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CALGARY

COM  
July 12, 2021  
Justice Horner

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

APPLICANTS

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

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

AND IN THE MATTER OF THE RECEIVERSHIP OF  
GREENFIRE HANGINGSTONE OPERATING  
CORPORATION

DOCUMENT

**FIRST REPORT OF ALVAREZ & MARSAL CANADA  
INC., IN ITS CAPACITY AS RECEIVER**

**June 30, 2021**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
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ALVAREZ & MARSAL

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## INTRODUCTION

1. Effective April 6, 2021 (the “**Receivership Date**”), pursuant to an order granted by the Court of Queen’s Bench of Alberta (the “**Court**”) in Action No. 25-2679073 (the “**Receivership Order**”), Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed the receiver (the “**Receiver**”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”) of Greenfire Hangingstone Operating Corporation (“**OpCo**” or the “**Company**”) pursuant to section 13(2) of the *Judicature Act*, RSA 2000, c J-2 (the “**Receivership Proceedings**”).
2. Prior to the granting of the Receivership Order, OpCo and its parent company, Greenfire Oil & Gas Ltd. (the “**HoldCo**”), on October 8, 2020, each filed Notices of Intention to Make a Proposal (the “**NOI Proceedings**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). A&M acted as Trustee under the Proposal (the “**Proposal Trustee**”) during the NOI Proceedings.
3. During the course of the NOI Proceedings, an Order was granted by this Honourable Court approving an asset sale transaction (the “**Asset Sale Transaction**”) contemplated by an asset purchase agreement (“**APA**”) between OpCo and Greenfire Acquisition Corporation, the nominee of MWB UK Management Limited (doing business as “**McIntyre Partners**”). The Asset Sale Transaction closed on April 5, 2021 and the gross proceeds available for distribution to the OpCo creditors were \$1.0 million, before administrative costs (the “**Sale Proceeds**”). The Sale Proceeds are included in the definition of the Property in the Receivership Order. HoldCo is not part of the Receivership Proceedings.
4. On March 12, 2021, this Honourable Court granted an order in the NOI Proceedings approving a secured claims procedure (the “**Secured Claims Procedure**”) in order

to identify the interests of secured creditors in the net Sale Proceeds and any other property of OpCo (the “**Secured Claims Procedure Order**”).

5. As a result of no proposal being filed by OpCo or HoldCo in the NOI Proceedings and upon the Proposal Trustee filing with the Official Receiver (“**OR**”) its report on Non-filing of Cash-flow Statement or Proposal by OpCo and HoldCo, on April 8, 2021 (the “**Bankruptcy Date**”), the OR issued a certificate of assignment, certifying that each of HoldCo and OpCo were deemed to have made assignments on the Bankruptcy Date (the “**Bankruptcy Proceedings**”). A&M was appointed as the licensed trustee in bankruptcy (“**LIT**”) of both OpCo and HoldCo.
6. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property. In addition, the Receiver is directed to implement the Secured Claims Procedure in place of the Proposal Trustee.

## **PURPOSE OF THE REPORT**

7. The purpose of this first report of the Receiver (the “**First Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following matters:
  - a) the activities of the Receiver since the Receivership Date;
  - b) the status of the Secured Claims Procedure, including the resolution of two appeals filed by creditors;
  - c) the Receiver’s analysis resulting in the recommended allocation of the Sale Proceeds (the “**Proposed Allocation**”);
  - d) the resulting distribution to certain Secured Creditors based on the Proposed Allocation (the “**Proposed Distribution**”);
  - e) the actual cash flow results for the period from April 8, 2021 to June 4, 2021 (the “**Reporting Period**”);

- f) approval of the Receiver's actions, activities and conduct, and approval of the Receiver's fees and disbursements and those of the Receiver's independent counsel, McMillan LLP (the "**Receiver's Counsel**");
  - g) the Receiver's next steps pending determination of the Proposed Allocation and the Proposed Distribution; and
  - h) the Receiver's observations and recommendations with respect to the above.
- 8. Unless otherwise set forth herein, capitalized words or terms not defined or ascribed a meaning in this Report are as defined or ascribed the meaning set out in the Receivership Order.
- 9. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE AND DISCLAIMER**

- 10. In preparing this Report, the Receiver has relied upon: (i) the representations of certain management and other key stakeholders of Greenfire; and (ii) financial and other information contained in the Company's books and records, which were produced and maintained principally by the Company.
- 11. While the Receiver has reviewed certain financial information in respect of the Company for reasonableness, the Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Company's financial information that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the financial information. Future oriented financial information relied upon in this Report is based on the Receiver's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

## BACKGROUND

12. OpCo, a previous licensee with the Alberta Energy Regulator, was engaged in the business of oil sands development and production and its primary asset was a steam-assisted gravity drainage project, in-situ oil and gas property and facility (“**SAGD Facility**”) approximately 60km south of Fort McMurray, Alberta. As discussed above, OpCo sold its SAGD Facility to McIntyre Partners pursuant to the Asset Sale Transaction, which closed on April 5, 2021.
13. OpCo is 100% owned by HoldCo. HoldCo had no operations and its only “asset” is its ownership of the shares of OpCo.
14. Further background regarding the Company and its financial circumstances is contained in the materials filed in support of and relating to the Receivership Order. These documents and other relevant information, including all publicly available information pertaining to the NOI Proceedings, have been posted on the Receiver’s website at [www.alvarezandmarsal.com/greenfire](http://www.alvarezandmarsal.com/greenfire) (the “**Receiver’s Website**”).

## ACTIVITIES OF THE RECEIVER

15. Since the Receivership Date, the Receiver’s activities with respect to the Company have included, but are not limited to, the following:
  - a) taking possession and control of the Sales Proceeds of \$1 million from the Asset Sale Transaction and depositing such funds into the Receiver’s trust account;
  - b) guaranteeing the fees and costs of the LIT in OpCo’s and HoldCo’s bankruptcy estates and delivering \$30,000 to the LIT of HoldCo as an initial retainer for its professional fees and costs from the Sales Proceeds;
  - c) issuing Form 87 (Notice and Statement of the Receiver) to the Office of the Superintendent of Bankruptcy (“**OSB**”) and the OpCo LIT, and posting on the Receiver’s Website. On May 5, 2021, the OSB provided

the Receiver with the Filing of Receivership and Reporting Duties of Receiver assigning Estate No. 25-095220, a copy of which is attached as Appendix 'A' herein;

- d) retaining the Receiver's Counsel, McMillan LLP, to act as its independent legal counsel;
- e) with the assistance of Receiver's Counsel, adjudicating secured claims that were submitted by claimants under the Secured Claims Procedure;
- f) issuing Form 77 (Notice of Disallowance of Claim, Right or Security or Notice of Valuation of Claim) (the "**Notice of Disallowance**") to various claimants who filed claims in the Secured Claims Procedure thereby disallowing these claims in whole or in part as discussed further below;
- g) engaging in numerous communications with claimants and/or their counsel respecting their filed proofs of secured claim; and
- h) cooperating with the LIT of OpCo and the LIT of HoldCo, as required in the Bankruptcy Proceedings.

## **SECURED CLAIMS PROCEDURE**

- 16. On March 12, 2021, this Honourable Court granted the Secured Claims Procedure Order in order to determine all valid and outstanding secured claims (the "**Secured Claims**") of secured and priority creditors of OpCo (the "**Secured Claimants**"). The Secured Claims Procedure established a claims bar date of 5pm M.T. on March 29, 2021 for all Secured Claimants to file their Proofs of Secured Claim with the Proposal Trustee (the "**Secured Claims Bar Date**").
- 17. The Receivership Order authorized, among other things, the Secured Claims Procedure be transitioned by the Proposal Trustee to the Receiver to complete.

## Adjudication of Secured Claims

18. The Receiver has reviewed all Proofs of Secured Claim that were filed by the Secured Claims Bar Date. There were 16 Proofs of Secured Claim filed totaling approximately \$12.25 million. Of these claims, the Receiver accepted approximately \$0.87 million in value of claims and disallowed approximately \$11.38 million in value of claims.
19. The chart below summarizes the Receiver's determination based on its review of the Proofs of Secured Claim:

Greenfire Hangingstone Operating Corporation						
Secured Claims Process - Summary	Secured Claim Filed	Receiver's Initial Adjudication		Appealed	Resulting Deemed Adjudication	
		Accepted	Disallowed		Accepted	Disallowed
\$CAD						
Fully Accepted Claims						
ATB Financial	60,000	60,000	-	-	60,000	-
Partially Accepted Claims						
Alumasafway, Inc.	390,863	383,273	7,590	-	383,273	7,590
Apex Distribution Inc.	51,074	33,588	17,486	17,486	40,861	10,213
Regional Municipality of Wood Buffalo	438,236	390,736	47,500	-	390,736	47,500
Disallowed Claims						
ABC Funding, LLC	4,098,948	-	4,098,948	-	-	4,098,948
Boom Construction Ltd.	304,825	-	304,825	304,825	-	304,825
Collective Waste Solutions Inc.	26,250	-	26,250	-	-	26,250
B.E.S.T. Active 365 Fund LP et al	1,285,445	-	1,285,445	-	-	1,285,445
Meer Taher Shabani Rad et al	3,966,000	-	3,966,000	-	-	3,966,000
Seven (7) Unsecured Creditors	1,626,735	-	1,626,735	-	-	1,626,735
Total	12,248,376	867,597	11,380,779	322,311	874,870	11,373,506
<b>Note:</b> Accepted claims may attach to various interests, subject to the rights and priorities of the other valid Secured Claimants. The Receiver expects that the allocation of proceeds and any distribution will be determined by future Court Order.						

20. Between April 20, 2021 and May 3, 2021, the Receiver delivered Notices of Disallowance by registered mail to the Secured Claimants whose Secured Claims were disallowed in whole or in part and the reasons for the Receiver's determination.
21. Those Secured Claimants whose Secured Claims were disallowed in part or in whole by the Receiver, had 30 days after service of the Notice of Disallowance, to



appeal the disallowance to this Honourable Court in accordance with the BIA. There were two Secured Claimants who disputed the Receiver's Notice of Disallowance within the 30-day period: Apex Distributions Inc. ("**Apex**") and Boom Construction Ltd. ("**Boom**") delivered appeals to this Honourable Court in accordance with the BIA.

22. Apex's appeal of the Receiver's disallowance was settled pursuant to a consent order (as discussed further below).
23. On June 2, 2021, Boom notified the Receiver that it would not be proceeding with its appeal.
24. Pursuant to the Secured Claims Procedure there were four (4) Secured Claims submitted by Claimants that were accepted by the Receiver in whole or in part (the "**Proven Secured Creditors**"):
  - a) ATB Financial ("**ATB**");
  - b) Alumasafway, Inc. ("**Aluma**");
  - c) Apex; and
  - d) Regional Municipality of Wood Buffalo ("**RMWB**").
25. Below is a summary of the Proof of Secured Claims filed that were accepted fully or partially and those that were disallowed:

#### **Fully Accepted Claim**

##### *ATB*

26. On March 25, 2021, the Proposal Trustee received a Proof of Secured Claim from ATB in the amount of \$60,000.00 (the "**ATB Claim**"). ATB holds \$60,000.00 in the assignment of a deposit as security (the "**\$60,000 Deposit**"). The ATB Claim is allowed and attaches to the \$60,000 Deposit held by ATB.

#### **Partially Accepted Claim**

##### *Aluma*

27. On March 29, 2021, the Proposal Trustee received a Proof of Secured Claim from Aluma in the amount of \$390,862.56 (the “**Aluma Claim**”). Aluma registered a builders’ lien for \$349,366.28 on June 23, 2020 at Alberta Land Titles against certain of the Lands on which the Facilities are located.
28. The Receiver, with the assistance of Receiver’s Counsel, determined that Aluma’s Secured Claim, is a valid claim pursuant to a valid builders’ lien under the *Builders’ Lien Act*, RSA 2000, c B-7 (“**BLA**”), and attaches to the portion of the Sale Proceeds allocated towards the surface interests of OpCo that are subject to builders’ lien.
29. Aluma also registered a builders’ lien with Alberta Energy pursuant to Encumbrance Registration No. 2002966 dated December 14, 2020 (the “**Alumasafway Alberta Energy Encumbrance**”). The Receiver determined that the Alumasafway Alberta Energy Encumbrance was registered after the prescribed 90 day period in the BLA to register a builders’ lien.
30. The Receiver disallowed the Aluma Claim in part, issued a Notice of Disallowance revising the claim to \$383,272.78 (the “**Revised Aluma Claim**”) by registered mail on April 20, 2021 and did not receive a notice of appeal within the 30-day period.

*Apex*

31. On March 11, 2021, the Proposal Trustee received a Proof of Secured Claim from Apex in the amount of \$51,073.93 plus \$18.00 per diem interest after March 11, 2021 (the “**Apex Claim**”). Apex filed builders’ lien for \$33,587.79 with registration dates of May 5, 2020 at Alberta Energy against the Oil Sands Rights and May 4, 2020 at Alberta Land Titles against certain Lands on which the Facilities are located.
32. The Receiver, with the assistance of Receiver’s Counsel, determined that Apex’s Secured Claim, is a valid claim pursuant to a valid builders’ lien under the BLA, which attaches to the Sale Proceeds which are allocated toward the surface and mineral interests of OpCo that are subject to builders’ lien.

33. The Receiver was of the view that the master agreement between OpCo and Apex did not provide for the payment of interest and therefore disallowed Apex's claim for interest and fees.
34. The Receiver issued a Notice of Disallowance by registered mail on April 20, 2021 revising the claim to \$35,387.31 (the "**Disallowed Apex Claim**").
35. Upon further discussion with Apex, who provided additional evidence for the payment of interest and fees, and in an effort to avoid the time and expense of an appeal, Apex and the Receiver agreed on a revised claim that includes \$3,594.35 in interest and \$3,679.00 in costs.
36. Apex has filed an appeal of the Receiver's Notice of Disallowance. The Receiver and Apex subsequently entered into a consent order allowing Apex's secured claim in the amount of \$40,861.14 (the "**Revised Apex Claim**"). The Receiver will seek the consent order by desk application before a Justice.

*RMWB*

37. On March 23, 2021, the Proposal Trustee received a Proof of Secured Claim from RMWB filed in the secured amount of \$438,235.70 (the "**RMWB Claim**").
38. The Receiver is of the view that the RMWB likely has a secured claim against OpCo pursuant to section 348 of the *Municipal Government Act*, RSA 2000, c M-26 ("**MGA**") with respect to the non-linear property taxes claimed by RMWB in the amount of \$438,235.70, less Provincial education taxes claimed by RMWB in the amount of \$47,499.50, in respect of which RMWB appears to be acting as an agent of the Crown in Right of Alberta.
39. The Receiver is of the view that RMWB likely has a secured claim against OpCo pursuant to the "special lien" granted under the MGA, which attaches to a portion of the Sale Proceeds allocated towards the surface interests of OpCo.
40. The Receiver disallowed the RMWB Claim in part, issued a Notice of Disallowance revising the claim to \$390,736.20 (the "**Revised RMWB Claim**") by registered

mail on April 20, 2021 and did not receive a notice of appeal within the 30-day period.

## **Disallowed Claims**

### *ABC Funding, LLC ("ABC")*

41. On March 16, 2021, the Proposal Trustee received a Proof of Secured Claim from ABC, whom the Proposal Trustee has previously referred to in its previous reports as Summit Partners (“**Summit**”). The Proof of Secured Claim was filed in the secured amount of U.S.\$3,100,565.77. Pursuant to s. 215.1(a) of the BIA, the claim converted to Canadian currency on the NOI Date results in a claim of \$4,098,947.75 (the “**Summit Claim**”).
42. The Receiver is of the view that Summit was repaid as of March 31, 2020 and has no further claim against OpCo. The Receiver disallowed the Summit Claim in whole, issued a Notice of Disallowance by registered mail on May 4, 2021 and did not receive a notice of appeal within the 30-day period.
43. On May 21, 2021, the Receiver and ABC, administrative agent for Summit delivered a mutual acknowledgement and confirmation pursuant to which Summit confirmed its intention not to appeal and the Receiver acknowledged that Summit disagrees with the Notice of Disallowance.
44. The Receiver also acknowledged that the decision by Summit not to appeal the Notice of Disallowance would not prejudice Summit in defending any action that may be commenced in relation to the loan agreements between Summit and OpCo. More specifically, the Receiver and ABC confirmed that, notwithstanding the expiration of the appeal period for the Notice of Disallowance, in the event that the Receiver, the estate, or any creditor brings an action against ABC related to amounts paid to ABC by Greenfire pursuant to the Loan prior to any final distribution in the receivership proceedings of Greenfire, ABC may raise as any defence or counterclaim against the estate or such creditor any matters relating to

such action notwithstanding ABC's decision not to appeal the Notice of Disallowance.

*Boom*

45. On March 19, 2021, the Proposal Trustee received a Proof of Secured Claim from Boom Construction Ltd. ("**Boom**") filed in the secured amount of \$304,825.35 (the "**Boom Lien Claim**"). Boom registered a builders' lien with Alberta Energy for \$304,825.35 pursuant to Encumbrance Registration No. 2000801 dated March 27, 2020.
46. The work performed were supported by three invoices for work completed between September 4, 2019 and October 15, 2020 and additional work under the same project scope was completed through November 23, 2019 (the "**Turnaround Project**").
47. As a result, Boom did not register its builders' lien within 90 days from the date of completion of the Turnaround Project as required pursuant to the BLA.
48. Based on the information and supporting documentation provided by OpCo, the Receiver is of the view that additional work completed by Boom for OpCo that occurred after the Turnaround Project, was unrelated and not a continuation of the Turnaround Project which would extend the time for Boom to register its builders' lien.
49. The Receiver disallowed the Boom Lien Claim in whole and issued a Notice of Disallowance by registered mail on April 20, 2021.
50. On May 18, 2021, the Receiver received notice of an appeal filed by Boom (the "**Boom Appeal**").
51. On June 2, 2021, Boom advised the Receiver that it would not be proceeding with the Boom Appeal. Boom and the Receiver entered into a consent order dated June 4, 2021, to withdraw the Boom Appeal without costs to any party. The Receiver will seek the consent order by desk application before a Justice.

*Collective Waste Solutions Inc. (“CWS”)*

52. On March 22, 2021, the Proposal Trustee received a Proof of Secured Claim from Collective Waste Solutions Inc. (“CWS”) filed in the secured amount of \$26,250.00 (the “**CWS Claim**”). Collective Waste registered a builders’ lien for \$26,250.00 against non-patent sheet certificate for certain Lands on which the Facilities are located, which lien was registered on May 19, 2020.
53. According to the invoice provided with CWS’ proof of claim, CWS work for OpCo consisted of a combination of lime sludge removal disposal and the provision of saw dust used in such disposal. The Receiver is of the view that the work performed by CWS for its CWS Claim related to maintenance and remediation and does not entitle CWS to a builders’ lien.
54. The Receiver disallowed the CWS Claim in whole, issued a Notice of Disallowance by registered mail on April 20, 2021 and did not receive a notice of appeal within the 30 day period.

*B.E.S.T. Active 365 Fund LP et al Claim*

55. On March 11, 2021, the Proposal Trustee received a Proof of Secured Claim from B.E.S.T. Active 365 Fund LP, John Richardson (as assignee of debt previously held by B.E.S.T. Total Return Fund Inc.), Tier One Capital Limited Partnership and B.E.S.T. Special Purpose Fund I LP (collectively “**B.E.S.T.**”), filed in the secured amount of \$1,285,445.21 (the “**B.E.S.T. Claim**”) indicating that OpCo granted B.E.S.T. four debentures, each dated July 31, 2018 (the “**B.E.S.T. Debentures**”).
56. The Receiver disallowed the B.E.S.T. Claim in whole, issued a Notice of Disallowance by registered mail on April 20, 2021 and did not receive a notice of appeal within the 30-day period.

*Meer Taher Shabani Rad et al Claim*

57. On March 29, 2021, the Proposal Trustee received a Proof of Secured Claim from Behrokh Azarian, Homayoun Hodaie, Mandana Rezaie, Mehran Pooladi-Darvish,

Meysam Ovaici, Firooz Abbaszadeh, Mehran Joozdani, Layla Amjadi, Meer Taher Shabani-Rad, Zahra Ahmadi-Naghdehi, Afshin Shameli, Maryam Mohsen Zadeh, Parham Minoo, Haleh Peiravi, Mohammad Ahadzadeh Ardebili, Ramin Jalalpoor, Elham Vakili Azghandi, Tariq Mahmood Roshan, Amin Jalalpoor, Faisal Khan, Poonam Dharmani and Ali Nilforoush (collectively, the “**Investor Group**”), filed in the secured amount of U.S.\$3,000,000.00 plus costs and interest (the “**Investor Group Claim**”), indicating the Investor Group entered into subscription agreements for debentures of Greenfire Oil and Gas Ltd. (the “**Investor Group Debentures**”).

58. The Receiver disallowed the Investor Group Claim in whole, issued a Notice of Disallowance by registered mail on April 20, 2021 and did not receive a notice of appeal within the 30-day period.

#### *Unsecured Claims*

59. Notwithstanding the Court granted a Secured Claims Procedure Order, the Proposal Trustee received seven unsecured claims totalling approximately \$1.62 million. Certain of these unsecured creditors filed claims asserting security as a judgment creditor and writ holder. The Proposal Trustee concluded all of these claims are, at most, unsecured. The Receiver disallowed these claims in whole, issued Notices of Disallowance by registered mail on April 20, 2021 did not receive any notices of appeal within the 30-day period.

#### **PROPOSED ALLOCATION**

60. Prior to any distribution to the valid Secured Claimants, the Receiver has determined it is necessary to obtain a final determination of the appropriate allocation of the net proceeds of realization amongst the various asset classes: surface interests, mineral interests, chattels and any other property which the Secured Claims may attach.

61. The Proposed Allocation was developed by the Receiver with a view to enabling proceeds of realization and the costs of the Receivership Proceedings and Bankruptcy Proceedings to be allocated on a fair and reasonable basis.

**Estimated Distributable Funds**

62. As discussed, the Asset Sale Transaction closed on April 5, 2021 and the Sale Proceeds available for distribution to the OpCo creditors was \$1.0 million, before administrative costs. The Sale Proceeds are included in the definition of the Property in the Receivership Order.
63. A copy of the unredacted APA is attached as Confidential Appendix ‘B’ herein.
64. Paragraph 9 of the Sale Approval and Vesting Order made December 17, 2020 (the “SAVO”) provides that for the purposes of determining the nature and priority of claims, the Sale Proceeds shall stand in the place and stead of the Purchased Assets (as defined in the SAVO) and claims may be asserted against the Sales Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale. A copy of the SAVO is attached as Appendix ‘C’ herein.
65. The exhibit below summarizes the estimated administrative costs associated with the Receivership, the OpCo LIT and the HoldCo LIT.



Greenfire Hangingstone Operating Corporation	
Secured Claims Process	Available Funds
Distributable Funds	
\$CAD	
Sale Proceeds	1,000,000
Guaranteed Investment Certificates	60,000
Estimated Administration Costs	
OpCo & HoldCo Bankruptcy <sup>1</sup>	(60,000)
Receivership <sup>2</sup>	(100,000)
Additional Holdback <sup>1,2</sup>	(90,000)
<b>Distributable Funds to Secured Claims</b>	<b>810,000</b>
ATB Financial Secured Claim Distribution	(60,000)
<b>Remaining Distributable Funds</b>	<b>750,000</b>
<p>1: Bankruptcy administration could be significantly higher, in the event of unsecured claims being distributed.</p> <p>Holdback to be determined upon resolution of Proposed Allocation, at the time of Proposed Distribution.</p> <p>2: Receivership administration could be higher, in the event of an appeal to the Proposed Allocation.</p>	

66. As described in the notes, the Receivership administrative costs, including those secured by the Receiver's Charge and the costs of the administration of the bankruptcies are estimates and are subject to change based on the outcome and determination of the Proposed Allocation and other circumstances.
67. The Receiver expects that after estimated administrative costs are deducted, approximately \$750,000 will be available for distribution to creditors ("**Net Sale Proceeds**"). However, as described below, the Receiver accepts that allocating future potential administrative costs of the Receiver and the OpCo LIT should not burden the Proven Secured Creditors such that the Net Sale Proceeds distributable to the Proven Secured Creditors is approximately \$840,000.

### **Proposed Allocation Methodology**

68. The Receiver considered the following allocation alternatives:
- a) the allocation arrived at by the arms-length purchaser and seller parties to the Asset Sale Transaction as provided in the APA and approved by the SAVO;

- b) WTI strip pricing method; and
- c) comparable transactions.

69. The Receiver determined that, under the circumstances, the most appropriate allocation of proceeds should be based on the values allocated to the purchase price in the APA.

#### APA

70. Pursuant to the terms of the APA, the Sales Proceeds were allocated among the assets of OpCo as follows:

- a) a percentage to the Oil Sands Rights (as defined in the APA) being the rights granted to Greenfire Hangingstone pursuant to Alberta Crown Oilsands Lease No. 072 728201AT70 (the “**Oil Sands Rights**”);
- b) a percentage less an amount to the Tangibles, including the Facilities owned by Greenfire Hangingstone and listed in Schedule “A” to the APA along with any and all tangible depreciable property and depreciable assets other than the Facilities that are located within, upon, or under the Lands (as defined in the APA) (the “**Tangibles**”); and
- c) an amount to the Miscellaneous Interests (as defined in the APA).

#### Commodity Pricing

71. The Receiver is of the view that the allocation should be based on the values assigned to the assets in the APA with the majority of value assigned to the Oil Sands Rights. The Oil Sands Rights and the Tangibles are inherently intertwined in the sense that:

- a) without any value associated to the bitumen reserves, the Tangibles would require an estimated \$7.8 million in abandonment and remediation spend (based on the AER deemed liability value from October 3, 2020); and

- b) without the Tangibles in place, there would be no ability to produce steam to extract the in-situ reserves.

- 72. While the value of the bitumen reserves can be computed using WTI strip pricing (which was one of the other allocation alternatives considered), two variable components of the formula include production levels and capital drilling costs. Both of these inputs are driven by decisions of the operator (being GAC, the arm's length purchaser) and therefore these inputs are not reasonably ascertainable by the Receiver.
- 73. Given that GAC was an independent, arm's length purchaser and determined that the allocation of Sales Proceeds in the APA was reasonable, the Receiver has no further evidence to support any other allocation. The Receiver considered obtaining an independent engineering report. However, in light of, among other things, the uncertainty with regard to production levels and drilling costs, the Receiver determined that the cost of an independent report would outweigh any potential benefit to both secured and potential unsecured creditors.

#### Comparable Transaction

- 74. With respect to comparable transactions, a number of transactions followed the same allocation methodology as the APA, including the three transactions listed in Confidential Appendix 'B'. As a result, the comparable transaction corroborates the Receiver's determination.

#### Initial Proposed Distributions

- 75. The exhibit contained in Confidential Appendix 'B' demonstrates the priority, estimated distributable funds and the Proposed Allocation of each of the three Proven Secured Claims.

## **CORRESPONDENCE TO PROVEN SECURED CREDITORS**

76. On June 15, 2021, Receiver's Counsel notified counsel for Aluma, Apex and RMWB of the Proposed Allocation and Proposed Distribution of the Sale Proceeds in the manner identified in this Report.

### *Response from Secured Creditors*

77. Counsel for Aluma and RMWB responded that the allocation of Sales Proceeds in the APA was arbitrary in nature, Counsel for RMWB also advised that the estimated administrative costs should be considered after the distribution was made to the Proven Secured Creditors.
78. Counsel for Apex advised that it had no questions. The Receiver is not aware of any opposition by Apex to the Proposed Allocation or Proposed Distribution.

### *Receiver's Response*

79. In response to the comment regarding the arbitrary nature of the allocation, the Receiver reviewed a number of additional comparable transactions, as part of the Court processes within restructurings and receiverships. The Receiver understands that the same allocation were utilized in, among others, the following sales:
- a) Connacher Oil and Gas Limited sale to East River Oil and Gas Ltd. (oil sands CCAA proceeding, with Court-appointed monitor Ernst & Young Inc.; APA listed in Exhibit 'D' the affidavit of Merle Johnson dated August 13, 2018);
  - b) Bellatrix Exploration Ltd. sale to Winslow Resources Inc. (oil and gas CCAA proceeding, with Court-appointed monitor PricewaterhouseCoopers Inc.; APA listed in the Exhibit 'I' of the affidavit of Mark Caiger dated April 26, 2020); and
  - c) Twin Butte Energy Ltd., sale by their receiver, to Henenghaixim Operating Corp (oil and gas Court-appointed receivership proceeding

of FTI Consulting Canada Inc.; APA listed in Appendix ‘A’ of the Third Report of the Receiver dated January 9, 2017).

80. The Receiver has also been involved in various oil and gas restructuring and receivership proceedings, where the APA remain under confidential seal; a number of which utilized the same allocation.
81. As a result, it is evident that the allocation in the APA is an industry standard allocation, which the Receiver understands is driven at least in part by tax considerations.
82. The Receiver is unaware of any proceedings where the Canada Revenue Agency has challenged the use of the allocation.
83. In response to the comment regarding the allocation of the estimated administrative costs, the Receiver determined that allocating the administrative costs of the Receivership to date, as well as the general costs of a licensed insolvency trustee in bankruptcy to administer the bankruptcy estates remains reasonable. However, the Receiver accepts that allocating future potential administrative costs of the Receiver and the OpCo LIT should not burden the Proven Secured Creditors.
84. The exhibit below demonstrates the revised administrative costs associated with the Receivership, the OpCo LIT and the HoldCo LIT.

<b>Greenfire Hangingstone Operating Corporation</b>	
<b>Secured Claims Process</b>	
<b>Distributable Funds</b>	<b>Available Funds</b>
<b>Post Secured Creditor Correspondence</b>	
\$CAD	
Sale Proceeds	1,000,000
Guaranteed Investment Certificates	60,000
Estimated Administration Costs	
OpCo & HoldCo Bankruptcy	(60,000)
Receivership	(100,000)
<b>Distributable Funds to Secured Claims</b>	<b>900,000</b>
ATB Financial Secured Claim Distribution	(60,000)
<b>Remaining Distributable Funds</b>	<b>840,000</b>

85. The exhibit in Confidential Appendix ‘B’ demonstrates the priority, the Proposed Allocation and the revised estimated distributable funds of each of the proven Secured Claims.

*Conclusion*

86. The Receiver continues to be of the view that the allocation is reasonable. The Receiver has revised the initial estimated distributable funds such that the future administrative costs of the Receiver and the OpCo LIT should not burden the Proven Secured Creditors.
87. Aluma registered a builders’ lien with Alberta Energy in respect of the Alumasafway Alberta Energy Encumbrance, but did so outside of the prescribed 90 day period in the BLA

**PROPOSED DISTRIBUTION**

88. Should the Proposed Allocation be approved by this Honourable Court, the estimated \$840,000 of Net Sales Proceeds will be distributed as follows:
- a) the Revised Apex Claim will be paid in full from proceeds of the Oil Sands Rights;
  - b) an amount based on the Proposed Allocation of the Revised RMWB Claim would be paid from proceeds of the Tangible assets, with the remaining balance of RMWB’s claim being unsecured; and
  - c) there will be no remaining value of Tangible assets and therefore the Revised Aluma Claim will not receive any distribution from the proceeds of Tangible assets and the entire claim will be unsecured.
89. ATB will be paid its claim in full from the \$60,000 Deposit.
90. The remaining balance, which is subject to the administrative costs of the Receivership, including costs secured by the Receiver’s Charge, would be paid to the OpCo LIT for distribution on proven unsecured claims in the bankruptcy

proceedings of OpCo (subject to the administrative costs of the OpCo LIT to administer and distribute on the proven unsecured claims).

## SEALING

91. The Receiver believes that Confidential Appendix “B” should remain sealed unless and until further order of this Court. The APA provides that the parties to the APA will not disclose the purchase price allocation or cause the APA to form part of the public record.
92. The Receiver is not aware of any party who would be prejudiced if the information in Confidential Appendix “B” is sealed.

## RECEIPTS AND DISBURSEMENTS

93. The Receiver’s receipts and disbursements within the Receiver’s operating trust account are outlined below.

Greenfire Hangingstone Operating Corporation - In Receivership Interim Statement of Receipts & Disbursements for the period from April 6, 2021 to June 18, 2021	
\$CAD	Total
<b>Receipts</b>	
Sales Proceeds	1,000,000
Guaranteed Investment Certificates	60,000
<b>Total Receipts</b>	<b>1,060,000</b>
<b>Disbursements</b>	
ATB Financial Secured Claim Distribution	60,000
Counsel's fees and expenses	52,444
Receiver's fees and expenses	47,355
HoldCo LIT	30,000
GST on disbursements	4,984
PST on disbursements	543
HoldCo LIT - OSB fee	156
OpCo LIT - OSB fee	156
Receivership OSB fee	70
<b>Total Disbursements</b>	<b>195,708</b>
<b>Opening Cash</b>	-
<b>Net Cash Flow</b>	<b>864,292</b>
<b>Closing Cash</b>	<b>864,292</b>

94. Disbursements paid during the Reporting Period were approximately \$0.2 million, which primarily related to:
- a) professional fees and costs incurred by the Receiver and the Receiver's independent legal counsel since the Receivership Date to May 31, 2021 totalled approximately \$105,325. Further discussion on Court approval of such fees and costs are discussed further below;
  - b) allowance of the ATB Claim and the resulting deposit drawn upon by ATB; and
  - c) a retainer for the HoldCo LIT of \$30,000.
95. Total available cash on hand with the Receiver as at June 18, 2021 was approximately \$864,292.

#### **APPROVAL OF PROFESSIONAL FEES AND EXPENSES**

96. The Receiver respectfully seeks approval from this Honourable Court of the respective professional fees and disbursements of the Receiver and its independent legal counsel for the period of time from April 1, 2021 to May 31, 2021 (the **"Interim Taxation Period"**), pursuant to paragraph 19 of the Receivership Order.
97. Professional fees and disbursements of the Receiver during the Interim Taxation Period total \$47,354.50 (excluding GST). Professional fees and disbursements of the McMillan LLP, the Receiver's counsel, during the Interim Taxation Period total \$52,443.50 (excluding PST and GST). A summary of the professional fees and disbursements of the Receiver and the Receiver's counsel are attached as Appendix **'D'** herein.
98. The accounts of the Receiver and the Receiver's counsel outline the date of the work completed, the description of the work completed (redacted to the extent necessary to preserve privilege), the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices will be made available to the Court at its direction, if necessary.



99. The Receiver respectfully submits that its professional fees and disbursements and those of the Receiver's counsel are fair and reasonable in the circumstances and as outlined in this Report and respectfully requests that this Honourable Court approve the professional fees and disbursements of the Receiver and the Receiver's counsel.

#### **RECEIVER'S NEXT STEPS**

100. Upon 30 days expiration of the making of this Order, the Receiver intends to distribute \$40,861.14 to Apex and \$168,000 to RMWB and to apply for its discharge. As a condition of discharge, the Receiver will transfer any remaining estate funds to the OpCo LIT.
101. The Receiver is advised by the OpCo LIT, that, as of the date of this Report, the OpCo LIT has received 66 proofs of claim totalling \$6,760,537, which do not include all of the claims that were disallowed as part of the Secured Claims Procedure or all of the unsecured claims filed in the Secured Claims Procedure.
102. Including those amounts, the OpCo LIT estimates this will include 73 proofs of claims totalling \$8,211,280. The estimated remaining funds of \$631,000 (before administrative costs of the OpCo LIT to administer and distribute on the proven unsecured claims) would result in a pro-rata distribution of 7.7% of the filed unsecured claims, before consideration of the OSB levy payable in the proceedings.
103. The Receiver and OpCo LIT caution readers that OpCo's books and records quantified unsecured claims of approximately \$11.5 million, and the expected pro-rata distribution is subject to change.

#### **RECEIVER'S RECOMMENDATION**

104. The Receiver respectfully:
- a) requests an order approving the Proposed Allocation and Proposed Distribution of the Sale Proceeds in the manner identified in this Report;

- b) recommends that this Honourable Court approve the Interim Taxation Period of the Receiver and its independent legal counsel; and
- c) recommends that this Honourable Court approve the actions, activities and conduct of the Receiver and its independent legal counsel to date as set out in this Report.

All of which is respectfully submitted this 30<sup>th</sup> day of June, 2021.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Receiver of  
Greenfire Hangingstone Operating Corporation and  
not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT  
Senior Vice President



Duncan MacRae, CPA, CA, CIRP, LIT  
Vice President

## **APPENDIX A**



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

**RECEIVER:** OREST M. P. KONOWALCHUK  
ALVAREZ & MARSAL CANADA INC.  
Bow Valley Square 4  
1110-250 6th Avenue SW  
Calgary, ALBERTA  
T2P 3H7

**DATE:** May 5, 2021

**RE: Filing of Receivership and Reporting Duties of Receiver**

**ESTATE NAME:** Greenfire Hangingstone Operating Corporation

**ESTATE NO:** 25-095220

**Dear Sir/Madam,**

**We write to acknowledge receipt of Form 87, Notice and Statement of the Receiver, for the above noted receivership. Please note the assigned estate number and ensure this number is on all future correspondence.**

**As a reminder, subsection 246(2) of the Bankruptcy and Insolvency Act (BIA) and Rule 126 of the Bankruptcy and Insolvency General Rules require the receiver to prepare interim reports relating to the receivership at least once every six months and provide copies thereof to the Superintendent, to the insolvent person or the Licensed Insolvency Trustee (in the case of a bankrupt) and to any creditor who requested a copy.**

**In addition, pursuant to subsection 246(3) of the BIA and Rule 127, the receiver shall, after completion of his/her duties, prepare a final report and a statement of accounts containing the prescribed information relating to the receivership and provide a copy thereof to the Superintendent, to the insolvent person or the Licensed Insolvency Trustee (in the case of a bankrupt) and to any creditor who requested a copy.**

**Please contact this office should you have any questions regarding any of the above.**

**Superintendent of Bankruptcy**

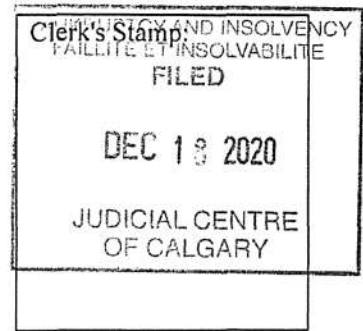
Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, ALBERTA, T2G 4X3,  
877/376-9902

**Canada** 

## **CONFIDENTIAL APPENDIX B**

## **APPENDIX C**

B201-679073



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

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

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

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

DOCUMENT

**ORDER APPROVAL AND VESTING ORDER**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTIES FILING THIS  
DOCUMENT

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

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

File No. 077186-00004

I hereby certify this to be a true copy of  
the original order approval & vesting in  
Dated this 21 day of January 2021  
Presyana Petrova  
for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: DECEMBER 17, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: CALGARY

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

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



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

### IT IS HEREBY ORDERED AND DECLARED THAT:

#### SERVICE

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

#### INTERPREATION

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

#### APPROVAL OF TRANSACTION

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

#### VESTING OF PROPERTY

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

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

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

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

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

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

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

(ii) transfer all Crown leases listed in **Schedule "D"** to this Order standing in the name of Greenfire, to the Purchaser (or its nominee) free and clear of all Claims including Encumbrances but excluding Permitted Encumbrances; and

(iii) enter the Purchaser (or its nominee) as the owner and/or lessee of the Purchase Assets subject only to the Permitted Encumbrances;

(b) the Registrar of the Alberta Personal Property Registry (the "**PPR Registrar**") shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of Greenfire in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods; and

(c) notwithstanding the requirements of section 191(1) of the *Land Titles Act* *Land Titles Act*, RSA 2000, c.L-7 (the "**LTA**") and notwithstanding that the appeal period in respect of this Order has not elapsed, the Land Titles Registrar shall and is hereby authorized, requested and directed to forthwith register the transfer to the Purchaser (or its nominee) of all caveats currently registered in the name of the Applicant in respect of the Purchased Assets

6. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the APA. Presentment of this Order and the Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.

7. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the

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

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

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

#### **MISCELLANEOUS MATTERS**


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

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

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

and service on any other person is hereby dispensed with.

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



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Justice of the Court of Queen's Bench of Alberta

**SCHEDULE "A" - PROPOSAL TRUSTEE'S CERTIFICATE**



### Form of Proposal Trustee's Certificate

ESTATE NUMBER 25-2679073

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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

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

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

#### DOCUMENT PROPOSAL TRUSTEE'S CERTIFICATE

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTIES FILING THIS  
DOCUMENT

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

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

File No. 077186-00004

#### RECITALS

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

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

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

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

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

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

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

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

Per; \_\_\_\_\_

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

## **SCHEDULE "B" – CLAIMS**

**Alberta Crown Oilsands Lease No. 072 728201AT70**

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

**SCHEDULE "C" – PERMITTED ENCUMBRANCES**

**"Permitted Encumbrances"** means:

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

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

**SCHEDULE "D" – CROWN LEASES**

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



## APPENDIX D

Invoice			Period	Fees	Disbursements	Subtotal	GST	PST	Total
Alvarez & Marsal Canada	1	April 5, 2021 to April 30, 2021		27,892.50	-	27,892.50	1,394.63	-	29,287.13
Alvarez & Marsal Canada	2	May 1, 2021 to May 31, 2021		19,462.00	-	19,462.00	973.10	-	20,435.10
				<b>\$ 47,354.50</b>	<b>\$ -</b>	<b>\$ 47,354.50</b>	<b>\$ 2,367.73</b>	<b>\$ -</b>	<b>\$ 49,722.23</b>
McMillan LLP	3014829	April 1, 2021 to April 30, 2021		37,082.50	-	37,082.50	1,854.12	512.87	39,449.49
McMillan LLP	3014976	May 1, 2021 to May 31, 2021		15,251.00	110.00	15,361.00	762.55	29.65	16,153.20
				<b>\$ 52,333.50</b>	<b>\$ 110.00</b>	<b>\$ 52,443.50</b>	<b>\$ 2,616.67</b>	<b>\$ 542.52</b>	<b>\$ 55,602.69</b>