 550.91
2018 Total Interest	\$	<u>725.92</u>

<u>Date</u>	<u>Amount Outstanding</u>	<u>Interest Incurred</u>
Jan 2019	\$ 405,049.04	\$ 95.54
Feb 2019	\$ 184,708.26	\$ 38.03
Mar 2019	\$ 14,134.29	\$ 38.03
Apr 2019	\$ 9,094.29	\$ 38.03
May 2019	\$ 9,094.29	\$ 38.03
Jun 2019	\$ 9,094.29	\$ 38.03
Jul 2019	\$ 20,190.62	\$ 38.03

Aug 2019	\$	22,137.21	\$	84.64
Sep 2019	\$	27,861.85	\$	38.03
Oct 2019	\$	301,434.46	\$	116.85
Nov 2019	\$	298,069.86	\$	38.03
Dec 2019	\$	677,159.24	\$	617.17
		2019 Total Interest	\$	<u>1,218.44</u>

<u>Date</u>		<u>Amount Outstanding</u>		<u>Interest Incurred</u>
Jan 2020	\$	639,384.52	\$	2,137.36
Feb 2020	\$	469,762.35	\$	1,734.86
Mar 2020	\$	259,008.25	\$	1,083.28
Apr 2020	\$	129,854.68	\$	57.21
May 2020	\$	451,559.14	\$	4.96
Jun 2020	\$	553,255.27	\$	276.81
Jul 2020	\$	530,511.75	\$	1,049.04
Aug 2020	\$	646,942.77	\$	1,002.17
Sep 2020	\$	666,698.09	\$	1,556.51
Oct 2020	\$	500,314.87	\$	1,346.77
Nov 2020	\$	627,640.94	\$	940.31
Dec 2020	\$	194,287.62	\$	-
		2020 Total Interest	\$	<u>11,189.28</u>

<u>Date</u>		<u>Amount Outstanding</u>		<u>Interest Incurred</u>
Jan 2021	\$	194,978.33	\$	690.71
Feb 2021	\$	146,730.93	\$	513.70
Mar 2021	\$	138,621.32	\$	579.77
Apr 2021	\$	138,621.32	\$	579.77
May 2021	\$	138,621.32	\$	579.77
Jun 2021	\$	138,621.32	\$	579.77
Jul 2021	\$	25,980.28	\$	100.40
Aug 2021	\$	23,905.88	\$	100.40
Sep 2021	\$	24,006.28	\$	100.40
Oct 2021	\$	63,060.18	\$	100.40
Nov 2021	\$	363,900.69	\$	101.56
Dec 2021	\$	333,404.82	\$	274.96
		2021 Total Interest	\$	<u>4,301.61</u>

<u>Date</u>		<u>Amount Outstanding</u>		<u>Interest Incurred</u>
Jan 2022	\$	525,543.00	\$	574.40
Feb 2022	\$	864,700.16	\$	812.79
Mar 2022	\$	496,993.66	\$	1,030.78
Apr 2022	\$	280,502.95	\$	125.26
May 2022	\$	569,694.11	\$	400.32
Jun 2022	\$	956,013.57	\$	505.38
Jul 2022	\$	1,015,627.57	\$	3,481.95
Aug 2022	\$	1,138,336.77	\$	3,081.22

Sep 2022	\$	1,103,139.68	\$	2,885.48
Oct 2022	\$	1,039,076.34	\$	4,264.07
Nov 2022	\$	912,939.54	\$	3,781.06
Dec 2022	\$	782,412.69	\$	3,254.21
		2022 Total Interest	\$	24,196.92

<u>Date</u>		<u>Amount Outstanding</u>		<u>Interest Incurred</u>
Jan 2023	\$	786,030.36	\$	3,272.47
Feb 2023	\$	789,233.50	\$	3,288.43
Mar 2023	\$	792,447.86	\$	3,302.23
Apr 2023	\$	795,648.92	\$	3,316.11
May 2023	\$	798,863.38	\$	3,329.91
Jun 2023	\$	802,104.55	\$	3,343.79
Jul 2023	\$	785,359.37	\$	3,273.77
Aug 2023	\$	791,727.80	\$	3,287.81
		2023 Total Interest	\$	26,414.52

Statements Generated on the last day of each month

	<u>Avg Outstanding</u>	<u>Interest</u>
2017	\$ 5,777.04	\$ 160.14
2018	\$ 182,474.50	\$ 725.92
2019	\$ 164,835.64	\$ 1,218.44
2020	\$ 472,435.02	\$ 11,189.28
2021	\$ 144,204.39	\$ 4,301.61
2022	\$ 807,081.67	\$ 24,196.92
2023	\$ 792,676.97	\$ 26,414.52
Total		<u>\$ 68,206.83</u>

FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

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+1 866 635 3131
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October 19, 2023
File No.: 285937.00017/15053

Kibben Jackson
Direct Line / Fax +1 604 631 4786
kjackson@fasken.com

By Email

DLA Piper (Canada) LLP
1133 Melville Street, Suite 2700
Vancouver, BC V 6E 4E5

Attention: Colin Brousson

Dear Sirs/Mesdames:

Re: In the Matter of the Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd.
and ROC Holdings Ltd. (collectively, the “Skeena Group”)
BCSC Action No. S- , Vancouver **Registry (the “Receivership Proceedings”)**

We are legal counsel for Alvarez & Marsal Canada Inc. (the “Receiver”) in its capacity as court-appointed receiver of the assets and undertakings of the Skeena Group in the Receivership Proceedings. We write in response to your letter of October 5, 2023 and our telephone conversation on October 18, 2023.

The Receiver is aware of your client’s concerns regarding the costs of the receivership and the allocation of the receivership charges as against the various asset categories. In that regard, the Receiver has endeavoured to ensure that the costs it has incurred are only those that it believes are necessary to ensure the preservation of the Skeena Group’s assets and otherwise carry out the Receiver’s statutory and court-ordered duties.

In specific response to your client’s concerns regarding the investigation requested by Mr. Williams’ clients (and others), we advise that the Receiver does not intend to undertake such work unless and until directed to do so by the court in the Receivership Proceedings. The Receiver is of the view that the utility of any such investigation will only be known once the court and stakeholders have a better understanding of potential realizations. That is not information which will be available to the Receiver in advance of the September 30, 2023 hearing date, and likely not for some time after that.

We acknowledge your request that the Receiver analyze your client’s claim, however, the Receiver is not in a position to comment on the validity, amount or priority of such claim. While it may be that at some point a form of claims process will be initiated in the context of which the Receiver may well be able to verify the validity and amount of your client’s claim, we do expect that there will be a contest regarding priority in relation to various assets, which unless otherwise directed



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by the court, would be something that the Receiver would leave the creditors themselves to argue. What the Receiver will say is that it believes those issues are best left to a later date when the stakeholders have a better understanding of potential realizations, i.e. approximately how much they are fighting over.

As discussed during our telephone conversation, the Receiver intends to seek payment out to it of the Garnished Funds (as defined in your letter). The Receiver does not intend to seek any order permitting it to pay those funds out to your client (or anyone else) at this time.

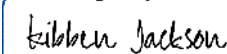
The Receiver will be addressing your letter and the concerns and requests identified therein as part of its first report to the court. This will at least enable all parties to make any submissions—and, to the extent considered appropriate, seek any orders or directions—concerning such requests at the hearing on October 30, 2023.

We are, of course, happy to discuss this matter further if that is of interest to you.

Sincerely,

FASKEN MARTINEAU DuMOULIN LLP

DocuSigned by:



BD7B38A852254F2

Kibben Jackson

Personal Law Corporation

KJ/

cc: Alvarez & Marsal Canada Inc. (attention: Anthony Tillman and Pinky Law)



Appendix F - Correspondence between counsel to Antler Creek Contracting Ltd., Deuce Creek Contracting Ltd., L&J Logging Ltd., Kitselas Forestry LP, Terrace Timber Ltd., Silvicon Services Inc., Little Trees Reforestation Inc., Timber Tracks Inc., D. R. Holtom Ltd., K'Alii Aks Timber Corporation, Timbertramp Contracting Ltd. and Cypress Forest Consultants Ltd. and Fasken

McCarthy Tétrault LLP
Suite 2400, 745 Thurlow Street
Vancouver BC V6E 0C5
Canada
Tel: 604-643-7100
Fax: 604-643-7900



Lance Williams*
Partner | Associé
Direct Line: 604-643-7154
Email: lwilliams@mccarthy.ca
***Law Corporation**

Assistant: Katerina Doumakis
Direct Line: 604-643-7910
Email: kdoumakis@mccarthy.ca

September 27, 2023

Via Email (kjackson@fasken.com)

Fasken Martineau DuMoulin LLP
2900 - 550 Burrard Street
Vancouver, British Columbia V6C 0A3

Attention: Kibben Jackson

Dear Sir:

Re: Receivership of Skeena Sawmills Ltd. ("Sawmills"), Skeena Bioenergy Ltd. ("Bioenergy"), and ROC Holdings Ltd. ("ROC" and collectively with Sawmills and Bioenergy, the "Debtors"); Supreme Court of British Columbia, Vancouver Registry No. S-236214 (the "Receivership Proceedings");

Request to Investigate Certain Alleged Debts and Security

We are counsel to Antler Creek Contracting Ltd., Deuce Creek Contracting Ltd., L&J Logging Ltd., Kitselas Forestry LP, Terrace Timber Ltd., Silvicon Services Inc., Little Trees Reforestation Inc., Timber Tracks Inc., D. R. Holtom Ltd., K'Alii Aks Timber Corporation, Timbertramp Contracting Ltd. and Cypress Forest Consultants Ltd. (collectively, the "**Creditors**") in connection with the Receivership Proceedings. We confirm that you are counsel to Alvarez & Marsal Canada Inc. in its capacity as receiver and receiver manager of the assets and undertakings of the Debtors pursuant to the Receivership Order (the "**Receiver**"). We write further to paragraph 30 of the Receivership Order pronounced by the Honourable Madam Justice Blake on September 20, 2023 (the "**Receivership Order**").

As noted at the hearing appointing the Receiver, the Creditors have serious concerns with respect to the security interests granted by the Debtors to 1392752 B.C. Ltd. (the "**Petitioner**") and the underlying transactions between the Petitioner and the Debtors.

As you are aware, the Petitioner and the Debtors are all controlled by the same two individuals, Xiao Peng Cui and Shenwei Wu (collectively, the "**Shareholders**"). The Petitioner and each of the Debtors are therefore "related persons" under subsections 4(2)(c)(i) and 4(3)(a) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**").

Upon review of the Petition filed in respect of the Receivership Order (the "**Petition**"), the Affidavit of Xiao Peng Cui, made on September 8, 2023 (the "**Cui Affidavit**"), and a corporate search of the Petitioner (a copy of which is enclosed) it appears that:

- (i) as stated in paragraph 6 of the Petition, "the Skeena Entities [*i.e.* the Debtors] have suffered perennial financial losses, which, historically, were funded by unsecured

loans provided by the Shareholders (the "Shareholder Loans"). Ultimately, the Shareholders assigned the Shareholder Loans to the Lender [*i.e.* the Petitioner].";

- (ii) the Cui Affidavit contains no evidence of the "Shareholder Loans" referred to in the Petition (collectively, the "**Alleged Shareholder Loans**"), beyond the bare statements set out in the Demands and the Forbearance Agreement (each as defined below) with respect to the quantum thereof;
- (iii) the Petitioner was incorporated on December 22, 2022;
- (iv) there is no evidence of the assignment of the Alleged Shareholder Loans to the Petitioner, or the consideration (if any) for the assignment;
- (v) on January 26, 2023, the Petitioner, through its counsel, delivered three (3) demand letters (collectively, the "**Demands**") which, in each case, demanded repayment of certain amounts stated to be owing to the Petitioner by the applicable Debtor. Specifically, the Demands alleged that the Debtors owed to the Petitioner:
(a) \$109,118,000 in the case of Sawmills; (b) \$15,592,000 in the case of Bioenergy; and, (c) \$10,886,000 in the case of ROC;
- (vi) accordingly, as at the date of the Demands, even taking the statements made in the Petition and the Cui Affidavit at face value, the Petitioner admits that it held unsecured claims against the Debtors in varying amounts which were not subject to any cross-guarantees or security;
- (vii) just five (5) days later, on January 31, 2023, the Petitioner, the Debtors, and Bright Future International Trading Ltd. entered into a forbearance agreement (the "**Forbearance Agreement**"). Recital A to the Forbearance Agreement contains a statement with respect to the indebtedness allegedly owed by the Debtors to the Petitioner, which matches the amounts referred to in the Demands, and states that such indebtedness is "evidenced by certain promissory notes". These promissory notes are not attached to the Cui Affidavit as exhibits, although certain other Promissory Notes (as defined below) were so attached;
- (viii) pursuant to the Forbearance Agreement, the Debtors entered into various covenants in favour of the Petitioner, including: (a) the Debtors would retain a financial consultant; (b) pursuant to Section 5.3 of the Forbearance Agreement, the Debtors would enter into an unlimited guarantee with respect to all debts owed by each Debtor to the Petitioner (the "**Guarantee**"), ROC would grant a mortgage and corresponding assignment of rents and leases to and in favour of the Petitioner (the "**Mortgage**") with respect to certain lands owned by ROC, and each Debtor would grant a general security agreement to and in favour of the Petitioner charging all of each Debtor's present and after-acquired personal property (collectively, the "**GSAs**", the GSA and the Mortgage are collectively referred to as, the "**Security**"); (c) pursuant to Article 7 of the Forbearance Agreement, each Debtor provided a release to and in favour of the Petitioner and its successors and assigns; and (d) the Forbearance Agreement contains various waivers, agreements not to seek protection under insolvency legislation, and consents to enforcement;
- (ix) the Security and the Guarantee are all dated January 31, 2023, the date of the Forbearance Agreement; and,

- (x) as stated in paragraph 11 of the Petition, the Petitioner allegedly provided further advances in the approximate amount of \$7.6 million to Sawmills (collectively, the “**Further Advances**”), as evidenced by grid promissory notes (collectively, the “**Promissory Notes**”) dated January 31, 2023 and May 31, 2023. The grid schedules attached to the copies of the Promissory Notes exhibited to the Cui Affidavit appear to have been completed all at one time on a single date, rather than completed and updated upon the occurrence of each advance, as would be anticipated for grid promissory notes in the ordinary course of business. We note that the Promissory Notes (and the other documents) contain a document identification number from Lawson Lundell LLP, counsel to the Petitioner.

The Debtors were clearly insolvent as of January 26, 2023, being the date of the Demands, and likely earlier. The Petition states at paragraphs 5 and 6:

“[...] the Lender and the Skeena Entities are controlled by Xiao Peng Cui and Shenwei Wu (the “Shareholders”), who acquired the Skeena Entities approximately 12 years ago. [...]”

Since the Shareholders’ acquisition of the Skeena Entities, the Skeena Entities have suffered perennial financial losses, which, historically, were funded by unsecured loans provided by the Shareholders [...]”

Accordingly, at the time that the Petitioner and the Debtors entered into the Forbearance Agreement, Security, and Guarantees, to the detriment of all of the Debtors’ creditors other than the Petitioner, the Debtors were insolvent. More concerning still, all of these actions were ultimately undertaken at the behest of the same controlling minds, being the Shareholders. In light of the relative timing of the Demands, the Forbearance Agreement, the Guarantee, and the Security, it appears that the entire arrangement was planned and prepared some time in advance of the Demand for the sole purpose of improving the position of the Alleged Shareholder Loans.

The Debtors do not seem to have made a serious effort to address their insolvency and liquidity issues, and the Forbearance Agreement was doomed to failure and entirely in the control of the Shareholders as both lender and debtor. The occurrence of one or more of the events of default set out in the Forbearance Agreement appears to have been inevitable at the time the agreement was executed. It is far from clear that the Forbearance Agreement provided any realistic benefit to the Debtors. It did, however, provide many clear benefits to the Petitioner. In particular, the Petitioner allegedly obtained security interests securing over \$135 million in alleged unsecured claims in exchange for comparatively minimal consideration (such consideration being limited, at the time of the Forbearance Agreement, to the Petitioner’s agreement to forbear). We note that the Further Advances had not yet been made and were not mandated under the Forbearance Agreement and accordingly are not consideration.

Furthermore, the cross-guarantees and cross-collateralization under the Security and the Guarantee provided substantial benefits to the Petitioner, while prejudicing all other creditors of the Debtors. In the case of ROC and Bioenergy, the Forbearance Agreement caused the applicable Debtors to incur over \$110 million in additional secured debt; and in the case of Sawmills, over \$26 million in additional secured debt. If this newly-incurred secured debt was in fact previously an equity claim, as appears may be the case, the prejudice to the Debtors’ respective creditors is even more significant.

With respect to the characterization of the Alleged Shareholder Loans, we note that it appears unlikely that the Petitioner (as successor to the Shareholders) ever had any realistic expectation of repayment. As admitted in the Petition, the Shareholders funded the Debtors for approximately 12 years. Once it became clear that the Debtors were insolvent and the Petitioner determined it would no longer fund the Debtors' losses, the Petitioner (at the direction of the Shareholders) sought to obtain a priority claim against the Debtors, and the Debtors (at the direction of the Shareholders) acquiesced and cooperated in providing the Security and the Guarantee to the Petitioner. This behavior is more consistent with an intention to convert an equity claim into a secured claim, followed with an insolvency, than it is with any intention to provide unsecured loans to the Debtors.

On behalf of the Creditors, we hereby request that the Receiver:

- (i) assess and evaluate whether the Alleged Shareholder Loans and the Further Advances: (a) have been properly documented and accurately recorded in the Debtors' books and records; (b) were in fact advanced by the Petitioner to the Debtors in the amounts claimed by the Petitioner; (c) are properly characterized as debt or equity; and, (d) were commercially reasonable in the circumstances in which they were incurred;
- (ii) investigate the circumstances in which the Debtors entered into the Forbearance Agreement and the associated Security and Guarantees, and provide its view regarding whether such agreements contravene the BIA, the *Fraudulent Preference Act*, R.S.B.C. 1996, c. 164, the *Fraudulent Conveyance Act*, R.S.B.C. 1996, c. 163, or any other applicable statutes, and in particular, whether the Alleged Shareholder Loans and the Further Advances, and/or the granting of the Security and the Guarantee, constitute a preference, fraudulent conveyance, transaction at undervalue, or other reviewable transaction;
- (iii) opine with respect to the validity, enforceability, and priority of the Security; and,
- (iv) prepare a report to the Court with respect to the Receiver's conclusions concerning the above-noted matters.

Yours truly,

McCarthy Tétrault LLP

DocuSigned by:

0B38D88CABCB430...

Lance Williams*

lw/ns
Encl.

Corporate Search Results Concerning the Petitioner

[*See attached*]



BC Registry
Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

BC Company Summary

For
1392752 B.C. LTD.

Date and Time of Search: February 08, 2023 08:53 AM Pacific Time

Currency Date: September 20, 2022

ACTIVE

Incorporation Number: BC1392752

Name of Company: 1392752 B.C. LTD.

Business Number: 782884811 BC0001

Recognition Date and Time: Incorporated on December 22, 2022 10:21 AM Pacific Time

In Liquidation: No

Last Annual Report Filed: Not Available

Receiver: No

REGISTERED OFFICE INFORMATION

Mailing Address:

1600 - 925 WEST GEORGIA STREET
VANCOUVER BC V6C 3L2
CANADA

Delivery Address:

1600 - 925 WEST GEORGIA STREET
VANCOUVER BC V6C 3L2
CANADA

RECORDS OFFICE INFORMATION

Mailing Address:

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CANADA

Delivery Address:

1600 - 925 WEST GEORGIA STREET
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CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:

Cui, Xiao Peng

Mailing Address:

1030 WEST GEORGIA STREET
SUITE 1518
VANCOUVER BC V6E 2Y3
CANADA

Delivery Address:

1030 WEST GEORGIA STREET
SUITE 1518
VANCOUVER BC V6E 2Y3
CANADA

Last Name, First Name, Middle Name:

Wu, Shenwei

Mailing Address:

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VANCOUVER BC V6E 2Y3
CANADA

Delivery Address:

1030 WEST GEORGIA STREET
SUITE 1518
VANCOUVER BC V6E 2Y3
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NO OFFICER INFORMATION FILED .

FASKEN

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October 19, 2023
File No.: 285937.00017/15053

Kibben Jackson
Direct Line / Fax +1 604 631 4786
kjackson@fasken.com

By Email

McCarthy Tetrault LLP
Suite 2400, 745 Thurlow Street
Vancouver, BC V 6C 0C5

Attention: Lance Williams

Dear Sirs/Mesdames:

Re: In the Matter of the Receivership of Skeena Sawmills Ltd., Skeena Bioenergy Ltd.
and ROC Holdings Ltd. (collectively, the “Skeena Group”)
BCSC Action No. S- , Vancouver Registry **(the “Receivership Proceedings”)**

We are legal counsel for Alvarez & Marsal Canada Inc. (the “Receiver”) in its capacity as court-appointed receiver of the assets and undertakings of the Skeena Group in the Receivership Proceedings. We write in response to your letter of September 27, 2023.

The Receiver acknowledges your clients’ request that it undertake an investigation and provide its views concerning the history and circumstances relating to the Petitioner’s secured claim and certain related transactions. The Receiver has no concerns with your clients’ requests, and, given that the Receiver is in the process of taking possession of the Skeena Group’s books and records, some of the relevant information is already being gathered.

Notwithstanding the foregoing, the Receiver is of the view that it would be beneficial to seek directions from the court in the Receivership Proceedings before undertaking a full investigation as requested. Among other things, the Receiver notes that:

- It is still uncertain as to what the recoveries for creditors might be. Until the stakeholders have a better understanding of the potential recoveries and what is actually at stake, it may not be appropriate to incur additional costs investigating matters which may be of limited (or no) utility.
- Relating to the foregoing, there is the question of how any such investigation would be funded, including, specifically, the allocation of the associated costs against the various assets. As you are aware, we have already heard from other stakeholders who have expressed concerns regarding this very issue.



FASKEN

- In your letter, you ask that the Receiver provided certain opinions regarding the Petitioner's claim and transactions relating to its claim. In our experience, courts do not always want their officers to provide opinions on what are or may be the ultimate issues for determination. The Receiver will, of course, provide any opinions specifically requested by the court, but that necessarily requires appropriate directions from the court.

The Receiver will be addressing your letter and the requests identified therein as part of its first report to the court. All parties will then have an opportunity to make submissions at the October 30, 2023 (or a later hearing) concerning your clients' requests, including the benefits, timing and funding of any proposed investigation.

We are, of course, happy to discuss this matter further if that is of interest to you.

Sincerely,

FASKEN MARTINEAU DuMOULIN LLP

DocuSigned by:

RD7B38A857254F2
Kibben Jackson
Personal Law Corporation

KJ/

cc: Alvarez & Marsal Canada Inc. (attention: Anthony Tillman and Pinky Law)

