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ESTATE FILE NUMBERS

25-2954304
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COURT

COURT OF KING'S BENCH
OF ALBERTA

JUDICIAL CENTRE

CALGARY



MATTER

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

ENTERED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF FREE REIN RESOURCES LTD.

DOCUMENT

AFFIDAVIT NO. 3 OF TERRY MCCALLUM

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTIES
FILING THIS DOCUMENT

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File No. 77501-3

AFFIDAVIT NO. 3 OF TERRY MCCALLUM

Sworn September 26, 2023

I, Terry McCallum of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Chairman and Chief Executive Officer ("**CEO**") of the Applicant, Free Rein Resources Ltd. ("**Free Rein**" or the "**Applicant**"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.
2. I swear this Affidavit in support of Free Rein's application scheduled for October 5, 2023 (the "**Application**") seeking, among other things, the Third Stay Extension to the Proposal Period.
3. Unless otherwise stated, all references to currency in this Affidavit are to \$CAD. Unless otherwise defined herein, capitalized terms have the meaning given to them in the Application, my Affidavits sworn in these proceedings on July 4, 2023 and August 18, 2023 or the Third Report

(the "**Third Report**") of FTI Consulting Canada Inc. ("**FTI**") in its capacity as the proposal trustee of Free Rein (FTI in such capacity, the "**Proposal Trustee**").

Background

4. Free Rein is a private corporation incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta.

5. Free Rein has 47 shareholders, holding between approximately 0.15% and 35% of the issued and outstanding common shares.

6. Free Rein is an oil and gas company headquartered in Calgary, Alberta. Free Rein's core operations are located in Central Alberta in the Golden Spike area, focused on multi zone, light oil and gas plays.

7. Free Rein has 9 full-time employees and consultants working out of its offices in Calgary, Alberta.

NOI and Creditors

8. On June 12, 2023, Free Rein commenced the within proceedings (the "**NOI Proceedings**") by filing a Notice of Intention to Make a Proposal (the "**NOI**") with the Official Receiver pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). FTI was appointed as the Proposal Trustee.

9. As of the date of the NOI, Free Rein's books and records indicated that it owes its creditors approximately \$11,789,755.34.

10. Since the filing of the NOI, Free Rein has been in constant communications with its vendors and unsecured creditors. I continue to estimate that 85% of the vendors and unsecured creditors that have been contacted are supportive of Free Rein in these proceedings, and are also supportive of Free Rein's efforts to refinance the Invico Loan, the Tartan Loan, and fund a proposal in these proceedings.

11. On July 4, 2023, Free Rein sought and obtained an extension to the Proposal Period up to and including August 25, 2023 (the "**First Stay Extension**").

12. On August 25, 2023, Free Rein sought and obtained a second extension to the Proposal Period up to and including October 9, 2023 (the "**Second Stay Extension**").

The Second Stay Extension and Restructuring Efforts

13. Since the Second Stay Extension, Free Rein has continued to pursue numerous activities with a view to advancing its NOI Proceedings, restructuring its affairs, and working towards its goal of presenting a proposal to its creditors (a "**Proposal**"). These steps have included, but are not limited to:

- (a) continuing to provide FTI with access to Free Rein's books and records;
- (b) working with FTI and Free Rein's counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**") generally, and in particular with respect to:
 - (i) exploring and considering the various exit strategies available to Free Rein in the context of these proceedings, including the structure and financing of any Proposal; and
 - (ii) preparing cash flow projections and identifying issues with respect to Free Rein's financial condition;
- (c) communicating and engaging with stakeholders, employees, contractors, vendors and creditors generally;
- (d) reviewing its operating expenses, pursuing the collection of accounts receivable and taking other steps to ensure Free Rein remains financially viable without recourse to interim financing during the NOI Proceedings;
- (e) commencing a sale, refinancing and investment solicitation process (the "**SISP**");
- (f) subject to the limitations imposed by the SISP, continuing to conduct discussions with prospective investors and purchasers; and
- (g) communicating with Ground State Market Solutions ("**GSMS**") as a potential advisor to assist Free Rein in sourcing a transaction of sufficient value to fund a proposal in these proceedings.

14. Free Rein requires an extension to the Proposal Period up to and including November 23, 2023 (the "**Third Stay Extension**"). The Third Stay Extension will allow Free Rein to, among other things:

- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
- (b) continue operations and generate revenue;
- (c) continue implementing the SISP; and
- (d) preserve and enhance the value of Free Rein's business, for the benefit of all Free Rein's stakeholders.

15. Free Rein's creditors will not be prejudiced by the Third Stay Extension. Rather, the Third Stay Extension is critical to ensure that Free Rein can continue its operations and maximize the value of its assets which will benefit its Proposal or restructuring to the benefit of Free Rein and all of its stakeholders.

SISP update

16. Free Rein and the Proposal Trustee are in the process of implementing the SISP.

17. The SISP was approved on August 25, 2023.

18. I am informed by BD&P and do verily believe that further details with respect to progress made SISP will be contained in the Third Report. The SISP includes the following proposed milestones (each as defined therein):

Milestone	Deadline
Creation of List of Known Potential Bidders and distribution of Teaser Letters and NDAs to Known Potential Bidders	September 1, 2023
Free Rein and Proposal Trustee to prepare and have available for Potential Bidders the Data Room	September 8, 2023
Phase 1 Bid Deadline	October 2, 2023

Phase 2 Bid Deadline	November 6, 2023
Transaction Approval Application Hearing	November 17, 2023
Closing Date Deadline	December 11, 2023

19. If granted, the Third Stay Extension will allow Free Rein to preserve the value of its business and assets as a whole by minimizing any disruptions while conducting the SISP, which will ensure that Free Rein's creditors will be able to maximize their recovery. All stakeholders generally, including creditors, will benefit from these proceedings.

20. In the event of a liquidation under a bankruptcy scenario where all operations would be terminated, the value of Free Rein's assets would be substantially reduced. Free Rein anticipates that that the SISP in the context of the present proceedings will yield better results than any conceivable "go-dark" scenario.

21. Free Rein's management, in consultation with the Proposal Trustee, will continue to work in good faith on a restructuring path forward, which will include maximization of returns to stakeholders and the next phase of the SISP.

Relief Sought

22. Free Rein has acted in accordance with the BIA, in good faith and with due diligence since filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Free Rein will be materially prejudiced if this Honourable Court grants the relief sought.

23. I make this Affidavit in support of an Order approving the Third Stay Extension Order and for no improper purpose.

SWORN BEFORE ME at the City of Calgary,)
 in the Province of Alberta this 26th day of)
 September, 2023)

A Commissioner for Oaths in and for the
 Province of Alberta

David LeGeyt
 Barrister & Solicitor



TERRY MCCALLUM