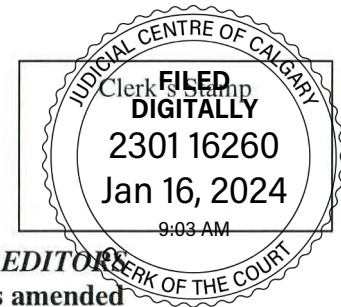


COURT FILE NUMBER **2301-16260**

COURT **COURT OF KING'S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**



**IN THE MATTER OF THE COMPANIES' CREDITORS'  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF FREE REIN RESOURCES LTD.**

APPLICANT **INVICO DIVERSIFIED INCOME LIMITED  
PARTNERSHIP by its general partner INVICO  
DIVERSIFIED INCOME MANAGING GP INC.**


DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT  
INFORMATION OF PARTY FILING THIS  
DOCUMENT

**FASKEN MARTINEAU DUMOULIN LLP**  
#3400 – 350 7th Avenue SW  
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File Number 324505.00011

**AFFIDAVIT #2 OF CHRIS WUTZKE**

  
**Sworn (or Affirmed) on January 15, 2024**

I, Chris Wutzke, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Chief Investment Officer of Invico Diversified Income Limited Partnership (“**Invico**”).  
As such, I have personal knowledge of the matters deposed herein, except where such matters are stated to be based on information and belief, and where so stated, I believe same to be true.
2. I am authorized to swear this Affidavit on behalf of Invico.

**I. RELIEF SOUGHT**

3. I swear this Affidavit in support of an application by Invico for an Order (the “**Stay Extension Order**”) to extend the Stay Period, as defined in the Amended and Restated Initial Order granted in these proceedings on December 7, 2023 (the “**ARIO**”), from January 31, 2024 to March 15, 2024.

**II. BACKGROUND**

**A. *Free Rein Business***

4. The history of Free Rein’s business and Invico’s involvement as Free Rein’s lender is set out in my Affidavit sworn December 4, 2023 in these Proceedings (the “**First Wutzke Affidavit**”). This Affidavit is intended to supplement the First Wutzke Affidavit and to provide additional information relevant to the application for the Stay Extension Order.
5. Capitalised terms used herein have the same meaning as in the First Wutzke Affidavit, unless otherwise defined.

**B. *The SISP under the NOI Proceedings***

6. As noted in my First Affidavit, Free Rein conducted a sale and investment solicitation process (“**SISP**”) beginning in late August of 2023, which was supervised by FTI in its capacity as proposal trustee. As part of the SISP, Invico submitted a stalking horse term sheet (the “**Stalking Horse Term Sheet**”) that contemplated Invico acquiring all of Free Rein’s business or property by way of either an asset purchase or a share transaction in consideration for a credit bid in the amount of the secured indebtedness owing by Free Rein to Invico, plus cure costs and priority payables.
7. I understand from reviewing the Fourth Report of the Proposal Trustee in the NOI Proceeding, dated November 17, 2023 (the “**Trustee’s Fourth Report**”), that 23 parties executed non-disclosure agreements for the SISP and were granted access to Free Rein’s virtual data room. Nine parties submitted non-binding LOIs by the Phase 1 Bid Deadline (including the stalking horse bid submitted by Invico). Of the parties that submitted non-binding LOIs, six were determined by the Proposal Trustee and Free Rein to be qualified bidders permitted to conduct further due diligence, with a view to submitting a binding formal offer before the Phase 2 Bid Deadline.

8. I also understand from reviewing the Trustee's Fourth Report and through discussions with the Proposal Trustee, that two formal offers were received, outside of the Stalking Horse Term Sheet, on or before the Phase 2 Bid Deadline of November 6, 2023. One such offer was from a group led and organized by Mr. McCallum. Attached hereto as **Exhibit "A"** is a copy of the Trustee's Fourth Report.
9. On November 15, 2023, just over a week after the Phase 2 Bid Deadline, Tidewater, being the owner of the gas plant that processed all of Free Rein's natural gas production (the "**Gas Plant**"), notified Free Rein that Tidewater would be shutting down the Gas Plant as of November 30, 2023 and would be unable to accept Free Rein's production at the Gas Plant after November 30, 2023. Tidewater advised that it anticipated issuing "force majeure" notices to Free Rein under the Gas Handling Agreement and the Emulsion Handling Agreement (the "**Force Majeure Notice**").
10. As a result of the Gas Plant shut down, Free Rein was forced to shut in all of its producing wells.
11. On or about November 18, 2023, the Proposal Trustee advised all parties that had submitted offers by the Phase 2 Bid Deadlines of the anticipated Force Majeure Notice and the Gas Plant's impending shutdown. The parties that had submitted offers did not advance their offers and no qualified bids were thereafter received.
12. As a result, and in order to preserve the value of its security, Invico advised Free Rein and the Proposal Trustee that it intended to proceed with a transaction for the acquisition of Free Rein's business through a share transaction on similar terms to those in the Stalking Horse Term Sheet, with some modifications (the "**Transaction**").
13. In order to provide Invico with sufficient time to conduct due diligence and to prepare definitive documents to consummate the Transaction, on December 7, 2023, Invico applied to have the NOI Proceedings continued under the *Companies' Creditors Arrangement Act*, RSC 19985, c C-36 (the "**CCAA**", and such application being the "**Continuation Application**").
14. At the Continuation Application, the Honourable Justice Nielsen granted an Initial Order and an Amended and Restated Initial Order ("**ARIO**") which provided the relief sought by Invico, including appointing FTI as Monitor with enhanced powers, and providing for a Stay Period until January 31, 2024.

### **III. PROGRESS SINCE THE COMMENCEMENT OF CCAA PROCEEDINGS**

**A. Current State of the Free Rein's Assets**

15. On November 24, 2023, Tidewater issued the Force Majeure Notice to Free Rein.
16. As noted above and in the First Wutzke Affidavit, all of Free Rein's producing oil and gas assets (the "**O&G Assets**") were shut-in on or around November 30, 2023 as a result of the Force Majeure Notice from Tidewater.
17. Approximately 40% of Free Rein's gas production contains sour gas, which requires specialized infrastructure for transportation and processing. The only infrastructure in the region surrounding the O&G Assets that is capable of transporting Free Rein's oil and gas production by pipeline, leads to the Tidewater Gas Plant.
18. On December 13, 2023, Free Rein, with the assistance of representatives from Invico, submitted a letter to the Alberta Energy Regulator (the "**AER**") seeking emergency permission to flare gas volumes produced from three wells capable of producing both oil and natural gas (the "**Emergency Flaring Application**"). Such permission would allow Free Rein to produce oil from those certain three wells to be trucked to a refinery and flare (i.e. combust) the produced gas at the well-head (i.e. "associated gas") obviating the need for the gas to be processed at a gas plant. Attached hereto and marked as **Exhibit "B"** is a copy of the Emergency Flaring Application.
19. I understand that on December 18, 2023 the AER granted Free Rein emergency permission to flare the natural gas produced from three wells on a temporary basis (the "**Temporary Flaring Permission**"), on the express understanding that Free Rein would seek formal authorization to flare or incinerate produced gas and investigate and perform analysis of alternative solutions to conserve the associated gas. I understand that this Temporary Flaring Permission may be rescinded at any time.
20. Free Rein commenced production from three wells on or around December 20, 2023. Average production from these wells is approximately 82 barrels of oil per day.
21. While the Temporary Flaring Permission has enabled Free Rein to produce its oil for an uncertain period of time, Invico is working with Trevor Dublonko, a representative from Free Rein retained by the Monitor in a consulting capacity, to complete a full evaluation of alternative options to deal with the solution gas associated with Free Rein's oil production. Producing oil alone makes Free Rein significantly less economic than it was when it produced both its oil and natural gas, and so



the longer-term alternative options are being evaluated not only from an operational standpoint, but also from an economic viability perspective.

**B. Due Diligence**

22. Since the continuation of these proceedings under the CCAA, Invico has been conducting various due diligence in respect of the Transaction, including but not limited to:

- (a) working with Free Rein's representative on a start up plan for the oil and gas that is within regulatory guidelines, including the short-term plan involving the application for the Emergency Flaring Permission;
- (b) reviewing Free Rein's available books and records;
- (c) analyzing the language and background of certain Free Rein contracts, including certain gross overriding royalties Free Rein had granted to non-arm's length parties;
- (d) communicating with contract counterparties to understand the mechanics and economics of certain contracts, including a joint venture agreement Free Rein had entered into in respect of a water disposal well.


23. Unfortunately, upon commencing the due diligence process, Invico discovered that many of Free Rein's records were incomplete or missing. Examples include:

- (a) Invico has been unable to substantiate or ascertain the legitimacy of several of gross overriding royalty agreements, many of which were only identified during the week of January 3, 2024, and certain of which conflict with information previously provided by Free Rein's former officers or Free Rein's accounting records;
- (b) Free Rein's minute book was only provided to Invico on January 11, 2024, despite repeated requests to Mr. McCallum and Free Rein's former legal counsel; and
- (c) Invico has not been provided, nor yet obtained all of the relevant financial statements, corporate income tax returns, GST returns, and supporting or related documents in order to determine certain components of the Stalking Horse Term Sheet with sufficient confidence.

24. Invico has spent considerable time and effort trying to fill information gaps and locate missing documents; however, the challenges that Invico has encountered in this regard have significantly delayed Invico's preparation of the definitive documents for the Transaction.

- 25. Invico has also worked with the Monitor to obtain records and to disclaim Free Rein's head office lease. I understand that the Monitor has worked with Free Rein's representatives to develop Free Rein's cash flow forecast.. I have reviewed the cash flow forecast with the Monitor and I accept the forecast provided therein.
  
- 26. Invico continues to conduct its due diligence with a view to consummate the Transaction but requires additional time before it can advance definitive documents. Accordingly, Invico is requesting an extension of the Stay Period (as defined in the ARIO) from January 31, 2024, to March 15, 2024. As part of the application to approve the Transaction, Invico anticipates it will apply to vest off certain royalty interests in certain of Free Rein's assets, including those referenced by Free Rein as the shareholder royalty and the Newgrange royalty.
  
- 27. Invico will fund the cash flow shortfall during the proposed extension period from its existing debt facility to maximum amount of \$120,000 based on the most recent cash flow projection prepared.
  
- 28. I do verily believe that Invico has acted and continues to act in good faith and with due diligence.
  
- 29. I swear this affidavit in support of Invico's application for an extension of the Stay Period pursuant to the Stay Extension Order proposed.

*Affirmed on*  
 SWORN BEFORE ME at Calgary, Alberta, this )  
 15th day of January, 2024. )  
 )  
 )  
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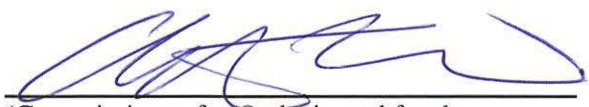
  
 \_\_\_\_\_  
 Commissioner for Oaths in and for the Province )  
 of Alberta )

  
 \_\_\_\_\_  
 CHRIS WUTZKE

**Anthony Mersich**  
**Barrister and Solicitor**

*affirmed*

This is **Exhibit A** referred to in the affidavit of Chris Wutzke ~~sworn~~ before me on January 15, 2024.



(Commissioner for Oaths in and for the  
Province of Alberta)

**Anthony Mersich**  
**Barrister and Solicitor**

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COURT FILE NUMBER/ESTATE NUMBERS 25-2954304 B201954304

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

C111569

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 FREE REIN RESOURCES LTD.

DOCUMENT **FOURTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE OF FREE REIN RESOURCES LTD.**

**November 17, 2023**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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## FOURTH REPORT OF THE PROPOSAL TRUSTEE

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Appendix “A” – Cash Flow Statement for the period ending December 30, 2023

## INTRODUCTION

1. On June 12, 2023 (the “**Filing Date**”), Free Rein Resources Ltd. (“**Free Rein**” or the “**Company**”), a private corporation formed under the laws of Alberta filed a Notice of Intention (the “**NOI**”) to make a proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”).
2. FTI Consulting Canada Inc. (“**FTI**”) was appointed as proposal trustee (FTI in such capacity, the “**Proposal Trustee**”) in the NOI proceedings of Free Rein (the “**Proceedings**”).
3. On July 11, 2023, the Court of King’s Bench of Alberta (the “**Court**”), granted an Order which, among other things:
  - (a) approved a first ranking administrative charge on all of the Company’s present and after-acquired assets, property and undertakings, not to exceed \$200,000; and
  - (b) extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to August 25, 2023.
4. On August 25, 2023, the Court, granted an Order which, among other things:
  - (a) extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to October 9, 2023;
  - (b) approved a sale and investment solicitation process (the “**SISP**”) and the Stalking Horse Term Sheet (as defined in the SISP); and
  - (c) authorized the Proposal Trustee, with the assistance of the Company, to administer the SISP.

5. On October 5, 2023, the Court, granted an Order which, among other things extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to November 23, 2023.
6. This Fourth report of the Proposal Trustee (the “**Fourth Report**”) is filed in connection with the Company’s application currently scheduled to be heard on November 23, 2023 (the “**November 23 Application**”), seeking an Order from the Court, among other things, extending the time for Free Rein to file a proposal to December 12, 2023 (the “**Stay Period**”).
7. Electronic copies of all materials filed by the Company in connection with the November 23 Application and other statutory materials are available on the Proposal Trustee’s website at: <http://cfcanada.fticonsulting.com/freerein>.

## **PURPOSE**

8. The Proposal Trustee has reviewed the Court materials filed by the Company in support of the November 23 Application. The purpose of this Fourth Report is to provide information to this Honourable Court pertaining to:
  - (a) the Company’s operations and assets;
  - (b) the status of the Company’s restructuring efforts, including comments on the SISP;
  - (c) budget to actual cash flow results for the period ended November 11, 2023;
  - (d) the Company’s updated cash flow statement (the “**Cash Flow Statement**”) for the period ending December 30, 2023;
  - (e) the Company’s request for an extension to the Stay Period; and
  - (f) the Proposal Trustee’s conclusions and recommendations.



## TERMS OF REFERENCE

9. In preparing this Fourth report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
10. Except as described in this Fourth Report:
  - (a) the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;
  - (b) the Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
  - (c) future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
11. The Proposal Trustee has prepared this Fourth Report in connection with the November 23 Application. This Fourth Report should not be relied on for other purposes.
12. Information and advice described in this Fourth Report that has been provided to the Proposal Trustee by its legal counsel, Cassels Brock & Blackwell LLP (the "**Proposal Trustee's Counsel**"), was provided to assist the Proposal Trustee in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.



13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
14. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the SISP and Stalking Horse Term Sheet.

## **P&NG ASSETS & OPERATIONS**

15. The primary objectives of these Proceedings are to:
  - (a) ensure the Company has the necessary stability to maintain ongoing operations while it seeks to restructure its financial affairs; and
  - (b) provide a forum to effectuate a restructuring transaction for the benefit of the Company's creditors and preserve Free Rein's going concern business.
16. The Company's petroleum and natural gas assets ("**P&NG Assets**") are located primarily in Central Alberta in the Golden Spike area.
17. Since the Filing Date the Company has maintained the operation of the P&NG Assets without any material disruption and the P&NG Assets are currently producing approximately 425 boe/d.
18. On November 15, 2023, the Company received email (the "**November 15 Email**") notification from the counterparty (the "**Counterparty**") to its Gas Handling Agreement (the "**GH Agreement**") and Emulsion Handling Agreement (the "**EH Agreement**") indicating that the Counterparty:
  - (a) anticipates receiving inlet gas volumes at levels below the minimum required volume to safely run the plant on or about November 30, 2023;
  - (b) will be unable to accept, process and handle the Company's natural gas and non-gas substances as per the GH Agreement and EH Agreement;

- (c) expects to issue a force majeure notice under the GH Agreement and EH Agreement on or about November 30, 2023 (the “**FM Notice**”), when plant inlet volumes drop below the minimum required volume; and
  - (d) will notify the Company should anything change prior to November 30, 2023.
19. The Proposal Trustee understands that under the GH Agreement and EH Agreement, either party may be entitled to suspend its obligations under those agreements if it such party is prevented by force majeure from fulfilling any obligations.
20. The Proposal Trustee understands that the Company and its counsel are in the process of reviewing the November 15 Email and the impact of the FM Notice on the Company’s operations and cash flow.
21. If the FM Notice is issued and the services under the GH Agreement and EH Agreement are suspended, including payment of all amounts to the Company under those agreements (collectively, the “**Suspension of Services**”), the Proposal Trustee anticipates that this would result in a material change to the Company’s operations and cash flow due to the inability to process its natural gas production.
22. However, the Proposal Trustee also notes that even if the Suspension of Services took effect immediately on November 30, 2023, the Suspension of Services would materially reduce the Company’s production beginning December 1, 2023, and would not impact the Cash Flow Statement for the Stay Period requested in the November 23 Application, as revenue receipts are received on the 25th of every month for the preceding month’s production.
23. The Proposal Trustee anticipates providing further information and updates to stakeholders and this Honourable Court when available.

## SALE AND INVESTMENT SOLICITATION PROCESS

24. The Proposal Trustee, with the assistance of the Company, was authorized to administer the SISP to broadly canvas potential purchasers and investors in a structured manner to maximize value for the benefit of the Company's creditors and stakeholders.
25. For ease of reference, key dates included in the SISP are set out in the table below:

<b>Milestone</b>	<b>Deadline</b>
Free Rein, the Proposal Trustee and Stalking Horse Bidder to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	September 1, 2023
Free Rein and the Proposal Trustee to prepare and have available for Potential Bidders access to the VDR	September 8, 2023
Phase 1 Bid Deadline	October 2, 2023
Phase 2 Bid Deadline	November 6, 2023
Closing Date Deadline	December 11, 2023

26. The Proposal Trustee can advise that the milestones set out in SISP have been met to date and the Proposal Trustee and the Company have continued to advance the SISP. A summary of Phase 1 of the SISP is set out below.
- (a) Teaser Letter was distributed to Known Potential Bidders on September 1, 2023;
  - (b) VDR was made available to Potential Bidders on September 8, 2023; and
  - (c) 23 parties executed a non-disclosure agreement and were granted access to the VDR; and
  - (d) 9 LOI's, in addition to the Stalking Horse Term Sheet, were received by the Phase 1 Bid Deadline.

27. The Proposal Trustee, in consultation with the Company, reviewed the LOIs and determined that six Phase 1 Qualified Bidders, in addition to the Stalking Horse Bidder, had submitted a Qualified LOI and were determined to be Phase 2 Qualified Bidders.
28. The Proposal Trustee and the Company assisted Phase 2 Qualified Bidders with due diligence requests during Phase 2. Prior to the Phase 2 Bid Deadline, the Proposal Trustee sent a bid instruction letter to Phase 2 Qualified Bidders setting out the requirements for a Phase 2 Bid.
29. The Proposal Trustee received two Phase 2 Bids, in addition to the Stalking Horse Term Sheet, on or before the Phase 2 Bid Deadline.
30. Pursuant to paragraph 37 of the SISP, the Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten business days of the Phase 2 Bid Deadline.
31. As of the date of this Fourth Report, the Proposal Trustee is still evaluating the Phase 2 Bids and has requested additional information from the Phase 2 Qualified Bidders to determine whether the Phase 2 Bids constitute Qualified Bids. The Proposal Trustee intends to report further to this Honourable Court on the results of the SISP at a later date.
32. The Proposal Trustee has also advised the Phase 2 Qualified Bidders of the FM Notice and is currently discussing the potential impact on their Phase 2 Bid, if any.

## BUDGET TO ACTUAL RESULTS

33. The Company's actual cash flows as compared to those contained in the cash flow statement for the seven week period of September 24, to November 11, 2023, is summarized below.

<b>7 Week Period Ended November 11, 2023</b>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>(C\$ 000s)</b>			
<b>Receipts</b>			
Net production revenue	\$ 981	\$ 896	\$ 85
Other receipts	2	-	2
<b>Total - Receipts</b>	<b>983</b>	<b>896</b>	<b>87</b>
<b>Disbursements</b>			
Royalties	(30)	(51)	21
Transportation costs	(67)	(69)	1
Operating expenses	(261)	(254)	(7)
Capex	-	-	-
SG&A expense	(296)	(227)	(69)
Professional fees	(280)	(225)	(55)
GST remittance	-	-	-
<b>Total - Disbursements</b>	<b>(934)</b>	<b>(826)</b>	<b>(108)</b>
<b>Net cash flow</b>	<b>49</b>	<b>71</b>	<b>(21)</b>
Opening cash	26	26	-
Net cash flow	49	71	(21)
<b>Ending cash</b>	<b>\$ 76</b>	<b>\$ 97</b>	<b>\$ (21)</b>

34. The variances in actual receipts and disbursements as compared to the Cash Flow Statement are primarily due to the following:
- Receipts: positive variance of approximately 87,000 primarily due to higher realized pricing for the Company's oil and natural gas liquids than forecast and GST collected on sales which was not included in the forecast;
  - Disbursements: negative variance of approximately \$108,000 primarily comprised of the following:

- lower royalty payments than forecast in the period (timing variance expected to reverse in future periods);
- transportation costs and operating expenses were substantially in line with forecast in the period;
- SG&A expense was higher than budget partially due to the timing of funding payroll in the week ending November 11, 2023; and
- professional fees were higher than forecast, a portion of the variance is related to the catchup of outstanding professional fees from prior periods.

35. As at November 11, 2023, the Company had approximately \$76,000 of cash on hand.

#### **COMPANY'S ENGAGEMENT OF THIRD-PARTY CONSULTANT**

36. In its Third Report the Proposal Trustee reported in that the Company had engaged a third party consultant ("**Third Party Consultant**") that the Company believed could bring unique capital/financing solutions to support the Company's efforts to repay its secured creditors and fund a proposal to the Company's unsecured creditors.
37. The Proposal Trustee was notified on November 1, 2023, that the Third Party Consultant has ceased working on these refinancing efforts.

## CASH FLOW STATEMENT

38. The Company, in consultation with the Proposal Trustee, has prepared an updated Cash Flow Statement to estimate the Company's liquidity for the period from November 12, 2023, to December 30, 2023 (the "**Forecast Period**"), a summary of which is presented below. A copy of the Cash Flow Statement is attached hereto as Appendix "A".

<b>Cash Flow Statement</b>	
<b>(C\$ 000s)</b>	<b>Total</b>
<b>Receipts</b>	
Net production revenue	\$ 810
Other receipts	-
<b>Total - Receipts</b>	<b>810</b>
<b>Disbursements</b>	
Royalties	(26)
Transportation costs	(66)
Operating expenses	(213)
Capex	-
SG&A expense	(295)
Professional fees	(270)
GST remittance	(14)
<b>Total - Disbursements</b>	<b>(884)</b>
<b>Net cash flow</b>	<b>(73)</b>
Opening cash	76
Net cash flow	(73)
<b>Ending cash</b>	<b>\$ 2</b>

39. The Cash Flow Statement projects the Company will have net cash flow of approximately negative \$73,000 over the Forecast Period, including:
- cash receipts of approximately \$0.8 million, primarily related to the collections from the sale of petroleum and natural gas substances;
  - cash disbursements of approximately \$0.9 million primarily related to trade payments, payroll and benefits, other operating disbursements and professional fees.

40. As noted above, the FM Notice will not impact the Cash Flow Statement for the Stay Period requested at the November 23 Application as the forecast receipts relate to revenue generated for periods prior to November 30, 2023.
41. The Cash Flow Statement does not contemplate the payment of any amounts to secured creditors, including principal and interest. The Proposal Trustee is of the view that this is appropriate in light of:
- (a) the relatively accelerated timeline provided for by the extension of the Stay Period;
  - (b) to ensure that cash resources are maintained to facilitate the Company's restructuring efforts; and
  - (c) to minimize any potential prejudice to other post-filing creditors by paying amounts accruing to secured creditors.
42. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred.
43. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by the Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.



44. Based on the Proposal Trustee's review, as at the date of this Fourth Report, nothing has come to its attention that causes it to believe that, in all material respects:
- (a) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement; and
  - (b) the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Cash Flow Statement.

### **PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS**

45. The stay of proceedings expires on November 23, 2023. At the November 23 Application, the Company is requesting an extension of the stay of proceedings to December 12, 2023.
46. The Proposal Trustee is of the view that the requested extension of the stay of proceedings is appropriate pursuant to section 50.4(9) of the BIA for the following reasons:
- (a) the Company and its management are acting in good faith and with due diligence in taking steps to facilitate a restructuring of the business;
  - (b) the extension of the Stay Period will allow sufficient time for the Company to advance the SISP enhancing the prospect of a viable proposal being presented;
  - (c) the Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proceedings to December 12, 2023; and
  - (d) the Proposal Trustee is not aware of any reason that the extension of the Stay Period would materially prejudice any creditors.

47. Based on the foregoing, Proposal Trustee supports the relief being sought by the Company and respectfully recommends that the Court grant the relief referenced in paragraph 6 herein.

All of which is respectfully submitted this 17th day of November 2023.

FTI Consulting Canada Inc.  
in its capacity as Proposal Trustee of  
Free Rein Resources,  
not in its personal or corporate capacity



Name: Dustin Olver, CPA, CA, CIRP, LIT  
Title: Senior Managing Director,  
FTI Consulting Canada Inc.

## **Appendix “A” – Cash Flow Statement for the period ending December 30, 2023**

Free Rein Resources Ltd.

Cash Flow Statement for the period from November 12, 2023 to December 30, 2023

Cash Flow Statement (C\$ 000s)	Week 1 18-Nov	Week 2 25-Nov	Week 3 2-Dec	Week 4 9-Dec	Week 5 16-Dec	Week 6 23-Dec	Week 7 30-Dec	Total	Notes
<b>Receipts</b>									
Net production revenue	\$ -	\$ 459	\$ -	\$ -	\$ -	\$ -	\$ 351	\$ 810	1
Other receipts	-	-	-	-	-	-	-	-	
<b>Total - Receipts</b>	-	<b>459</b>	-	-	-	-	<b>351</b>	<b>810</b>	
<b>Disbursements</b>									
Royalties	-	-	-	(26)	-	-	-	(26)	2
Transportation costs	-	(36)	-	-	-	-	(30)	(66)	3
Operating expenses	-	(102)	(30)	-	-	-	(81)	(213)	4
Capex	-	-	-	-	-	-	-	-	5
SG&A expense	(38)	-	(92)	-	(73)	-	(92)	(295)	6
Professional fees	-	(135)	-	-	-	-	(135)	(270)	7
GST remittance	-	-	-	-	-	-	(14)	(14)	
<b>Total - Disbursements</b>	<b>(38)</b>	<b>(273)</b>	<b>(122)</b>	<b>(26)</b>	<b>(73)</b>	-	<b>(352)</b>	<b>(884)</b>	
<b>Net cash flow</b>	<b>(38)</b>	<b>186</b>	<b>(122)</b>	<b>(26)</b>	<b>(73)</b>	-	<b>(1)</b>	<b>(73)</b>	
Opening cash	76	38	224	102	76	3	3	76	
Net cash flow	(38)	186	(122)	(26)	(73)	-	(1)	(73)	
<b>Ending cash</b>	<b>\$ 38</b>	<b>\$ 224</b>	<b>\$ 102</b>	<b>\$ 76</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 2</b>	<b>\$ 2</b>	



FREE REIN RESOURCES LTD.

Per: Terry McCallum, CEO

FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE  
OF INTENTION TO MAKE A PROPOSAL

Per: Dustin Olver, LIT

**Notes:**


Management of Free Rein Resources Ltd. ("FRR") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of FRR during the period of November 12, 2023 to December 30, 2023. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-7. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 Net production revenue relates to the sale of FRR's petroleum and natural gas production. Production is based on current forecast production. The forecast sales prices are based on third party price forecasts and FRR's quality discount to benchmark pricing. Crown royalties for oil production are paid in kind.
- 2 Royalty expense relates to royalties paid to the crown and freehold land owners and are based on historical rates.
- 3 Transportation costs relate to transporting FRR's petroleum and natural gas production from well head to market and is based on projected production volumes and transportation rates.
- 4 Operating expenses are based on the FRR's annual operating budget and relates to the costs associated with the operation of oil and natural gas wells and facilities.
- 5 Capital expenditure based on planned capital projects and environmental spending.
- 6 SG&A expense includes costs associated with FRR's head office, employees, office lease and overhead based on its annual budget.
- 7 Professional fees includes estimates for the proposal trustee and its counsel and FRR's legal counsel.

Free Rein Resources Ltd.  
Cash Flow Statement for the period from November 12, 2023 to December 30, 2023

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GST remittance	-	-	-	-	-	-	(14)	(14)	
<b>Total - Disbursements</b>	<b>(38)</b>	<b>(273)</b>	<b>(122)</b>	<b>(26)</b>	<b>(73)</b>	<b>-</b>	<b>(352)</b>	<b>(884)</b>	
<b>Net cash flow</b>	<b>(38)</b>	<b>186</b>	<b>(122)</b>	<b>(26)</b>	<b>(73)</b>	<b>-</b>	<b>(1)</b>	<b>(73)</b>	
Opening cash	76	38	224	102	76	3	3	76	
Net cash flow	(38)	186	(122)	(26)	(73)	-	(1)	(73)	
<b>Ending cash</b>	<b>\$ 38</b>	<b>\$ 224</b>	<b>\$ 102</b>	<b>\$ 76</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 2</b>	<b>\$ 2</b>	

FREE REIN RESOURCES LTD.  
Per: Terry McCallum, CEO

  
FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE  
OF INTENTION TO MAKE A PROPOSAL  
Per: Dustin Olver, LIT

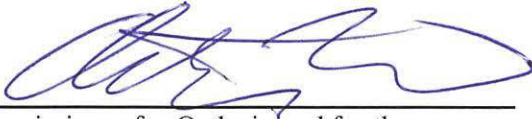
**Notes:**

Management of Free Rein Resources Ltd. ("FFR") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of FRR during the period of November 12, 2023 to December 30, 2023. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-7. Consequently, actual results will likely vary from actual performance and such variances may be material.

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- 6 SG&A expense includes costs associated with FRR's head office, employees, office lease and overhead based on its annual budget.
- 7 Professional fees includes estimates for the proposal trustee and its counsel and FRR's legal counsel.

*affirmed*

This is **Exhibit B** referred to in the affidavit of Chris Wutzke ~~sworn~~ before me on January 15, 2024.



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(Commissioner for Oaths in and for the  
Province of Alberta)

Anthony Mersich  
Barrister and Solicitor

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December 13<sup>th</sup>, 2023

Elise Hirschfeld, C.E.T.  
 Specialist, Directive 060 Applications,  
 Infrastructure, Regulatory Applications  
 Alberta Energy Regulator  
 Suite 1000  
 250 – 5 Street SW  
 Calgary, Alberta T2P 0R4

Re: Free Rein Golden Spike Asset Emergency Flare Application

Dear Ms. Hirschfeld;

Free Rein is respectfully requesting approval to flare associated gas volumes in order to produce oil from three wells in the Golden Spike field. This request is in response to a recent notice of Force Majeure by Tidewater Midstream whereby Tidewater has shut down their Acheson Facility at the 05-02-53-26W4 (Acheson Plant).

Free Rein acquired the Golden Spike asset in November 2018. Production was reactivated in January 2020 (Figure 1 – Free Rein Production). Since production recommenced, Free Rein grew production to 550 BOE per day. More recently, over the last 6 months, Free Rein has averaged 416 BOE per day (Figure 2 – Six-month Production Average). This production is comprised of 13.3 m<sup>3</sup>/d oil, 37 10<sup>3</sup>m<sup>3</sup>/d natural gas, and 18.4 m<sup>3</sup>/d NGL.

Figure 1a – Free Rein Historical Production (BOE/day)

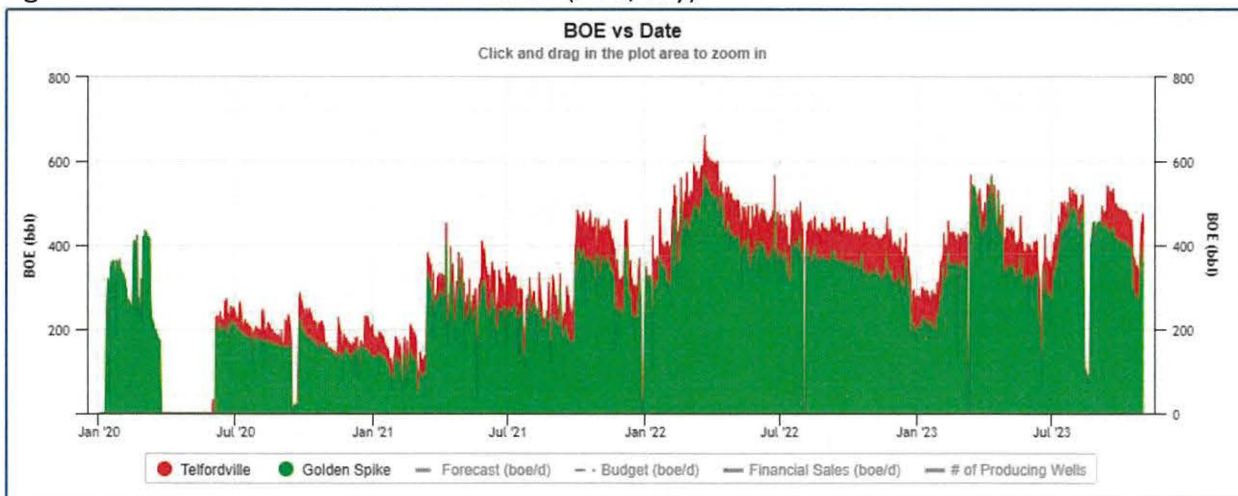




Figure 1b – Free Rein Historical Production (breakdown by product)

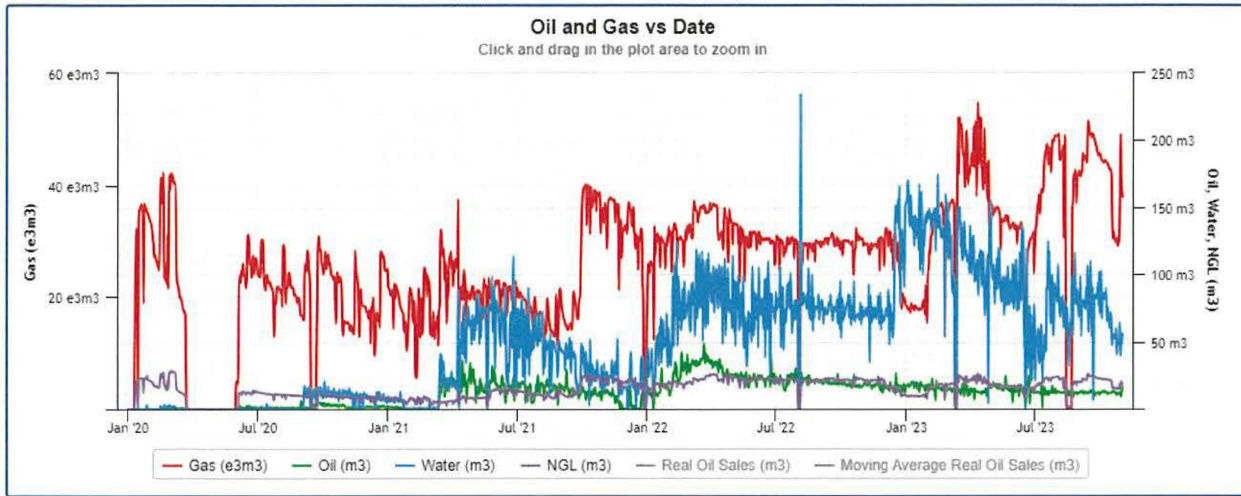
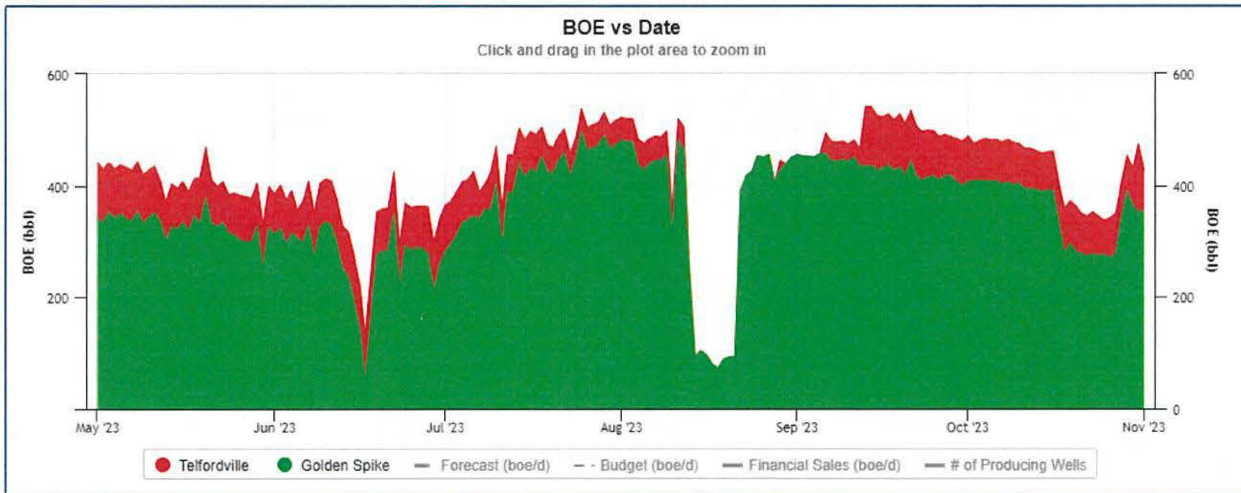


Figure 2 – Free Rein recent six-month production



Since production recommenced in 2020 Free Rein has always conserved solution gas. On November 24<sup>th</sup>, 2023, Tidewater Midstream declared a Force Majeure event and served Free Rein notice that the Acheson Plant was going to be shut in on or about December 1, 2023. Please see Attachment 1: Tidewater Notice of Force Majeure. The plant was shut in at 8:00 am December 1<sup>st</sup>. Since this time, Free Rein has been shut in and working on a solution to handle our associated gas volumes. All Free Rein gas production is processed at the Tidewater Facility and as such currently, all of Free Rein oil and gas production is shut in.

Free Rein is currently compiling information to perform a DTA (Decision Tree Analysis) with respect to calculating economics on various potential solutions to conserve the associated gas. This analysis will also include investigating the merits of gas injection for conservation purposes. We will be seeking authorization to flare or incinerate produced gas. We are also speaking with offset impacted operators to assess the feasibility of a joint approach to address this shut down.





**FREE REIN RESOURCES**

At this time, Free Rein is requesting emergency, temporary flaring permission from the AER to flare associated gas volumes and restart oil production. Free Rein anticipates bringing on 12m<sup>3</sup>/d oil by flaring approximately 3.6 10<sup>3</sup>m<sup>3</sup> (GOR= $\sim$  307m<sup>3</sup>/m<sup>3</sup>). In addition to the associated gas produced with the oil, there will likely be a small amount of fuel gas mixed in to ensure complete combustion of the solution gas. This Emergency flare request will allow time for Free Rein to complete a full evaluation of alternative options to deal with the solution gas associated with our oil production.

Sincerely,

Trevor Dublonko  
VP Operations  
Free Rein Resources

encl.



FREE REIN RESOURCES

## Attachment 1 Tidewater Notice of Force Majeure



**TIDEWATER**  
Midstream and Infrastructure Ltd.

900, 222 3<sup>rd</sup> Avenue SW  
Calgary, AB T2P 0B4  
P: (587) 475-0210  
F: (587) 475-0211  
[www.tidewatermidstream.com](http://www.tidewatermidstream.com)

November 24, 2023

**Acheson 05-02-053-26W4M Facility**  
*Producers*

Attention: Joint Venture & Operations Departments

**RE: Acheson 05-02-053-26W4M Facility Force Majeure Notice**

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Tidewater Midstream and Infrastructure Ltd. ("Tidewater") would like to inform Producers that we are declaring a Force Majeure event at the Acheson Facility, on or about December 1, 2023, and are issuing this Force Majeure notice pursuant to your respective Gas Handling Agreement and/or Emulsion Handling Agreement.

Tidewater is declaring Force Majeure due to the Acheson Facility receiving inlet gas volumes at levels below the minimum required volume to safely run the facility. As such, the Acheson Facility will be unable to accept producer natural gas or emulsion on or about December 1, 2023.

Tidewater will notify Producers of any future change in circumstances at the Acheson 05-02-053-26W4M Facility.

Should you have any questions or concerns, please contact Jason Kulsy, VP Commercial Midstream, at 403-863-4653 or [jkulsy@tidewatermidstream.com](mailto:jkulsy@tidewatermidstream.com)

Sincerely,

Lyman McKeown  
Commercial Operations Analyst  
TIDEWATER MIDSTREAM AND INFRASTRUCTURE LTD.