

Court File Number 1701- 13518  
Court COURT OF QUEEN'S BENCH OF ALBERTA  
Judicial Centre CALGARY  
Applicant STREAM ASSET FINANCIAL SPARK LP  
Respondent BLAZE ENERGY LTD. and WILD ROSE ENERGY LTD.  
Document AFFIDAVIT OF RYAN DUNFIELD  
Address for Service and Contact Information of Party Filing this Document  
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File No.: 138574-1009

**AFFIDAVIT OF RYAN DUNFIELD**

Sworn on October 6, 2017.

I, Ryan Dunfield, of Calgary, Alberta SWEAR AND SAY THAT:

1. I am the President and Managing Principal of Stream Asset Financial Spark LP ("Stream"). I have been directly involved with restructuring Blaze Energy Ltd. ("Blaze") and Wild Rose Energy Ltd. ("Wild Rose" together with Blaze, the "Debtor") since approximately August 2016. I have also reviewed Stream's books and records maintained in the ordinary course of business and in the possession of Stream with respect to the Debtor. As such I have personal knowledge of the matters hereinafter deposed to except where stated to be based on information and belief and where so stated, I believe the same to be true.
2. I am duly authorized to swear this Affidavit on behalf of Stream in its capacity as agent for and on behalf of the Lenders (as defined below).

3. This Affidavit is sworn in support of the Application of Stream for an Order, *inter alia*, appointing FTI Consulting Canada Inc. ("FTI") as receiver and manager (in such capacity, the "Receiver") of certain of the assets, property and undertaking of Wild Rose (the "Receivership Order") and an Order, *inter alia*, approving the sale and transfer of certain of the Debtor's assets to Tidewater Brazeau Gas Storage LP ("Tidewater LP") in accordance with the terms set forth in the purchase and sale agreement (the "PSA") between Tidewater LP and the Receiver, and vesting such assets in Tidewater LP on closing, free and clear of all encumbrances other than Permitted Encumbrances (as defined in the PSA) (the "Vesting Order"). Attached to the Receiver's Report as a **Confidential Appendix** is a copy of the PSA.

#### Background

4. Wild Rose is a corporation incorporated pursuant to the laws of Alberta. Wild Rose is in the business of operating an enhanced oil recovery and natural gas storage project near the Brazeau River in Alberta. Attached hereto as Exhibit "A" is a copy of the Alberta Corporate Registration System search for Wild Rose dated September 19, 2017.
5. Blaze is a corporation incorporated pursuant to the laws of Alberta. Blaze is in the business of exploring for and producing petroleum and natural gas. Blaze owns 25% of and manages Wild Rose. Attached hereto as Exhibit "B" is a copy of the Alberta Corporate Registration System search for Blaze dated September 19, 2017.

#### The Loan Agreement

6. Pursuant to an offering letter dated August 22, 2016, between Blaze, as borrower, Wild Rose, as guarantor, Maxam Opportunities Fund II Limited Partnership and Stream, as lenders (the "Lenders"), and Stream as agent for the Lenders (the "Offering Letter"), as amended by a Waiver and Amendment dated October 14, 2016 and a Consent and Amendment executed December 12, 2017 (the "Amendments"), together with a guarantee dated August 22, 2016 executed by Wild Rose in favour of the Lenders, guaranteeing the obligations of Blaze under the Offering Letter (the "Guarantee" and together with the Offering Letter and Amendments, the "Loan Agreement"), the Lenders agreed to make available to Blaze the principal amount of \$35,000,000 (the "Loan Facilities"). The October 14, 2016 Amendment was agreed to, but never formally signed. Attached hereto as Exhibits "C", "D", "E", and "F" are the Offering Letter, the Guarantee and the Amendments.
7. Pursuant to the Loan Facilities, the Lenders loaned Blaze the amount of \$30,000,000, subject to an original issue discount of 6%.
8. The Loan Agreement provides, among other things, that:
  - (a) the Loan Facilities were granted to Blaze in furtherance of its pursuit of a transaction that would result in either the sale of equity of Wild Rose or substantially all of its assets to a purchaser, or the recapitalization of Blaze and/or Wild Rose (the "Proposed Transaction"). In either case, the Proposed

Transaction was to result in net proceeds of at least \$30,000,000, with such proceeds being applied to Blaze's obligations to the Lenders;

- (b) the Loan Facilities were subject to monthly principal repayments of 1.33% of the outstanding principal, with the balance due and payable in full on April 28, 2017;
- (c) in the event the Loan Facilities were not repaid by December 31, 2016, a restructuring fee of \$5,250,000 would become payable on the earlier of April 28, 2017 and the date on which the Loan Facilities were fully repaid;
- (d) the Loan Facilities were initially subject to an interest rate of 11.5%, calculated daily and payable monthly. From October 1, 2016 onward, the interest rate rose to 16% per annum;
- (e) interest on overdue amounts is chargeable at a rate of 20% per annum, calculated daily and payable monthly;

#### The Security

- 9. As security for the payment of the amounts advanced pursuant to the Offering Letter, on August 22, 2016, each of Blaze and Wild Rose entered into \$75,000,000 fixed and floating charge demand debentures (the "Debentures") in favour of the Lenders and Stream, as agent for the Lenders, granting the following (collectively, the "Security"):
  - a) a first floating charge over all present and future undertaking, property and assets, including, without limitation, certain lands set out in a schedule to the Debentures (the "Lands"), in addition to all rights, leases (including, without limitation, petroleum and/or natural gas leases), licenses, easements, rights-of-way, profits a-prendre, interests in real property, structures, underground facilities, power, fuel and water supply, storage, waste disposal, roads and other transportation facilities and fixed plant, milling, processing, service and other related infrastructures, buildings, erections, improvements, and fixtures constructed or placed on the Lands or used in connection with the Lands and accessions thereto, and any and all proceeds of any of the foregoing; and
  - b) a fixed and specific mortgage and charge over all present and after-acquired personal property.

Attached hereto as Exhibit "G" and "H" are copies of the Debentures.

- 10. Stream registered the security interests against Blaze and Wild Rose in the Alberta Personal Property Registry (the "PPR") on August 22, 2016 with registrations 16082208302 and 16082208288. Attached hereto as Exhibits "I" and "J" are copies of PPR search results of Blaze and Wild Rose dated September 28, 2017.
- 11. According to the PPR, the Lenders are the primary secured creditors of the Debtor. Any secured creditors with priority to the Lenders are with respect to specific assets only which are not affected by the PSA.

12. As further described in the Affidavit of Texas Howard IV, the security notices registered by Société Générale against certain of Wild Rose's mineral leases relate to an interest that has been fully satisfied.

#### Defaults and Demands

13. As of April 28, 2017, Blaze and Wild Rose had failed to repay all amounts owing under the Loan Facilities in full. This breach constituted an "Event of Default" under the Loan Agreement and Debentures.
14. On or about May 8, 2017, Stream issued and delivered to Blaze and Wild Rose a notice of default (the "Notice of Default") in which Blaze and Wild Rose were advised that:
  - (a) an Event of Default had occurred and was continuing under the Loan Agreement and Debentures as a result of the failure to repay the Loan Facilities in full;
  - (b) effective April 28, 2017, interest on overdue amounts began to accrue at the rate of 20% per annum; and
  - (c) pursuant to an affirmative covenant of the Loan Agreement, the remaining balance of an unencumbered minimum-balance account was to be paid to Stream on or before May 11, 2017 (the "Blocked Account Payment").

Attached hereto as Exhibit "K" is a copy of the Notice of Default.

15. On or about May 16, 2017, Blaze, Wild Rose, the Lenders and Stream, as agent for the Lenders, entered into a forbearance agreement whereby the Lenders agreed to forbear from enforcing their legal rights and remedies under the Loan Agreement and Debentures until May 31, 2017 (the "Forbearance Agreement"). In exchange for the Lenders' temporary forbearance, Blaze and Wild Rose acknowledged their outstanding indebtedness as of May 1, 2017 in the principal amount of \$25,367,449 and \$166,900 as the interest amount, and Blaze agreed to pay the Blocked Account Payment of \$2,707,098.63 less \$558,513.20. Attached hereto as Exhibit "L" is a copy of the Forbearance Agreement.
16. As of May 31, 2017, Blaze and Wild Rose had failed and/or refused to repay all amounts owing under the Loan Facilities in full. This breach constituted an Event of Default under the Loan Agreement, Debentures and Forbearance Agreement.
17. On or about June 13, 2017, Stream issued and delivered to Blaze and Wild Rose a Notice of Intention to Enforce Security pursuant to Section 244 of the BIA (the "Section 244 Notice"), in which Blaze and Wild Rose were formally advised that, as a result of the continuing Events of Default under the Loan Agreement and Debentures, Stream, as agent of the Lenders, intended to enforce the Security granted by Blaze and Wild Rose. Attached hereto as Exhibit "M" is the Section 244 Notice.

18. On or about June 13, 2017, Blaze, Wild Rose, the Lenders and Stream, as agent for the Lenders, entered into an additional forbearance agreement whereby the Lenders agreed to forbear from enforcing their legal rights and remedies under the Loan Agreement and Debentures until July 21, 2017 (the "Amended Forbearance Agreement"). In exchange for the Lenders' temporary forbearance:
- (a) Blaze and Wild Rose acknowledged their outstanding indebtedness as of May 31, 2017 in the principal amount of \$22,838,270 and \$140,158 as the interest amount;
  - (b) Blaze agreed to pay to Stream \$279,256.50, being 50% of the remaining portion of the Blocked Account Payment;
  - (c) Blaze and Wild Rose agreed to continue to pursue an agreement for the sale of all or substantially all of their assets with a finalization of a definitive agreement by June 22, 2017 and a closing date of any transaction by July 22, 2017; and
  - (d) Blaze and Wild Rose executed a form of consent for the immediate enforcement of security by Stream (the "Consent to Enforce"), which became effective at 5:00pm on July 21, 2017.

Attached hereto as Exhibit "N" is a copy of the Amended Forbearance Agreement, which includes the Consent to Enforce.

#### **Indebtedness**

19. As of the date hereof and since July 22, 2017, Blaze and Wild Rose have failed and/or refused to repay all amounts owing under the Loan Facilities in full and are insolvent as a result of, *inter alia*, their inability to meet their obligation to repay the Loan Facilities in full. These breaches constituted and continue to constitute Events of Default under the Loan Agreement, Debentures and Amended Forbearance Agreement.
20. As of October 6, 2017, Blaze and Wild Rose are indebted to the Lenders in the principal amount of \$17,265,748.35, plus \$5,250,000 for the restructuring fee, plus \$1,131,579.32 in interest (the "Indebtedness"). Attached hereto as Exhibit "O" is a summary of the Indebtedness.

#### **Appointment of a Receiver is Necessary, Just and Appropriate**

21. I believe that it is just and convenient that a receiver and manager be appointed over the Debtor given, *inter alia*, that (a) the Debtor has agreed in the Loan Agreement and Debentures that Stream is entitled to seek the appointment of a receiver and manager following an Event of Default by Blaze and/or Wild Rose; (b) the Debtor has consented to the enforcement of the Security; and (c) the Security held by Stream on behalf of the Lenders is in jeopardy given the Debtor's illiquid circumstances.

22. The appointment of FTI as Receiver will allow for immediate steps to liquidate certain of the assets of the Debtor in a fashion that will yield the best return under the circumstances for the benefit of the Debtor's stakeholders.
23. The appointment of a Receiver is also necessary because the PSA has a condition precedent that the Receiver must obtain an Approval and Vesting Order in order to complete the transaction.
24. In addition, the Debtor's financial situation is such that it does not have the financial resources to either maintain, maximize or even preserve the value of its assets, property and undertaking. If a Receiver is appointed, Stream is prepared to make up to \$250,000 available for any interim operating needs of the received assets during any receivership period. I understand this amount of funds to be sufficient for the escrow period set out in the PSA.
25. I am advised by FTI that FTI is qualified, has agreed to act and has consented to being appointed as Receiver of the Debtor and exercise any and all of the proposed powers provided for in the draft Receivership Order and Approval and Vesting Order.

#### Approval and Sale

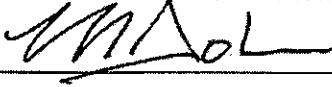
26. Pursuant to the PSA, Tidewater LP will provide a cash payment in exchange for the purchased assets. The proceeds of sale will be distributed to the Lenders. In addition, pursuant to Tidewater LP's limited partnership agreement, Stream's affiliate, Stream Asset Financial Tribus LP, will receive an earn out based on the cashflow generation of the purchased assets. However, I understand that the proposed transaction will not fully satisfy the Indebtedness.
27. In addition, the PSA also has an escrow condition whereby the purchase funds and all documents necessary to convey the purchased assets will be held, pending review and approval by the Alberta Energy Regulator (the "AER") of the transfer of the assets and related licenses. In the event the AER refuses the transfer, the purchase funds will be returned to Tidewater LP and any transfer documents will be destroyed.

#### Conclusion

28. In light of the foregoing, I believe that the order sought is reasonable, just and convenient.
29. I make this affidavit in support of the Application of Stream for, *inter alia*, Orders:
  - (a) appointing FTI as Receiver of Wild Rose; and
  - (b) approving the PSA and vesting certain of the Debtor's assets in Tidewater LP pursuant to the terms of the PSA;and not for any improper purpose.

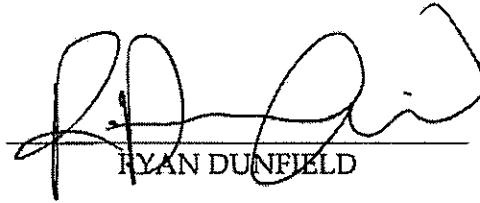
SWORN (OR AFFIRMED) BEFORE ME  
at the City of Calgary, Alberta, this  
6 day of October, 2017.

Commissioner for Oaths  
in and for the Province of Alberta



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**Matthew Dolan**  
Student-at-Law



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RYAN DUNFIELD