

COURT FILE NUMBER

2401-09247

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 LONG RUN EXPLORATION LTD. AND  
CALGARY SINOENERGY INVESTMENT CORP.



DOCUMENT

**SECOND REPORT OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR OF LONG RUN  
EXPLORATION LTD. AND CALGARY SINOENERGY  
INVESTMENT CORP.**

**July 23, 2024**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
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## SECOND REPORT OF THE MONITOR

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## INTRODUCTION

1. On July 4, 2024 (the “**Filing Date**”), China Construction Bank Toronto Branch (“**CCBT**” or the “**Applicant**”), in its capacity as collateral agent, sought and obtained an initial order (the “**Initial Order**”) from the Court of King’s Bench of Alberta (the “**Court**”) to commence proceedings under the *Companies’ Creditors Arrangement Act, RSC 1985, c C-36*, as amended (the “**CCAA**”) in respect of Long Run Exploration Ltd. (“**Long Run**”) and Calgary Sinoenergy Investment Corp. (the “**Guarantor**” and collectively with Long Run, the “**Debtors**”). The Initial Order, among other things, established a stay of proceedings in favour of the Debtors for an initial stay period up to and including July 14, 2024 (the “**Stay Period**”), and appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”), with enhanced powers, pursuant to the provisions of the CCAA.
  
2. On July 9, 2024, the Applicant filed a notice of application returnable July 12, 2024 (the “**July 12 Application**”) seeking an amended and restated initial order (the “**ARIO**”) in the CCAA Proceedings. The ARIO granted, among other things, the following relief within the CCAA Proceedings.
  - (a) an extension of the Stay Period in favour of the Debtors to July 31, 2024;
  
  - (b) increased the amount of the charge in favour of the Monitor, legal counsel to the Monitor, and the Applicant’s legal counsel in respect of their fees and disbursements, to a maximum amount of \$500,000 under section 11.52 of the CCAA (the “**Administrative Charge**”); and
  
  - (c) elevated the Administrative Charge and the Director’s Charge (as defined in the ARIO) in priority to all security interests, trusts, liens, charges and encumbrances, and claims of any secured creditors, statutory or otherwise.

3. On July 23, 2024, the Monitor filed a notice of application returnable July 30, 2024 (the “**July 30 Application**”) seeking a Second Amended and Restated Initial Order (“**SARIO**”) in the CCAA Proceedings.
  
4. The Monitor is applying to this Honourable Court seeking the proposed SARIO which, among other things:
  - (a) extends the Stay Period from July 31, 2024 to October 31, 2024;
  
  - (b) authorizes the Debtors to obtain interim financing pursuant to terms of the DIP Financing Agreement (defined herein), up to an amount equal to \$7.0 million, and granting a DIP Lender’s Charge (defined herein) against the property of the Debtors, on the terms and priority in the proposed SARIO;
  
  - (c) amending the ARIIO granted in these proceedings on July 12, 2024, to reflect the DIP Lender’s Charge (defined herein) and the priority thereof;
  
  - (d) approving the terms of a stalking horse subscription agreement entered between the Monitor (in accordance with its court-ordered enhanced powers) on behalf of Long Run and Hiking Group Shandong Jinyue Int’l Trading Corporation (the “**Stalking Horse Bidder**”) dated July 23, 2024 (the “**Stalking Horse Subscription Agreement**”);
  
  - (e) approving a stalking horse sale and investment solicitation process in relation to the assets, property, and undertakings and/or business operations of the Debtors (the “**SISP**”);
  
  - (f) authorizing the Debtors to reimburse the Stalking Horse Bidder for certain fees incurred by it in connection with the negotiation of the Stalking Horse Subscription Agreement and the SISP and approving certain bid protections in favour of the Stalking Horse Bidder should a bid superior to that of the Stalking Horse Subscription Agreement be selected in accordance with the SISP; and

- (g) such further and other relief as counsel may advise and this Honourable Court may deem appropriate.
5. Electronic copies of all materials filed in connection with the July 30 Application and other statutory materials are available on the Monitor's website at: <http://cfcanada.fticonsulting.com/longrun/>.

## PURPOSE

6. The purpose of this report (this “**Report**”) is to provide this Honourable Court and the Debtors’ stakeholders with information and the Monitor’s comments with respect to the following:
- (a) the activities of the Monitor since the First Report of the Monitor dated July 9, 2024 (the “**First Monitor’s Report**”);
  - (b) an update on the status of the Company’s operations;
  - (c) the budget to actual results against the cash flow statement filed for the period ended July 21, 2024;
  - (d) the cash flow statement (the “**CFS#3**”) for the 15-week period ending November 3, 2024 (the “**Forecast Period**”), as well as the key assumptions on which the CFS#3 is based;
  - (e) terms of the interim financing agreement entered into by the Monitor (in accordance with its court-ordered enhanced powers) on behalf of the Debtors and by Hiking Group Shandong Jinyue Int’t Trading Corporation (the “**DIP Lender**”) dated July 23, 2024 (the “**DIP Financing Agreement**”);
  - (f) details of the proposed SISP and Stalking Horse Subscription Agreement;
  - (g) summary and proposed priority of the Administration Charge, DIP Lender’s Charge, and Director’s Charge (collectively, the “**Charges**”);

- (h) the request for an extension of the Stay Period up to and including October 31, 2024; and
- (i) the Monitor's recommendations with respect to the above.

## TERMS OF REFERENCE

7. Capitalized terms used but not defined herein are given the meaning ascribed to them in the SISP and the Stalking Horse Subscription Agreement.
8. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Debtors' books and records and discussions with various parties (collectively, the "**Information**").
9. Except as described in this Report:
  - (a) the Monitor 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 Monitor 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.
10. The Monitor has prepared this Report in connection with the July 30 Application. This Report should not be relied on for other purposes.

11. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, Bennett Jones LLP (the “**Monitor’s Counsel**”), was provided to assist the Monitor 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.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

### **ACTIVITIES OF THE MONITOR**

13. The Monitor’s activities since the date of the First Monitor’s Report include the following:
  - (a) considering various steps to be taken within these proceedings pursuant to the CCAA (the “**CCAA Proceedings**”) in connection with the restructuring efforts in relation to the Debtors;
  - (b) developing and negotiating the Stalking Horse Subscription Agreement with the Stalking Horse Bidder;
  - (c) developing and negotiating the SISP in consultation with Long Run, counsel to the Applicant and the Stalking Horse Bidder;
  - (d) developing and negotiating the DIP Term Sheet (as defined below) with the DIP Lender;
  - (e) attending to numerous telephone and email inquiries from various customers and suppliers;
  - (f) responding to numerous enquiries from the Debtors’ creditors and other stakeholders;
  - (g) preparation of budget to actual cash flow variance reports and the CFS#3; and
  - (h) preparing this Report.

## **BACKGROUND INFORMATION**

14. Detailed information with respect to the Debtors' business, operations and causes of financial difficulty are described in the Affidavit of Ziqing (Eddie) Zou, affirmed on July 2, 2024.
15. Long Run is a private corporation formed under the laws of Alberta. Long Run's petroleum and natural gas assets ("**P&NG Assets**") are located primarily in Central and Northwest Alberta. Long Run is headquartered in Calgary, Alberta and has approximately 39 employees and contractors in its head office and 79 employees and contractor in the field.
16. Long Run's current production is approximately 6,000 barrels of oil equivalent per day. Production has declined in recent months given the limited cash flow available to Long Run.
17. Long Run is a wholly owned subsidiary of the Guarantor, which is also a privately owned Alberta corporation. The Monitor was advised that the Guarantor has no operation or assets other than its investment in Long Run. The Guarantor acquired all of the issued and outstanding shares of Long Run in 2016.
18. Operation of the P&NG Assets has continued in the normal course since the Filing Date.

## **BUDGET TO ACTUAL ANALYSIS**

19. The Monitor has reviewed the operations and cash flow of Long Run since the date of the First Monitor's Report. The actual cash flow results for Long Run for the two-week period of July 8, 2024, through to July 21, 2024, are presented below. These actual results have been compared to the cash flow statement ("**CFS#2**") outlined in the First Monitor's Report dated July 9, 2024.



<b>Budget to Actual Results</b>			
<b>July 8, 2024 to July 21, 2024</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<i>(\$MM)</i>	<b>July 8 - July 21</b>		<b>\$</b>
<b>Receipts</b>			
Revenue	\$ -	\$ -	\$ -
<b>Total - receipts</b>	-	-	-
<b>Disbursements</b>			
New Star Energy operations	(0.1)	(0.1)	<b>0.0</b>
Royalties	-	(0.1)	<b>(0.1)</b>
Processing and transportation	-	-	-
Operating expense	(0.9)	(0.6)	<b>0.3</b>
Lease rentals	(0.1)	(0.1)	<b>(0.0)</b>
G&A expense	(0.5)	(0.5)	<b>0.0</b>
Insurance	-	-	-
Property taxes	-	-	-
Abandonment costs	-	-	-
Professional fees	(0.3)	(0.1)	<b>0.2</b>
GST	-	-	-
<b>Total - disbursements</b>	<b>(1.9)</b>	<b>(1.5)</b>	<b>0.4</b>
<b>Net cash flow</b>	<b>(1.9)</b>	<b>(1.5)</b>	<b>0.4</b>
Opening cash	3.8	3.8	-
Net cash flow	(1.9)	(1.5)	<b>0.4</b>
<b>Ending cash</b>	<b>\$ 1.9</b>	<b>\$ 2.3</b>	<b>\$ 0.4</b>

20. The variances in actual receipts and disbursements as compared to the CFS#2 are primarily due to the following:

- (a) New Star Energy (“NSE”) operations – substantially in line with forecast;
- (b) Royalties – negative variance due to timing difference as payments are due on 15th of each month, whereas they were originally budgeted for month end;
- (c) Operating Expenses – positive variance due to lower activities in the field and lower than anticipated prepayment to vendors;
- (d) Lease rentals – substantially in line with forecast;
- (e) G&A expense – substantially in line with forecast; and

- (f) Professional Fees – positive variance relates to timing difference in receipt and payment of invoices to the Monitor, the Monitor's counsel and the Applicant's counsel.

21. As at July 21, 2024, Long Run has approximately \$2.3 million in its bank account.

## CASH FLOW STATEMENT

22. The Guarantor has no operations and therefore the CFS#3 is based on the operations of Long Run.
23. Management of Long Run, with the assistance of the Monitor, has prepared the CFS#3 to set out the liquidity requirements of Long Run during the Forecast Period. The CFS#3 and management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA are attached hereto as Appendix "A". The CFS#3 is summarized in the following table:

<b>Cash Flow Statement</b>	
<b>For the 15 week period ending November 3, 2024</b>	<b>15 Week</b>
<b>(\$MM)</b>	<b>Total</b>
<b>Receipts</b>	
Revenue	\$ 22.1
New Star Energy operations	0.3
<b>Total - receipts</b>	<b>22.4</b>
<b>Disbursements</b>	
Royalties	(1.7)
Processing and transportation	(3.1)
Operating expense	(14.2)
Lease rentals	(2.1)
G&A expense	(3.3)
Insurance	(1.2)
Property taxes	(1.4)
Abandonment costs	(0.3)
Professional fees	(1.7)
GST	(0.8)
<b>Total - disbursements</b>	<b>(29.9)</b>
<b>Net cash flow</b>	<b>(7.5)</b>
Opening cash	2.3
Net cash flow	(7.5)
DIP Funding Required	7.0
<b>Ending cash</b>	<b>\$ 1.8</b>

24. The CFS#3 indicates that, during the period ending on November 3, 2024, Long Run will have a net cash loss of approximately \$7.5 million with total disbursements of approximately \$29.9 million.
25. The CFS#3 is based on the following key assumptions:
- (a) Revenue relates to the sale of petroleum and natural gas production and are derived from forecast production and third-party pricing adjusted for quality discount to benchmark pricing. Crown royalties on oil are paid in kind;
  - (b) NSE operations relates to payment of operating expenses for NSE and collection of management fees;
  - (c) Royalties relate to royalties paid to the crown and freehold which are based on historical rates;
  - (d) Processing and transportation associated with transmission tariffs and trucking fees of petroleum and natural gas production and is based on forecast production volumes;
  - (e) Operating expenses are based on the annual operating budget and relates to the costs associated with the operation of oil and natural gas wells and facilities;
  - (f) Lease rentals relates to surface and mineral leases held by the crown and freehold for producing assets;
  - (g) G&A expense relates to overhead costs and includes the head office, employees, field office lease and other similar costs based on its annual budget;
  - (h) Insurance is based on the current policies and estimated premiums;
  - (i) Property taxes relates to tax payments to municipalities based on existing payment plans and does not include payment of 2024 tax assessments;

- (j) Abandonment costs relates to estimated closure spending during the Forecast Period;
- (k) Professional fees include estimates for the Debtors' legal counsel, the Monitor, the Monitor's Counsel, counsel to the Applicant and counsel to the Stalking Horse Bidder; and
- (l) GST relates to goods and services tax incurred by Long Run during the Forecast Period.

Monitor's Comments on the Cash Flow Statement

26. Section 23(1)(b) of the CCAA states that the Monitor shall, “review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Monitor’s findings”.
27. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports as follows:
- (a) the CFS#3 has been prepared by management of Long Run, with the assistance of the Monitor, for the purpose described in the notes to the CFS#3, using the probable assumptions and the hypothetical assumptions set out therein;
  - (b) the Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of Long Run. Since hypothetical assumptions need not be supported, the Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the CFS#3. The Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the CFS#3;
28. Based on its review, and as at the date of this Report, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
- (a) the hypothetical assumptions are not consistent with the purpose of the CFS#3;

- (b) the probable assumptions developed by management are not suitably supported and consistent with the plans of Long Run or do not provide a reasonable basis for the CFS#3, given the hypothetical assumptions; or
- (c) the CFS#3 does not reflect the probable and hypothetical assumptions;
- (d) since the CFS#3 is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the CFS#3 will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report; and
- (e) the CFS#3 has been prepared solely for the purpose of estimating liquidity requirements of Long Run during the forecast period. The CFS#3 should not be relied upon for any other purpose.

## **PROPOSED SISP AND STALKING HORSE SUBSCRIPTION AGREEMENT**

- 29. The proposed SARIO includes a copy of the SISP procedures as Schedule “A” and a copy of the executed Stalking Horse Subscription Agreement as Schedule “B”. An executed copy of the Stalking Horse Subscription Agreement is attached hereto as Appendix “B”.
- 30. The SISP and Stalking Horse Subscription Agreement, as proposed below, are intended to broadly canvas potential purchasers and investors in a structured manner to maximize value for the benefit of Long Run’s creditors and stakeholders.

Stalking Horse Subscription Agreement

31. The Monitor, in accordance with its court-ordered enhanced powers on behalf of Long Run, and the Stalking Horse Bidder have entered into the Stalking Horse Subscription Agreement which contemplates that the Monitor, in consultation with Long Run, will conduct a SISP to market the assets, property and undertaking and/or business operation of Long Run for sale through a public marketing process.
32. In the event more favourable offers are received for the assets, property and undertaking and/or business operations of the Long Run through the SISP, the Stalking Horse Bidder would be entitled to a break fee of \$500,000 (the “**Break Fee**”) which shall become payable by Long Run upon closing of a transaction by another party other than the Stalking Horse Bidder.
33. The Break Fee has been reviewed by the Monitor and is considered reasonable in consideration of the Stalking Horse Bidder’s integral involvement with the SISP, the Stalking Horse Subscription Agreement and further, its commitment to advancing Long Run to a restructuring transaction. It is the Monitor’s view that the quantum of the Break Fee is fair in regard to the Stalking Horse Bidder’s potential loss in time and resources spent if it is not the successful bidder. Moreover, that the process itself would not be possible without its support as the DIP Lender which provides funding necessary to meet the Debtors’ obligations through the SISP.
34. The Purchase Price pursuant to the Stalking Horse Subscription Agreement is comprised of the following material terms:
  - (a) a cash payment to the Monitor of \$22.0 million (the “**Estimated Priority Payable**”), subject to adjustments;
  - (b) a cash payment to satisfy the Estimated Trustee Fee Amount; and
  - (c) set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement.

35. Provided the Stalking Horse Subscription Agreement is approved by the Court, the Stalking Horse Subscription Agreement shall constitute a Qualified LOI, Qualified Phase 1 Bid, Qualified Phase 2 Bid and Qualified Bid for all purposes and at all times under this SISP Procedure.

Timelines and SISP Procedures

36. The key components of the SISP as proposed by Long Run include the following:
- (a) the Monitor, with the assistance of the Long Run, shall administer the SISP;
  - (b) the SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of Long Run’s assets and business operations (the “**Opportunity**”) and may include one or more of a restructuring, recapitalization, or other form of reorganization of the business and affairs of Long Run as a going concern, or sale of all, substantially all, or one or more components of the property and/or business as a going concern of otherwise;
  - (c) except as otherwise set forth in a definitive agreement with a successful bidder, any sale of the property or investment in the business will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, Long Run, or any of their respective agents, advisors or estates;
  - (d) as soon as reasonably practicable, but no later than August 1, 2024:
    - (i) Long Run, in consultation with the Monitor, will prepare a list of Known Potential Bidders (as described and defined in the SISP);
    - (ii) the Monitor shall cause the Notice of the SISP Procedure to be published in the *BOE Report*, the *Daily Oil Bulletin*, and the *Insolvency Insider*;

- (iii) Long Run, in consultation with the Monitor, shall prepare the process summary (the “**Teaser Letter**”) describing the Opportunity to submit an Alternative Transaction, outlining the process under the SISP and inviting recipients to execute a non-disclosure agreement (“**NDA**”) in order to participate in the SISP; and
- (iv) the Teaser Letter and NDA will be posted on the Monitor’s Website.
- (e) the Monitor, with the assistance of Long Run, will have prepared a virtual data room (“**VDR**”);
- (f) any party who wishes to participate in the SISP (a “**Potential Bidder**”) will be required to deliver to the Monitor: (i) an executed NDA, (ii) a letter setting forth the Potential Bidder’s identity, contact information and full disclosure of its direct and indirect principals, and (iii) a form of financial disclosure and credit quality support that allows Long Run and the Monitor to make a reasonable determination as to the Potential Bidder’s ability to consummate an Alternative Transaction;
- (g) following the delivery of the above materials and if the financial capability is determined to be sufficient to consummate an Alternative Transaction, the Potential Bidder will be deemed to be a “**Phase 1 Qualified Bidder**” and will then be provided with access to the VDR;
- (h) no later than 5:00 PM (Calgary Time) on September 5, 2024 (the “**Phase 1 Bid Deadline**”), any Phase 1 Qualified Bidders who intend to pursue the Opportunity further must deliver a non-binding letter of intent (“**LOI**”) to the Monitor, with a copy to Long Run;
- (i) the requirements for a LOI to be considered a qualified LOI (a “**Qualified LOI**”) and for the Phase 1 Qualified Bidder to be advanced to Phase 2 of the SISP are described in full in the SISP, and require the following key items:



- (i) the LOI must be submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
- (ii) the LOI must not contemplate a payment of a break fee, expense reimbursement, or other form of bid protection;
- (iii) the LOI must contain an indication of whether the Phase 1 Qualified Bidder is offering to:
  - acquire all, substantially all or a portion of Long Run’s assets and business operations (a “**Sale Proposal**”); or
  - make an investment in, restructure, reorganize or refinance the business operations of Long Run (an “**Investment Proposal**”); and
- (iv) the LOI must state, among other things described in the SISP, the purchase price or price range (for a Sale Proposal) in Canadian Dollars or aggregate amount of the equity and/or debt investment to be made in the business in Canadian Dollars (for an Investment Proposal).
- (j) the Monitor, in consultation with Long Run, will assess the Qualified LOIs to determine if each Phase 1 Qualified Bidder meets the following requirements, and if so, the Phase 1 Qualified Bidder will be deemed a “Phase 2 Qualified Bidder”:
  - (i) has a *bona fide* interest in completing an Alternate Transaction; and
  - (ii) has the financial capability to consummate such a transaction.

- (k) following the determination in which to proceed to Phase 2 of the SISP, the Monitor, in consultation with Long Run, will prepare a Bid Process Letter to be sent to all Phase 2 Qualified Bidders following the Phase 1 Bid Deadline.
- (l) the Monitor, in consultation with Long Run and the Stalking Horse Bidder, may elect to terminate the SISP subsequent to the Phase 1 Bid Deadline in the event that:
  - (i) the Stalking Horse Subscription Agreement is the only Qualified LOI; or
  - (ii) none of the Qualified LOIs in the view of the Monitor, in consultation with Long Run constitute a credible, reasonably certain and financially viable Qualified LOI, the terms of which are more favourable than the terms contact in the Stalking Horse Subscription Agreement.
- (m) no later than 5:00 PM (Calgary Time) on October 3, 2024 (the “**Phase 2 Bid Deadline**”), Phase 2 Qualified Bidders who wish to pursue the Opportunity further shall make a formal binding offer to purchase or make an investment in Long Run or their assets or business and submit a binding offer (a “**Phase 2 Bid**”) to the Monitor.
- (n) to be considered a qualified Phase 2 Bid (a “**Qualified Bid**”), a Phase 2 Bid must be received prior to the Phase 2 Bid Deadline and must include, among other items as described in the SISP, the following:
  - (i) duly authorized and executed transaction agreements including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the “**Consideration**”);
  - (ii) a term that the bid is not conditional on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder and (ii) obtaining financing;

- (iii) a non-refundable deposit in the form of a wire transfer to a trust account provide by the Monitor in the amount of not less than 10% of the purchase price (for a Sale Proposal) or total new investment contemplated (for an Investment Proposal) offered in the Phase 2 Bid (a “**Deposit**”); and
- (iv) a closing date on or before October 31, 2024.
- (o) the Monitor, with the approval of Long Run, will evaluate the Phase 2 Qualified Bids based on the factors described in the SISP to identify the highest and otherwise best bid (the “**Successful Bid**”) for any particular property or the business in whole or part and shall thereafter apply to the Court to seek approval of the transaction contemplated in the Successful Bid.

Auction Procedures

- 37. If the Monitor, in consultation with Long Run, determines in its reasonable discretion that one or more of the Qualified Bids constitutes a Superior Bid (as described and defined in the SISP), the Monitor shall provide the parties making Superior Bids and the Stalking Horse Bidder the opportunity to make further bids through the auction process (the “**Auction**”).
- 38. The Monitor shall conduct the Auction commencing at 10:00 a.m. on October 10, 2024, at the offices of the Monitor's Legal Counsel, in accordance with the following procedures, among other items described in the SISP:
  - (a) Prior to 5:00 p.m. on October 7, 2024, the Monitor will provide unredacted copies of the Superior Bid which the Monitor believes is the highest or otherwise best Superior Bid (the “**Starting Bid**”) to all Phase 2 Qualified Bidders making Superior Bids and the Stalking Horse Bidder;

- (b) Prior to 5:00 p.m. on October 8, 2024, each of the Phase 2 Qualified Bidders making Superior Bids and the Stalking Horse Bidder must inform the Monitor whether it intends to participate in the auction (in such capacity, the “**Auction Bidders**”);
  - (c) Prior to the Auction, the Monitor shall develop a financial comparison model (the “**Comparison Model**”) which will be used to compare the Starting Bid and all Subsequent Bids (defined below) submitted during the Auction;
  - (d) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (each, a “**Subsequent Bid**”) by the minimum incremental overbid of at least \$250,000; and
  - (e) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed.
39. At the end of the Auction, the Monitor shall select the winning bid (the “**Winning Bid**”). Once a definitive agreement has been negotiated and settled in respect of the Winning Bid as selected by the Monitor (the “**Selected Superior Bid**”) shall be considered the “Successful Bid”.

<b>Milestone</b>	<b>Deadline</b>
Long Run, Monitor and Stalking Horse Bidder to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	August 1, 2024
Long Run and Monitor to prepare and have available for Potential Bidders the VDR	August 1, 2024
Phase 1 Bid Deadline	September 5, 2024
Phase 2 Bid Deadline	October 3, 2024
The Auction (if applicable)	October 10, 2024
Transaction Approval Application Hearing	October 21, 2024

Closing Date Deadline	October 31, 2024
-----------------------	------------------

*The Monitor's Comments on the Proposed SISP*

40. The Monitor has the following comments on the proposed SISP:

- (a) the SISP is fair, transparent and the timelines to market and solicit a transaction is appropriate in light of, among other things, the size and nature of Long Run's operations and current financial position;
- (b) the inclusion of the Stalking Horse Subscription Agreement is appropriate as it demonstrates there will be a going concern outcome and set an initial "floor price" for other bidders to consider and reduce time being spent with "low ball" bidders;
- (c) the inclusion of the early termination provision will allow for the Monitor to identify and select a clearly superior bid (if applicable) and avoid additional costs and time of completing Phase 2 of the SISP, or alternatively proceed with the Stalking Horse Subscription Agreement in the event there are no other bids;
- (d) the bidding requirements, as described in the SISP, are reasonable in the circumstances as they provide sufficient hurdles to ensure that interested parties are real, have the willingness and ability to consummate a transaction, but are not unduly burdensome to discourage participation by potential bidders;
- (e) the Auction provision allows the Monitor, in consultation with Long Run, a procedure to allow one or more Qualified Bids and the Stalking Horse Bidder the opportunity to make further bids and in doing so, provide the highest and otherwise best offer available;
- (f) in the Monitor's experience, the SISP timelines will permit a sufficient level of market exposure and are consistent with other similar insolvency processes;

- (g) The SISP allows Long Run to dual track either a sale or investment proposal; and
- (h) Long Run's senior secured creditors, CCBT and CCBQ, have been involved in the negotiation of the SISP.

41. In the Monitor's view, the terms of the SISP and Stalking Horse Subscription Agreement are reasonable in the circumstances and will enhance the prospects of a viable restructuring of Long Run's business and financial affairs and assist in maximizing the value through these CCAA Proceedings.

### **PROPOSED DIP FINANCING AGREEMENT**

42. As demonstrated by the CFS#3, the Debtors require interim financing to provide stability and continue going concern operations during the Stay Period and during the SISP. Accordingly, the Debtors and the Monitor have negotiated and entered into the DIP Financing Agreement pursuant to which the DIP Lender, has, conditional on the issuance of the SARIO, among other terms, agreed to provide the Debtors with a term loan in a maximum amount of \$7.0 million (the "**DIP Facility**"). The executed term sheet for the DIP Facility (the "**DIP Term Sheet**") is attached hereto as Appendix "C".
43. The DIP Facility is conditional on the DIP Lender receiving a second priority Court-ordered charge on the assets, property, and undertakings of the Debtors, in priority to any and all encumbrances but subordinate to the Administration Charge (the "**DIP Lender's Charge**"). The Debtors may request no more than five (5) advances under the DIP Facility in a minimum of \$1.0 million and up to the maximum amount of \$7.0 million.
44. The Monitor understands that the terms of the DIP Financing Agreement include, among other things, the following:

- (a) **DIP Lender’s Charge:** the DIP Lender’s Charge is conditional on the DIP Lender receiving a second priority Court-ordered charge on the assets, property, and undertakings of the Debtors, in priority to any and all encumbrances but subordinate to the Administration Charge;
- (b) **Term:** the DIP Facility shall be due and payable on the earlier of (the “**Maturity Date**”) (i) November 14, 2024; (ii) the effective date of any plan of arrangement or compromise under the CCAA Proceedings (iii) the termination of the CCAA Proceedings or the appointment of a receiver or a receiver manager; or (iv) the occurrence of an Event of Default (as described and defined in the DIP Financing Agreement) that is continuing;
- (c) **Interest:** interest will accrue on the principal amounts outstanding under the DIP Facility at a rate equal to 10% per annum; and
- (d) **Additional Fees:** the Debtors shall pay to the DIP Lender an upfront fee of \$50,000, in addition to the DIP Lender’s legal fees and out-of-pocket disbursements and any costs of realization or enforcement.

*The Monitor’s Comments on the Proposed DIP Financing Agreement*

- 45. The financing contemplated by the DIP Financing Agreement is necessary to fund the Debtors’ operations and restructuring and will enhance the Debtors’ prospect of achieving a viable restructuring outcome or sale. Absent the funding available under the DIP Financing Agreement, the Debtors would be forced to cease all operations due to lack of liquidity.
- 46. The Monitor reviewed a database of interim financing approved in insolvency proceedings and can advise that the proposed terms (interest rate, fees, etc.) in the DIP Financing Agreement are customary and in line with those approved in prior CCAA restructurings of similar nature.
- 47. Accordingly, the Monitor supports the request for approval of the DIP Financing Agreement and the DIP Lender’s Charge.

## **AMOUNT AND PRIORITY OF COURT ORDERED CHARGES**

48. The ARIO provided for the Administration Charge in the amount of \$500,000 and Director's Charge in the amount of \$250,000, ranking in priority to all over charges and security interests, trusts, liens, charges, and encumbrances, and claims of any secured creditors, statutory or otherwise.

### *DIP Lender's Charge*

49. The Monitor is seeking an Order granting the DIP Lender's Charge, a charge over all of the assets, property and undertaking of the Debtors, in priority to any and all encumbrances but subordinate to the Administration Charge. The DIP Lender's Charge will secure all obligations owing to the DIP Lender under the DIP Facility.
50. The Monitor is of the view that the DIP Facility represents the necessary financing which will allow the Debtors to pay certain critical payables and maintain ongoing operations.
51. The Monitor recommends that the Court approve the DIP Facility and accordingly, also supports the granting of the DIP Lender's Charge.

### *Summary of the Proposed Rankings of the Court-Ordered Charges*

52. If the amendment to the proposed SARIO is granted, the Charges would have the following rankings:
- (a) First – the Administration Charge in the amount of \$500,000;
  - (b) Second – the DIP Lender's Charge; and
  - (c) Third – the Director's Charge in the amount of \$250,000.



53. The Monitor believes that the Charges, including the proposed quantum and ranking, are required and reasonable in the circumstances of these CCAA Proceedings in order to preserve the going concern operations of the Debtors and maintain its enterprise value and, as a result, supports the granting of the Charges as proposed.

## **REQUEST TO EXTEND STAY OF PROCEEDINGS**

54. The Monitor is seeking an extension to the Stay Period up to and including October 31, 2024, to allow the Debtors, with the assistance of the Monitor to:
- (a) maintain Long Run's operations; and
  - (b) allow the Monitor and Long Run to advance the proposed SISP.
55. The Monitor has considered the request to extend the Stay of Period up to and including October 31, 2024, and has the following comments:
- (a) CFS#3 illustrates that Long Run will have sufficient liquidity subject to this Honourable Court's approval of the DIP Financing Agreement to fund its obligations for the Forecast Period;
  - (c) the Monitor does not believe that any creditor will be materially prejudiced if the extension of the Stay Period is granted;
  - (d) the Debtors have and continue to act in good faith and with due diligence in taking steps to facilitate a restructuring of the business; and
  - (e) The extension to the Stay Period will provide Long Run and the Monitor time necessary to carry out the SISP as described within this Report and take steps to facilitate a restructuring or sale of the business, which will benefit all stakeholders.

## CONCLUSIONS AND RECOMMENDATIONS

56. The Monitor is of the view that the relief requested is reasonable and justified in the circumstances. The relief if granted will provide the Debtors with stability and the best opportunity to preserve value and maximize recoveries for its stakeholders.
57. Based on the foregoing, the Monitor supports the relief being sought and respectfully recommends that the Court grant the SARIO.

All of which is respectfully submitted this 23rd day of July 2024.

FTI Consulting Canada Inc., LIT, in its capacity as the court-appointed Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., and not in its personal or corporate capacity



Name: Dustin Olver, CPA, CA, CIRP, LIT

Title: Senior Managing Director  
FTI Consulting Canada Inc.



Name: Deryck Helkaa, CPA, CA, CIRP, LIT

Title: Senior Managing Director  
FTI Consulting Canada Inc.

## **Appendix “A” – Cash Flow Statement for the period ending November 3, 2024**

Long Run Exploration Ltd,  
Cash Flow Statement  
For the 15 week period ending November 3, 2024

Cash Flow Statement																	Notes	
(\$MM)	Week Beginning	Week 1 22-Jul	Week 2 29-Jul	Week 3 5-Aug	Week 4 12-Aug	Week 5 19-Aug	Week 6 26-Aug	Week 7 2-Sep	Week 8 9-Sep	Week 9 16-Sep	Week 10 23-Sep	Week 11 30-Sep	Week 12 7-Oct	Week 13 14-Oct	Week 14 21-Oct	Week 15 28-Oct	15 Week Total	
<b>Receipts</b>																		
Revenue		\$ -	\$ 5.6	\$ -	\$ -	\$ -	\$ 5.4	\$ (0.0)	\$ -	\$ -	\$ 5.9	\$ (0.0)	\$ -	\$ -	\$ -	\$ 5.2	\$ 22.1	1
New Star Energy operations		(0.1)	0.2	(0.1)	-	-	0.2	-	(0.1)	-	0.2	-	(0.1)	-	-	0.1	0.3	2
<b>Total - receipts</b>		<b>(0.1)</b>	<b>5.8</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>5.6</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>-</b>	<b>6.1</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>5.4</b>	<b>22.4</b>	
<b>Disbursements</b>																		
Royalties		-	(1.1)	-	(0.1)	-	-	-	(0.1)	-	(0.1)	-	(0.2)	-	-	(0.1)	(1.7)	3
Processing and transportation		(0.1)	(0.4)	-	-	-	(0.8)	(0.0)	-	-	(0.8)	(0.0)	-	-	-	-	(1.1)	4
Operating expense		(0.4)	(0.8)	(1.0)	(0.8)	(0.6)	(1.6)	(0.5)	(1.0)	(1.6)	(1.9)	(0.5)	(1.0)	(0.6)	(0.2)	(1.8)	(14.2)	5
Lease rentals		-	-	(0.4)	(0.1)	-	(0.3)	-	-	(0.2)	(0.4)	-	-	(0.2)	-	(0.4)	(2.1)	6
G&A expense		(0.0)	(0.4)	(0.0)	(0.5)	(0.0)	(0.4)	(0.0)	(0.4)	(0.1)	(0.4)	(0.0)	(0.4)	(0.1)	(0.0)	(0.4)	(3.3)	7
Insurance		-	(0.5)	-	-	-	-	(0.1)	-	-	-	(0.1)	-	-	-	(0.4)	(1.2)	8
Property taxes		-	(0.3)	-	-	-	(0.3)	(0.1)	-	-	(0.3)	(0.1)	-	-	-	(0.3)	(1.4)	9
Abandonment costs		-	-	(0.1)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	(0.3)	10
Professional fees		-	(0.4)	-	-	-	(0.5)	-	-	-	-	(0.5)	-	-	-	(0.5)	(1.7)	11
GST		(0.1)	(0.1)	-	-	-	(0.2)	-	-	-	(0.2)	-	-	-	-	(0.2)	(0.8)	12
<b>Total - disbursements</b>		<b>(0.6)</b>	<b>(4.2)</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(0.7)</b>	<b>(4.1)</b>	<b>(0.7)</b>	<b>(1.6)</b>	<b>(2.0)</b>	<b>(4.1)</b>	<b>(1.1)</b>	<b>(1.5)</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>(5.2)</b>	<b>(29.9)</b>	
<b>Net cash flow</b>		<b>(0.6)</b>	<b>1.6</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>(0.7)</b>	<b>1.5</b>	<b>(0.7)</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>2.0</b>	<b>(1.1)</b>	<b>(1.6)</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>0.2</b>	<b>(7.5)</b>	
Opening cash		2.3	1.7	3.3	1.7	2.0	1.3	2.8	2.0	3.4	1.4	3.4	2.3	2.7	1.8	1.6	2.3	
Net cash flow		(0.6)	1.6	(1.6)	(1.7)	(0.7)	1.5	(0.7)	(1.7)	(2.0)	2.0	(1.1)	(1.6)	(0.9)	(0.2)	0.2	(7.5)	
DIP Funding Required		-	-	-	2.0	-	-	-	3.0	-	-	-	2.0	-	-	-	7.0	
<b>Ending cash</b>		<b>\$ 1.7</b>	<b>\$ 3.3</b>	<b>\$ 1.7</b>	<b>\$ 2.0</b>	<b>\$ 1.3</b>	<b>\$ 2.8</b>	<b>\$ 2.0</b>	<b>\$ 3.4</b>	<b>\$ 1.4</b>	<b>\$ 3.4</b>	<b>\$ 2.3</b>	<b>\$ 2.7</b>	<b>\$ 1.8</b>	<b>\$ 1.6</b>	<b>\$ 1.8</b>	<b>\$ 1.8</b>	

Per: Wendy Barber, Interim CEO  
Long Run

**Notes:**

Management of Long Run Exploration Ltd. ("Long Run") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Long Run during the period of July 22 to November 3, 2024. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Note 1-12. Consequently, actual results will likely vary from actual performance and such variances may be material.

- Revenue relates to the sale of Long Run'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 Long Run's quality discount to benchmark pricing. Crown royalties on oil are paid in kind.
- New Star Energy ("NSE") operations relates to Long Run's collection of revenue, payment of operating expenses of NSE as a sister company and management fee paid to Long Run from NSE.
- Royalties expense relates to royalties paid to the crown and freehold land owners and are based on historical rates.
- Processing and transportation relates to transmission tariffs and trucking fees of Long Run's petroleum and natural gas production. It is based on projected production volumes.
- Operating expenses are based on Long Run's annual operating budget and relates to the costs associated with the operation of oil and natural gas wells and facilities.
- Lease rentals relates to surface and mineral leases held by the crown and freehold for producing assets.
- G&A expense relates costs associated with Long Run's head office, employees, field office lease and overhead based on its annual budget.
- Insurance expense relates to Long Run's insurance policies.
- Property taxes relates to Long Run's property taxes with municipalities.
- Abandonment costs relates to estimate cost to abandon the non-operating wells.
- Professional fees include estimates for Long Run's legal counsel, the Monitor, the Monitor's Counsel, counsel to the Applicant and counsel to the Stalking Horse Bidder.
- GST relates to goods and services tax incur by Long Run during the forecast period.

Second Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “B” – Stalking Horse Subscription Agreement**

**SUBSCRIPTION AGREEMENT**

BETWEEN:

**LONG RUN EXPLORATION LTD.**

- and -

**HIKING GROUP SHANDONG JINYUE INT'T TRADING CORPORATION**

Dated:

July 23, 2024

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## SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT made as of July 23, 2024.

### BETWEEN:

LONG RUN EXPLORATION LTD. (the “Company”)

- and -

HIKING GROUP SHANDONG JINYUE INT’T TRADING  
CORPORATION (the “Purchaser”)

### RECITALS:

- A. China Construction Bank Toronto Branch, in its capacity as collateral agent, commenced proceedings (the “**CCAA Proceedings**”) in the Court of King’s Bench of Alberta in the Judicial Centre of Calgary, Alberta (the “**Court**”) under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) and the Court granted an initial order in the CCAA Proceedings on July 4, 2024 under Court File No. 2401-09247, which initial order was amended and restated by the Court on July 12, 2024 pursuant to the amended and restated initial order (collectively the “**Initial Orders**”).
- B. Pursuant to the Initial Orders, FTI Consulting Canada Inc., was appointed Monitor with enhanced powers over the Company and Calgary Sinoenergy Investment Corp.
- C. The Company and the Purchaser entered into negotiations for the subscription for and purchase of the Purchased Shares by the Purchaser, to be completed through a series of transactions between the Company and the Purchaser to proceed by way of the Reverse Vesting Order.
- D. The (i) Company wishes to issue to the Purchaser, and the Purchaser has agreed to subscribe for and purchase from the Company (and has agreed to act as a “stalking horse bidder” pursuant to the SISP Procedure), the Purchased Shares, upon the terms and conditions set forth herein; and (ii) Monitor intends to seek a Court order approving, *inter alia*, this Subscription Agreement and the SISP Procedure (the “**SARIO**”).
- E. The Company shall effect a reorganization pursuant to the statutory procedure set out in Section 192 of the *Business Corporations Act* (Alberta) whereby, among other things, all existing Equity Interests shall be redeemed for nominal consideration and then extinguished immediately prior to the subscription for and purchase of the Purchased Shares by the Purchaser pursuant to this Agreement (the “**Reorganization**”).
- F. At Closing, the Purchased Shares shall represent all of the issued and outstanding equity of the Company.

- G. The Transactions contemplated by this Subscription Agreement are subject to the approval of the Court and will be consummated only pursuant to and in accordance with this Subscription Agreement and the approval of the Court pursuant to the Reverse Vesting Order.

**NOW THEREFORE, THIS SUBSCRIPTION AGREEMENT WITNESSETH** that in consideration of the premises and the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties have agreed as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Subscription Agreement, unless the context otherwise requires:

- (a) **“Abandonment and Reclamation Obligations”** means all past, present and future Losses and other duties and obligations, whether arising under contract, Applicable Law or otherwise, relating to:
- (i) the abandonment of the Wells and restoration and reclamation of the surface sites thereof and any other lands now or previously used to gain access thereto;
  - (ii) the closure, decommissioning, dismantling and removal of the Tangibles, including any structures, buildings, pipelines, facilities, equipment and other tangible depreciable property and assets, together with the restoration and reclamation of the Lands or any lands pooled or unitized therewith, on or in which any of the foregoing are or were located and any other lands used to gain access thereto; and
  - (iii) the restoration, remediation or reclamation of the surface or subsurface of any lands other than those lands described in paragraphs (i) and (ii) and specifically relating to, or used or previously used to gain access to, the Retained Assets including the lands to which the Surface Rights relate;
- all in compliance with generally accepted oil and gas industry practices and in compliance with Applicable Laws and all applicable Title and Operating Documents, if applicable;
- (b) **“Administration Charge”** has the meaning given to such term in the SARIO;
- (c) **“Advance Ruling Certificate”** means an advance ruling certificate issued by the Commissioner pursuant to section 102 of the Competition Act with respect to the transactions contemplated by this Agreement, such Advance Ruling Certificate having not been modified or withdrawn prior to the time of Closing;

- (d) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (e) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (f) “**Associated Infrastructure**” means the Company’s interest in all infrastructure and facilities related to the surface of any lands, other than Surface Rights, used in connection with the Wells, facilities, or pipelines, including access roads, temporary access roads, airstrips, communication towers, temporary workspace, borrow sites, campsites, remote sumps, remote cement return pits, storages areas, disposal sites, or land treatment areas;
- (g) “**BOCQ**” means Bank of China (Qingdao Branch);
- (h) “**BOCQ Indemnity**” means the indemnity and reimbursement agreement, made effective as October 27, 2020, granted by the Company and Sinoenergy, as obligors, for the benefit of BOCQ in its capacity as BOCQ SBLC Provider;
- (i) “**BOCQ Indemnity Obligation**” means the obligations of the Company under the BOCQ Indemnity;
- (j) “**BOCQ SBLC Provider**” means BOCQ in its capacity as the issuer of a standby letter of credit issued on January 25, 2017, in favour of CCBQ;
- (k) “**Break Fee**” has the meaning ascribed thereto in the Section 9.13;
- (l) “**Buildings and Fixtures**” means all plants, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate on or under or forming part of the Lands, other than the Tangibles;
- (m) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (n) “**Cash Component**” has the meaning ascribed thereto in the Section 2.2(b);
- (o) “**CCAA**” has the meaning ascribed thereto in the Recitals;

- (p) “**CCAA Proceedings**” has the meaning ascribed thereto in the Recitals;
- (q) “**CCBQ**” means China Construction Bank Qingdao Branch;
- (r) “**CCBT**” means China Construction Bank Toronto Branch;
- (s) “**Claim**” means any claim, action, demand, lawsuit, proceeding, arbitration, or any investigation by a Third Party or a Governmental Authority (whether pertaining to the Retained Assets, Retained Liabilities or otherwise), in each case whether asserted, threatened, pending or existing;
- (t) “**Closing**” means the completion of the Transactions pursuant to this Subscription Agreement;
- (u) “**Closing Date**” means the date on which Closing occurs, which date shall be no later than three (3) Business Days from the date on which all conditions set out in Article 4 (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived or such other date as may be agreed upon by the Parties;
- (v) “**Closing Place**” means the office of the Company or its counsel, or such other place as may be agreed upon in writing by the Parties, including electronically;
- (w) “**Closing Sequence**” has the meaning ascribed thereto in the Section 3.3;
- (x) “**Commissioner**” means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act and includes any person designated by the Commissioner to act on his behalf;
- (y) “**Common Shares**” means common shares in the capital of the Company;
- (z) “**Company**” has the meaning ascribed thereto in the Recitals;
- (aa) “**Competition Act**” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended, and the regulations promulgated thereunder;
- (bb) “**Competition Act Approval**” means that, in connection with the transactions contemplated by this Agreement, either (a) the applicable waiting period under section 123(1) of the Competition Act shall have expired or been terminated in accordance with subsection 123(2) of the Competition Act or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with subsection 113(c) of the Competition Act, and the Commissioner shall have issued a No Action Letter, or (b) the Commissioner shall have issued an Advance Ruling Certificate;
- (cc) “**Confidentiality Agreement**” means the acknowledgement of confidentiality and consent to disclosure between the Company and an affiliate of the Purchaser, made as of July 4, 2024;

- (dd) “**Continuing Employees**” has the meaning ascribed thereto in Section 2.4;
- (ee) “**Confidential Materials**” has the meaning ascribed thereto in Section 9.11;
- (ff) “**Court**” has the meaning set out in the Recitals;
- (gg) “**Creditor Trust**” means the trust to be formed pursuant to the Reverse Vesting Order and named “Long Run Exploration Residual Trust”, which shall hold the Transferred Assets and the Transferred Liabilities for the benefit of the creditors of the Company, and subject to the claims under the Reverse Vesting Order, all in the manner specified herein and set forth in the Reverse Vesting Order;
- (hh) “**Creditor Trust Settlement**” means the Creditor Trust Settlement attached as Schedule “B” to the Reverse Vesting Order;
- (ii) “**DIP Credit Bid Amount**” means all obligations owing under the DIP Financing Agreement as at the Closing Date, estimated to be not less than \$7,000,000;
- (jj) “**DIP Financing Agreement**” means the debtor in possession financing term sheet between FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of the Company and of Sinoenergy, as borrower, and the Purchaser, as lender, made effective pursuant to the SARIO (as it may be further amended, restated, supplemented or otherwise modified from time to time);
- (kk) “**Director’s Charge**” has the meaning given to such term in the SARIO;
- (ll) “**Emissions Credits**” means emission offsets, performance credits, or other similar statutory or regulatory instruments that may exist in future accrued or accruing to the benefit of the Company, or that the Company has or would have had the right to obtain, claim, create, verify, monetize or serialize prior to the Closing Date, whether or not they have been obtained, claimed, created, verified, monetized or serialized or otherwise realised by the Company, arising from the Company’s interest in, ownership of, or operation of the Retained Assets or Transferred Assets prior to the Closing Date;
- (mm) “**Encumbrances**” means all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), 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, including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the SARIO, the Reverse Vesting Order or any other order of the Court; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of Alberta, *The Personal Property Security Act* of Saskatchewan, or any other personal property registry system;

- (nn) “**Environment**” means the components of the earth and includes ambient air, land, surface and sub-surface strata, groundwater, lake, river or other surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components.
- (oo) “**Environmental Liabilities**” means all past, present and future Losses, Claims and other duties and obligations, whether arising under contract, Applicable Law or otherwise, arising from, relating to or associated with the Environment and that relate to, are caused by or arise by virtue of the Retained Assets, or the ownership thereof or any past, present or future operations and activities conducted in connection with the Retained Assets, or on or in respect of the Lands or any lands pooled or unitized therewith, including Losses, Claims and other duties and obligations relating to:
  - (i) Abandonment and Reclamation Obligations;
  - (ii) any damage, pollution, contamination or other adverse situations pertaining to the Environment howsoever and by whomsoever caused, including compensation of Third Parties for Losses suffered by them in respect thereof and regardless of whether such damage, pollution, contamination or other adverse situations occur or arise in whole or in part prior to, at or subsequent to the date of this Agreement;
  - (iii) the presence, storage, use, holding, collection, accumulation, assessment, generation, manufacture, processing, treatment, stabilization, disposition, handling, transportation, release, emission, discharge, clean up, investigation and reporting of Petroleum Substances, oilfield wastes, water, hazardous substances, environmental contaminants and all other substances and materials regulated under any Applicable Law, including any forms of energy, or any corrosion to or deterioration of any structures or other property;
  - (iv) compliance with or the consequences of any non-compliance with, or violation or breach of, any Applicable Law pertaining to the Environment or to the protection of the Environment;
  - (v) any seismic programs conducted on or in respect of the Lands, or any lands pooled or unitized therewith;
  - (vi) sampling, monitoring or assessing the Environment or any potential impacts thereon from any past, present or future activities or operations; or
  - (vii) the protection, reclamation, remediation or restoration of the Environment, including related human health and safety.
- (pp) “**Equity Interests**” includes (i) any shares, interests, participations or other equivalents (however designated) of capital stock or share capital; (ii) any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance

securities; (iii) any warrants, options, convertible, exchangeable or exercisable securities, subscriptions, rights (including any pre-emptive or similar rights), calls or other rights to purchase or acquire any of the foregoing; and (iv) any interest that constitutes an “equity interest” as such term is defined in the CCAA;

- (qq) **“Estimated Trustee Fee Amount”** means amounts to compensate the trustee of the Creditor Trust for its services, and reimburse the trustee of the Creditor Trust for its expenses (including the reasonable costs and expenses of its legal counsel) in the amount of \$100,000;
- (rr) **“Existing Credit Agreement”** means the credit agreement made as of October 27, 2020 between, *inter alios*, the Company (as borrower), Sinoenergy (as guarantor), CCBQ and the other lenders from time to time party thereto (as lenders) and CCBT (as administrative agent and collateral agent);
- (ss) **“Governmental Authority”** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority and any public authority, including any public utility, having jurisdiction over a Party, the Retained Assets or the Transactions;
- (tt) **“GST”** means the goods and services tax payable pursuant to the GST Legislation;
- (uu) **“GST Legislation”** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (vv) **“Investment Canada Act”** means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp), as amended, and the regulations promulgated thereunder;
- (ww) **“Investment Canada Act Approval”** means both:
  - (i) either: (A) receipt by the Purchaser of a certification letter from the Director of Investments under the Investment Canada Act pursuant to subsection 13(1) of the Investment Canada Act confirming that that the transactions contemplated by this Agreement are not reviewable under Part IV of the Investment Canada Act; or one of (B)(i) receipt by the Purchaser of a notice from the responsible Minister under the Investment Canada Act that the Minister is satisfied, on terms, conditions and undertakings acceptable to the Purchaser, that the transactions contemplated by this Agreement are likely to be of net benefit to Canada pursuant to the Investment Canada Act or (B)(ii) the Purchaser has not received the notice referred to in (B)(i) within the time period provided for such notice under the Investment Canada Act such that the responsible Minister under the Investment Canada Act shall be deemed pursuant to the Investment Canada Act to have been satisfied that the transactions contemplated by this Agreement are likely to be of net benefit to Canada pursuant to the Investment Canada Act; and



- (ii) either: (A) no notice shall have been lawfully issued under subsections 25.2(1) or 25.3(2) of the Investment Canada Act; or, (B) if notice has been given under subsection 25.2(1) or 25.3(2) of the Investment Canada Act, then either (i) the responsible Minister or Ministers under the Investment Canada Act shall have sent to the Purchaser a notice under paragraph 25.2(4)(a) or 25.3(6)(b) of the Investment Canada Act or (ii) the Governor in Council under paragraph 25.4(1)(b) or the Minister under paragraph 25.3(6)(c) (if that provision is in effect) of the Investment Canada Act has issued an order or notice authorizing the transactions contemplated by this Agreement on terms, conditions or undertakings acceptable to the Purchaser, provided that all section, subsection and paragraph references to the Investment Canada Act in this definition shall be read to reference the substantially equivalent provisions should the Investment Canada Act be amended between the date of this Agreement and the time of Closing;
- (xx) **“Key Regulatory Approvals”** means the Competition Act Approval and the Investment Canada Act Approval;
- (yy) **“Lands”** means all lands and formations in or to which the Company has right, title or interest, subject to the Title and Operating Documents, including the Petroleum Substances within, upon or under such lands, or any lands pooled or unitized therewith;
- (zz) **“Leases”** means the leases, licenses, permits, reservations and other documents of title and agreements by virtue of which the Company is entitled to explore for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands or lands with which the Lands are pooled or unitized including those leases, licenses, permits, reservations and other documents of title and agreements, but only to the extent they pertain to the Lands, and includes, if applicable, all renewals and extensions of those documents and all documents issued in substitution therefor;
- (aaa) **“Lenders”** means, collectively, CCBQ and CCBT;
- (bbb) **“Lenders Secured Debt”** means the aggregate of the principal amount and all accrued but unpaid loan administration fees, and legal fees incurred by the Lenders for the account of the Company that is owed to the Lenders as the senior secured creditors of the Company pursuant to the Existing Credit Agreement;
- (ccc) **“Losses”** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (ddd) **“Minister”** means the Minister of Innovation, Science and Economic Development Canada and/or other Ministers responsible for the Investment Canada Act;

- (eee) “**Miscellaneous Interests**” means, subject to the limitations and exclusions below in this definition, all of Company's right, title and interest in and to (a) the Wells including the well bores of the Wells and down-hole casing for the Wells; and (b) all property and rights that pertain directly to the Petroleum and Natural Gas Rights, the Lands, the Wells or the Tangibles (excluding the Petroleum and Natural Gas Rights, Wells or the Tangibles themselves), including:
- (i) the Title and Operating Documents and all other contracts and agreements and all rights in relation thereto, including the Transportation, Sale and Handling Agreements;
  - (ii) Surface Rights;
  - (iii) the well bores of the Wells, including down-hole casing for the Wells;
  - (iv) the Seismic Rights;
  - (v) Emissions Credits;
  - (vi) records, files, reports, data, correspondence and other information, including lease, contract, well, production and facilities files and records, and emergency response plans; and
  - (vii) all extensions, renewals, replacements, substitutions or amendments of or to any of the agreements and instruments described in paragraphs (i), (ii) and (v) above;

however, the Miscellaneous Interests shall not include the Transferred Assets or the Transferred Contracts nor shall they include agreements, documents or data to the extent that they solely consist of the Transferred Assets or the Transferred Contracts;

- (fff) “**Monitor**” means FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Company during the CCAA Proceedings;
- (ggg) “**Monitor’s Certificate**” means the certificate to be filed by the Monitor certifying that all conditions of Closing of the Transactions contemplated by this Subscription Agreement and approved by the Reverse Vesting Order have been satisfied;
- (hhh) “**No Action Letter**” means a letter from the Commissioner indicating that he or she does not, as of the date of the letter, intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement, such written confirmation having not been modified or withdrawn prior to the time of Closing;
- (iii) “**O&G Assets**” means the Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests (including for certainty, the Company’s interest in the Wells);

- (jjj) “**Order**” means all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations, awards, or decrees of any Governmental Authority (in each case, whether temporary, preliminary or permanent);
- (kkk) “**Outside Date**” means the date that is at least 220 days from the date of the Agreement or such later date as may be agreed to in writing by the Parties; provided that, if the Closing has not occurred by at least 220 days from the date of the Agreement as a result of the failure to satisfy the conditions set forth in sections 4.3(d) or (e), then the Purchaser may elect by notice in writing delivered to the Company by no later than 5:00 p.m. (Calgary time) on a date that is on or prior to such date or, in the case of subsequent extensions, the date that is on or prior to the Outside Date, as previously extended, to extend the Outside Date from time to time by a specified period of not less than five days and not more than 45 days, provided that in aggregate such extensions shall not exceed 90 days from the date that is at least 220 days from the date of the Agreement;
- (lll) “**Parties**” means, collectively, all of the parties to this Subscription Agreement; and “**Party**” means a party to this Subscription Agreement;
- (mmm) “**Permits**” means, all licences, permits, approvals and authorizations granted or issued by any Governmental Authorities and relating to the construction, installation, ownership, use or operation of the Retained Assets;
- (nnn) “**Person**” means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (ooo) “**Petroleum and Natural Gas Rights**” means all of Company's right, title and interest in and to:
- (i) rights in, or rights to explore or drill for and to recover, produce, save and market, Petroleum Substances;
  - (ii) rights to a share of production of Petroleum Substances therefrom;
  - (iii) fee simple interests and other estates in Petroleum Substances *in situ*;
  - (iv) working interests, carried working interests, royalty and overriding royalty interests, revenue interests, net profit interests, and similar interests in Petroleum Substances or the proceeds of the sale of Petroleum Substances or other encumbrance accruing to Company or to payments calculated by reference thereto; and
  - (v) rights to acquire or earn any of the foregoing in paragraphs (i), (ii), (iii) and (iv);

but, in each case, only insofar as the foregoing relate to the Lands or any lands

pooled or unitized therewith and only insofar as such rights are granted by the Leases (and for clarity, (i) and (ii) above include all rights arising from unit allocations).

- (ppp) “**Petroleum Substances**” means bitumen, crude oil, natural gas, natural gas liquids and other related hydrocarbons and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and coalbed methane;
- (qqq) “**Priority Payables**” means any current or future amounts owing as secured by any charges, liens or interest that rank in priority to the Lenders Secured Debt, including without limitation the Administration Charge and the Directors’ Charge and any other Court ordered charges or statutory priority claims, including without limitation those amounts set forth in Schedule “C”;
- (rrr) “**Proceeding**” means any suit, claim, action, charge, complaint, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before, any court or other Governmental Authority;
- (sss) “**Purchase Price**” has the meaning set out in Section 2.2;
- (ttt) “**Purchased Shares**” means 1,000,000 Common Shares subscribed for by the Purchaser and sold by the Company hereunder, or such greater or lesser number as will give the Purchaser 100% of the issued Common Shares at Closing;
- (uuu) “**Purchaser**” has the meaning ascribed thereto in the Recitals and any assignee of the Purchaser pursuant to Section 9.4;
- (vvv) “**Real Property**” means all of the Company’s right, title and interest in and to all real property, if any, including the Lands and all Buildings and Fixtures;
- (www) “**Recitals**” means the preamble and the recitals to this Agreement;
- (xxx) “**Reorganization**” has the meaning ascribed thereto in the Recitals;
- (yyy) “**Representative**” means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to the Company includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (zzz) “**Retained Assets**” means all of the Company’s right, title and interest in and to the assets described under the heading “Retained Assets” in Schedule “B” hereto and includes, where the context requires, the Retained Contracts;
- (aaaa) “**Retained Contracts**” means those contracts, agreements and commitments described under the heading “Retained Contracts” in Schedule “B” hereto;

- (bbbb) “**Retained JOAs**” has the meaning ascribed thereto in Schedule “B”;
- (cccc) “**Retained Liabilities**” means those liabilities described under the heading “Retained Liabilities” in Schedule “B” hereto;
- (dddd) “**Reverse Vesting Order**” means an Order of the Court, in substantially the form attached hereto as Schedule “A”, or in such other form as may be agreed to by the Parties in writing that, among other things: (a) approves this Subscription Agreement and the Transactions contemplated hereby upon the Transactions being determined by the Court to be a Successful Bid (including the redemption for nominal consideration, and subsequent cancellation, of all of the issued and outstanding Equity Interests of the Company, other than the Purchased Shares); and (b) upon the delivery of a copy of the Monitor’s Certificate to the Purchaser, among other things: (i) transfers all of the Company’s right, title and interest in and to the Transferred Assets to the Creditor Trust; (ii) transfers all Transferred Liabilities to the Creditor Trust; (iii) releases and discharges the Company from all of the Transferred Liabilities; and (iv) releases the Company from the purview of the CCAA Proceedings and adds the Creditor Trust as an entity in the CCAA Proceedings;
- (eeee) “**SARIO**” has the meaning ascribed thereto in the Recitals;
- (ffff) “**Seismic Rights**” means the entire interest of the Company in and to any and all geological and/or seismic data, in whatever form, whether owned or leased by Company, as they exist immediately prior to Closing;
- (gggg) “**Sinoenergy**” means Calgary Sinoenergy Investment Corp., a corporation incorporated under the laws of Alberta, Canada;
- (hhhh) “**SISP Procedure**” means the sale and investment solicitation process procedure set forth in Schedule “D” hereto;
- (iiii) “**Subscription Agreement**” means this subscription agreement between the Company and the Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, this “**Subscription Agreement**” “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this subscription agreement;
- (jjjj) “**Successful Bid**” has the meaning given to it in the SISP Procedure;
- (kkkk) “**Successful Bidder**” has the meaning given to it in the SISP Procedure;
- (llll) “**Surface Rights**” means all rights to occupy, cross or otherwise use or enjoy the surface of the Lands and any lands pooled or unitized therewith or any other lands: (i) upon which the Tangibles are situate, (ii) used in connection with the ownership or operation of the Petroleum and Natural Gas Rights, the Tangibles or the Wells, or (iii) used to gain access to any of the Lands (or any lands pooled or unitized therewith), the Tangibles or the Wells, whether the same are fee simple, held by right of way or otherwise;

- (mmmm) “**Tangibles**” means all of Company's right, title and interest in and to all tangible depreciable property, apparatus, plant, equipment, machinery, field inventory and facilities, used or intended for use in, or otherwise useful in exploiting any Petroleum Substances from or within the Lands (whether the Petroleum and Natural Gas Rights to which such Petroleum Substances are allocated are owned by Company or by others or both) and located within, upon or in the vicinity of the Lands (or any lands pooled or unitized therewith), including all gas plants, oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, separators, pumps, tanks, boilers, communication equipment, all salvageable equipment pertaining to any Wells and all facilities and all Associated Infrastructure;
- (nnnn) “**Taxes**” means taxes, duties, fees, premiums, assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Applicable Law, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, and all employment insurance, health insurance and governmental pension plan premiums or contributions;
- (oooo) “**Tax Refunds**” means all payments, subsidies, claims with respect to subsidies, credits or refunds (including payments and refunds in respect of Taxes) to which the Company is entitled that arose or relate to the period prior to Closing, including but not limited to: (i) any refund of goods and services taxes or harmonized sales taxes, (ii) any refund of federal or provincial income taxes, and (iii) any refund of premiums or payments relating to any provincial or federal workers’ compensation fund or program;
- (pppp) “**Third Party**” means any individual or entity other than the Company and the Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (qqqq) “**Title and Operating Documents**” means:
- (i) the Leases;
  - (ii) agreements relating to the acquisition, ownership, operation or exploitation of the Petroleum and Natural Gas Rights, Tangibles or the Wells, including:

- (A) operating agreements, royalty agreements, farm-out or farm-in agreements, option agreements, participation agreements, pooling agreements, unit agreements, unit operating agreements, sale and purchase agreements and asset exchange agreements;
  - (B) agreements for the sale of Petroleum Substances that are terminable on 31 days notice or less without early termination penalty or other cost;
  - (C) agreements pertaining to the Surface Rights;
  - (D) agreements for the construction, ownership and operation of gas plants, gathering systems and other tangible depreciable property and assets;
  - (E) service agreements for the treating, gathering, storage, transportation or processing of Petroleum Substances or other substances, the injection or subsurface disposal of other substances, the use of well bores or the operation of any Tangibles or Wells by a Third Party;
  - (F) the Transportation, Sale and Handling Agreements; and
  - (G) the Permits and other approvals, authorizations or licences required under Applicable Law;
- (rrrr) **“Transactions”** means the Reorganization and subsequent issuance by the Company to the Purchaser, and the subscription for and purchase by the Purchaser, of the Purchased Shares in consideration of the Purchase Price and all matters related or ancillary to the foregoing contemplated by or in the manner provided for in this Subscription Agreement or the Reverse Vesting Order;
- (ssss) **“Transferred Assets”** means those assets described under the heading “Transferred Assets” in Schedule “B” hereto and, where the context requires, includes the Transferred Contracts;
- (tttt) **“Transferred Contracts”** means those contracts, agreements and commitments under the heading “Transferred Contracts” in Schedule “B” hereto;
- (uuuu) **“Transferred Liabilities”** means those liabilities described under the heading “Transferred Liabilities” in Schedule “B” hereto;
- (vvvv) **“Transportation, Sale and Handling Agreements”** means agreements providing for the processing, compression, treatment, gathering, storage, transportation or sale of Petroleum Substances produced from the Lands or lands pooled or unitized therewith or obligations for processing, compression, treatment, gathering, storage, transportation or sale of Petroleum Substances on behalf of Third Parties, but does

not include any construction, ownership and operation agreements for similar agreements for the co-ownership of facilities;

(www) “**Unscheduled Assets**” has the meaning ascribed to that term in Section 3.5(a); and

(xxxx) “**Wells**” means all producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and similar wells located on or within the Lands or any lands pooled or unitized therewith, whether or not completed.

## **1.2 Headings**

The words “Article”, “Section”, “subsection” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Subscription Agreement.

## **1.3 Interpretation Not Affected by Headings**

The division of this Subscription Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Subscription Agreement.

## **1.4 Plurals and Gender**

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

## **1.5 Schedules**

There are appended to this Subscription Agreement the following Schedules pertaining to the following matters:

Schedule “A” –	Form of Reverse Vesting Order
Schedule “B” –	Transferred Assets; Transferred Liabilities; Transferred Contracts; Retained Assets; Retained Liabilities and Retained Contracts
Schedule “C” –	Priority Payables
Schedule “D” –	SISP Procedure

Such Schedules are incorporated herein by reference as though contained in the body hereof.

## **1.6 Damages**

All Losses in respect of which a Party has a claim pursuant to this Subscription Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.



## 1.7 Derivatives

Where a term is defined in the body of this Subscription Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word “include” and derivatives thereof shall be read as if followed by the phrase “without limitation”.

## 1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Subscription Agreement which presumes that the Purchaser has acquired the Purchased Shares or the Retained Assets hereunder shall be construed as having been contingent upon Closing having occurred.

## 1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Subscription Agreement and that of a schedule, the provision of the body of this Subscription Agreement shall prevail. If any term or condition of this Subscription Agreement conflicts with a term or condition of any Applicable Law, the term or condition of such Applicable Law shall prevail, and this Subscription Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

## 1.10 Currency

All dollar (\$) amounts referenced in this Subscription Agreement are expressed in the lawful currency of Canada.

# ARTICLE 2 SUBSCRIPTION OF PURCHASED SHARES

## 2.1 Subscription for Purchased Shares

Subject to the provisions of this Subscription Agreement and the Reverse Vesting Order, on the Closing Date, the Purchaser shall subscribe for and purchase from the Company, and the Company shall issue to the Purchaser the Purchased Shares, free and clear of all Encumbrances.

## 2.2 Purchase Price

- (a) The aggregate consideration payable by the Purchaser to the Company for the Purchased Shares (the “**Purchase Price**”) shall be equal to the sum of:
  - (i) the Cash Component, and
  - (ii) the DIP Credit Bid Amount,

and the Purchase Price shall be satisfied as follows:

- (iii) a cash payment to the Monitor of \$22,000,000 (the “**Estimated Priority Payable Amount**”);

- (iv) a cash payment to the Monitor to satisfy the Estimated Trustee Fee Amount (together with the cash payment made pursuant to Section 2.2(a)(iii), the “**Cash Component**”); and
  - (v) set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement.
- (b) The Parties acknowledge that adjustments will be required after Closing to finally determine the Purchase Price once the final amount of the Priority Payables is known. The Parties covenant and agree to finally determine such adjustments to the Purchase Price in good faith on or before the date that the Creditor Trust is terminated in accordance with the Creditor Trust Settlement, or such other date as the Parties agree to in writing (“**Adjustment Date**”). On the Adjustment Date, the Parties shall agree on the final Purchase Price and the Cash Component shall be distributed or retained by the Monitor as follows:
- (i) the Monitor shall pay from the Estimated Priority Payable Amount any Priority Payables;
  - (ii) following the payment of any Priority Payables referenced in Section 2.2(b)(i), any remainder of the Estimated Priority Payable Amount shall be reimbursed to the Purchaser within two (2) Business Days of the payment of the last of the Priority Payables by way of certified cheque, bank draft or wire transfer as directed by the Purchaser; and
  - (iii) the Monitor, as trustee of the Creditor Trust, shall retain the Estimated Trustee Fee Amounts and distribute the Estimated Trustee Fee Amounts in accordance with the Creditor Trust Settlement.

### **2.3 Form of Payment**

All payments to be made pursuant to this Subscription Agreement shall be in Canadian funds. All payments to be made pursuant to this Subscription Agreement shall be made by wire transfer.

### **2.4 Continuing Employees**

On or before the date that is five days prior to the Closing Date, the Purchaser will deliver to the Company a list of the employees and consultants that the Purchaser wishes, in its sole discretion, to continue to be employed by the Company and/or its Affiliates after the Closing Date (the “**Continuing Employees**”).

## **ARTICLE 3 CLOSING**

### **3.1 Date, Time and Place of Closing**

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained.

### **3.2 Effectiveness of Reverse Vesting Order**

Subject to the other terms of this Subscription Agreement and the Reverse Vesting Order, to the extent such further action is required to give effectiveness thereto, the Company and the Creditor Trust, as applicable, shall effect the steps set forth in the Reverse Vesting Order, in the sequence and at the times specified therein, as such steps, transactions, sequence and/or times may be amended by written agreement of the Parties.

### **3.3 Closing**

On the Closing Date, Closing shall take place in the following sequence (the “**Closing Sequence**”):

- (a) First, the Purchaser shall pay the Estimated Priority Payable Amount to the Monitor and the Monitor shall effect payment of the Priority Payables to the payees thereof following Closing and reimburse to the Purchaser the remainder of the Estimated Priority Payable Amount as provided for in Section 2.2(b);
- (b) Second, the Purchaser shall pay the Estimated Trustee Fee Amounts to the Monitor, as trustee of the Creditor Trust;
- (c) Third, all of the Company’s right, title and interest in and to the Transferred Assets shall be transferred and vest absolutely and exclusively in the Creditor Trust and all Losses and Encumbrances attached to the Transferred Assets shall continue to attach to the Transferred Assets with the same nature and priority as they had immediately prior to their transfer;
- (d) Fourth, and concurrently with step 3.3(c) above, all Transferred Liabilities shall be transferred to, assumed by and vest absolutely and exclusively in the Creditor Trust and the Transferred Liabilities shall be novated and become obligations of the Creditor Trust and no longer liabilities of the Company, for the purpose of allowing the Trustee to continue to administer the Transferred Liabilities in accordance with the terms and conditions of the Creditor Trust Settlement, for the benefit of the existing creditors of the Company as at the Closing Date: (i) such Transferred Liabilities shall continue to attach to the Transferred Assets with the same nature and priority as they had immediately prior to the Closing Date, as set out in the Reverse Vesting Order; (ii) such Transferred Liabilities shall be transferred to and assumed by the Creditor Trust in consideration for the transfer of the Transferred Assets and the Estimated Trustee Fee Amount, and the Creditor Trust shall be deemed to have been party to the contracts and agreements giving rise thereto and

which shall stand in place and stead of the Company in respect of any such liability or obligation;

- (e) Fifth, and also concurrently with step 3.3(c) above, the Company shall be forever released and discharged from all Transferred Liabilities, and all Losses and Encumbrances relating to the Transferred Assets and Transferred Liabilities shall be forever released and discharged in respect of the Company and the Retained Assets;
- (f) Sixth, the Company shall, pursuant to the Reorganization, amend its articles of incorporation to provide that all Common Shares issued and outstanding immediately prior to the Closing Date shall be redeemable and retractable at the nominal redemption price of \$0.00001 per Common Share;
- (g) Seventh, each Common Share issued and outstanding immediately prior to the Closing Date shall be redeemed at the nominal redemption price of \$0.00001 each, and all such redeemed Common Shares together with any agreement, contract, plan, indenture, deed, certificate, subscription rights, conversion rights, pre-emptive rights, options (including stock options or share purchase or equivalent plans), or other documents or instruments governing or having been created or granted in connection with the share capital of the Company shall be deemed terminated and cancelled in accordance with and pursuant to the Reverse Vesting Order;
- (h) Eighth, the Company shall have assumed the Retained Liabilities in accordance with the Reverse Vesting Order;
- (i) Ninth, the Retained Assets will be retained by the Company, in each case free and clear of and from any and all Losses and Encumbrances (other than in respect of the Retained Liabilities) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the SARIO, or any other order of the Court; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta), *The Personal Property Security Act* (Saskatchewan) or any other personal property registry system or pursuant to the *Lands Title Act* (Alberta) or *The Lands Title Act* (Saskatchewan), all of which affecting or relating to the Purchased Shares and/or the Retained Assets shall be expunged and discharged as against the Purchased Shares and Retained Assets, as applicable, other than in respect of the Retained Liabilities, in accordance with the Reverse Vesting Order;
- (j) Tenth, the Company shall issue the Purchased Shares to the Purchaser free and clear of and from any and all Losses and Encumbrances (other than in respect of the Retained Liabilities), and the Estimated Trustee Fee Amount shall vest in the Creditor Trust to be administered by the Trustee for the benefit of the Company's creditors;

- (k) Eleventh, any directors of the Company immediately prior to the Closing shall resign or be deemed to resign pursuant to the Reverse Vesting Order, and Jason Ge shall be deemed to be appointed as the sole director of the Company; and
- (l) Twelfth, the Company shall cease to be an applicant in the CCAA Proceedings and the Company shall be deemed to be released from the purview of the SARIO and all other orders of the Court granted in the CCAA Proceedings.

### **3.4 Closing Deliveries**

- (a) On the Closing Date, the Company shall deliver to the Purchaser:
  - (i) an entered copy of the Reverse Vesting Order;
  - (ii) resignations of all remaining directors and officers of the Company immediately prior to the Closing, and where such resignations are not available, those directors and officers shall be deemed to have resigned, and the Company shall be deemed to appoint Jason Ge as the sole director of the Company in accordance with the Reverse Vesting Order;
  - (iii) one or more share certificates duly executed by the Company, or other satisfactory evidence such as a notice of uncertified securities, representing, in aggregate, the Purchased Shares registered in the name of the Purchaser as directed by the Purchaser;
  - (iv) amended or amended and restated Existing Credit Agreement, in form and substance satisfactory to the Purchaser, acting reasonably, executed by the Company;
  - (v) amended or amended and restated BOCQ Indemnity or new financing documents evidencing the obligations owing in respect of the BOCQ Indemnity, each in form and substance satisfactory to the Purchaser, acting reasonably, executed by the Company;
  - (vi) the definitive agreement(s) giving effect to the set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement pursuant to Section 2.2, in a form satisfactory to the Purchaser, acting reasonably, executed by the Company and Sinoenergy;
  - (vii) a certificate dated as of the Closing Date and executed by an executive officer of the Company confirming and certifying that each of the conditions in Sections 4.4(b) and 4.4(d) have been satisfied; and
  - (viii) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transactions.

- (b) On the Closing Date, the Purchaser shall deliver:
  - (i) to the Monitor that portion of the Purchase Price representing the Estimated Priority Payable Amount, pursuant to Section 2.2;
  - (ii) to the Monitor, as trustee of the Creditor Trust, that portion of the Purchase Price representing the Estimated Trustee Fee Amounts, pursuant to Section 2.2;
  - (iii) to the Company, the definitive agreement(s) giving effect to the set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement pursuant to Section 2.2, in a form satisfactory to the Company, acting reasonably, executed by the lender thereto;
  - (iv) to the Company, a certificate dated as of the Closing Date and executed by an executive officer of the Purchaser confirming and certifying that each of the conditions in Sections 4.5(a) and 4.5(b) have been satisfied; and
  - (v) to the Company, all such other assurances, consents, agreements, documents and instruments as may be reasonably required by the Company

### **3.5 Adjustments to Schedule “B”**

- (a) Until the date required by the Court to have the supporting documentation in respect of the application for the Reverse Vesting Order submitted with the Court, the Purchaser shall be entitled to make additions, deletions and modifications to those items comprising Retained Assets, Retained Liabilities, Transferred Assets, and Transferred Liabilities set forth in Schedule “B”, in its sole discretion, except as provided for in Section 3.5(b). For greater certainty: (i) any Retained Asset subsequently designated by the Purchaser as a Transferred Asset after the date of this Agreement shall be deemed to no longer be a Retained Asset and shall be a Transferred Asset; and (ii) any Retained Liability subsequently designated by the Purchaser as a Transferred Liability after the date of this Agreement shall be deemed a Transferred Liability for the purposes of this Agreement.
- (b) Notwithstanding anything in Section 3.5, each of the Retained JOAs, the Lenders Secured Debt and the BOCQ Indemnity Obligation shall at all times remain a Retained Liability.

## **ARTICLE 4 CONDITIONS OF CLOSING**

### **4.1 Required Consents**

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transactions. The Parties acknowledge that, except for the Reverse Vesting Order and the Key

Regulatory Approvals, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of the Purchaser, at the Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to the Purchaser, and registration of the Purchaser as owner and/or operator, of any of the Retained Assets, if any.

- (b) Notwithstanding anything to the contrary herein, except for the Reverse Vesting Order and the Key Regulatory Approvals, it is the sole obligation of the Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the Transactions at the Purchaser's sole cost and expense, including remedying any deficiencies under any contracts and agreements assumed by the Purchaser or that otherwise from part of the Retained Assets. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by the Company in order to effect the Transactions pursuant to the Reverse Vesting Order shall be the sole responsibility of the Purchaser, and the Purchaser agrees to pay on behalf of the Company any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

#### **4.2 Key Regulatory Approvals**

- (a) In respect of the Competition Act Approval:
  - (i) Within ten (10) Business Days after the date of this Agreement or such other date as the Parties may reasonably agree, the Purchaser shall file with the Commissioner a submission requesting an Advance Ruling Certificate or, in the alternative, a No Action Letter;
  - (ii) If an Advance Ruling Certificate or No Action Letter shall not have been obtained within twenty-one (21) days following filing of the Purchaser's submission, upon the mutual agreement of the Parties, the Purchaser or the Company may at any time thereafter, acting reasonably, notify the other Party that it intends to file or cause to be filed a notification pursuant to subsection 114(1) of the Competition Act, in which case the Purchaser and the Company shall each file their respective notifications pursuant to subsection 114(1) of the Competition Act as promptly as practicable but in any event within ten (10) Business Days following the date the Purchaser or the Company, as applicable, notified the other Party of its intention to file a notification; and
  - (iii) The filing fee in connection with obtaining Competition Act Approval shall be borne by the Purchaser;
- (b) Within five (5) Business Days after the date of this Agreement or such other date as the Parties may reasonably agree, the Purchaser shall submit the notification for the Investment Canada Act Approval;

- (c) The Parties shall use their commercially reasonable efforts to:
  - (i) obtain the Key Regulatory Approvals at the earliest possible date. For greater certainty, but without limiting the generality of the foregoing, the Parties shall request that the Key Regulatory Approvals be processed by the applicable Governmental Authority on an expedited basis and, to the extent that a public hearing is held, the Parties shall request the earliest possible hearing date for the consideration of the Key Regulatory Approvals;
  - (ii) respond promptly and as soon as reasonably practicable to any request for additional information or documentary materials made by any Governmental Authority in connection with the Key Regulatory Approvals; and
  - (iii) make such further filings as may be necessary, proper or advisable in connection therewith;
- (d) With respect to obtaining the Key Regulatory Approvals, each of the Purchaser and the Company shall cooperate with one another and shall provide such assistance as the other Party may reasonably request in connection with obtaining the Key Regulatory Approvals. In particular:
  - (i) neither Party shall extend or consent to any extension of any applicable waiting or review period or enter into any agreement with a Governmental Authority to not consummate the transactions contemplated by this Agreement, except upon the prior written consent of the other Party;
  - (ii) the Parties shall exchange drafts of all submissions, correspondence, filings, presentations, applications, plans, consent agreements and other documents to be made or submitted to or filed with any Governmental Authority in respect of the transactions contemplated by this Agreement, will consider in good faith any suggestions made by the other Party and its counsel and will provide the other Party and its counsel with final copies of all such submissions, correspondence, filings, presentations, applications, plans, consent agreements and other documents, and all pre-existing business records or other documents, submitted to or filed with any Governmental Authority in respect of the transactions contemplated by this Agreement; provided, however, that, subject to Section 4.2(e), information indicated by either Party to be competitively sensitive shall be provided on an external counsel-only basis;
  - (iii) each Party will keep the other Party and their respective counsel fully apprised of all written (including email) and oral communications and all meetings with any Governmental Authority and their staff in respect of the Key Regulatory Approvals, and will not participate in such communications or meetings without giving the other Party and their respective counsel the opportunity to participate therein; provided, however, that, subject to



Section 4.2(e), where competitively sensitive information may be discussed or communicated, the other Party's external legal counsel shall be provided with any such communications or information on an external counsel-only basis and shall have the right to participate in any such meetings on an external counsel-only basis; and

- (iv) each Party shall make available its Representatives, on the reasonable request of the other Party and its counsel, to assist in obtaining the Key Regulatory Approvals, including by (i) making introductions to, and arranging meetings with, key stakeholders and leaders of Governmental Authorities and participating in those meetings, (ii) providing strategic input, including on any materials prepared for obtaining the Key Regulatory Approvals, and (iii) responding promptly to requests for support, documents, information, comments or input where reasonably requested in connection with the Key Regulatory Approvals;
- (e) With respect to Sections 4.2(d)(ii) and (iii) above, where a Party (in this Section 4.2 only, the "**Disclosing Party**") provides any submissions, communications, information, correspondence, filings, presentations, applications, plans, consent agreements or other documents to the other Party (the "**Receiving Party**") on an external counsel-only basis, the Disclosing Party shall also provide the Receiving Party with a redacted version of any such submissions, communications, information, correspondence, filings, presentations, applications, plans, consent agreements or other documents;
- (f) Each Party shall use commercially reasonable efforts to: (i) defend all lawsuits or other legal, regulatory or other Proceedings against itself or any of its Affiliates challenging or affecting this Agreement or the consummation of the transactions contemplated hereby; (ii) appeal, overturn or have lifted or rescinded any injunction or restraining order or other order, including Orders, relating to itself or any of its Affiliates which may materially adversely affect the ability of the Parties to consummate the transactions contemplated by this Agreement; and (iii) appeal or overturn or otherwise have lifted or rendered non- applicable in respect of the transactions contemplated by this Agreement, any Applicable Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibits or enjoins either Party from consummating the transactions contemplated by this Agreement;
- (g) Neither of the Parties shall enter into any transaction, investment, agreement, arrangement or joint venture or take any other action, the effect of which would reasonably be expected to make obtaining the Key Regulatory Approvals materially more difficult or challenging, or reasonably be expected to materially delay the obtaining of the Key Regulatory Approvals;
- (h) The Parties shall use (and shall cause their respective Subsidiaries to use) their respective commercially reasonable efforts to take or cause to be taken all actions necessary or advisable on their respective parts to consummate the transactions

contemplated by this Agreement as promptly as practicable after the date of this Agreement; provided, however that:

- (i) the obligations of either Party to use its commercially reasonable efforts to obtain the Key Regulatory Approvals does not require either Party (or any Affiliate thereof) to undertake any divestiture of any business or business segment of such Party, to agree to any material operating restrictions related thereto or to incur any material expenditure(s) related therewith, unless agreed to by the Parties. In connection with obtaining the Key Regulatory Approvals, the Company shall not agree to any of the foregoing items without the prior written consent of the Purchaser; and
- (ii) the Purchaser in its sole discretion shall decide whether or not any terms, conditions or undertakings (if any) imposed or required by the Governor in Council or the Minister if authorized to do so shall be acceptable to the Purchaser for the purposes of obtaining the Investment Canada Act Approval.

#### **4.3 Mutual Conditions**

The obligation of the Purchaser to complete the Transactions, and of the Company to sell the Purchased Shares to the Purchaser, is subject to the following conditions precedent:

- (a) the SARIO being obtained;
- (b) the Reverse Vesting Order being obtained;
- (c) no stay or appeal or application to vary the SARIO or Reverse Vesting Order shall have been filed with the Court at any time by the Company or any other Person on or before the Closing;
- (d) no Applicable Law or Order will have been enacted, issued, promulgated, enforced, made, entered, issued or applied and no Proceeding will otherwise have been taken under any Applicable Laws or by any Governmental Authority (whether temporary, preliminary or permanent) that makes or which would reasonably be expected to make the transactions contemplated by this Agreement illegal or to otherwise directly or indirectly cease trade, enjoin, restrain or otherwise prohibit completion of the transactions contemplated by this Agreement; and
- (e) the Key Regulatory Approvals shall have been obtained and shall not have been modified or withdrawn prior to the time of Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 4.2 have not been performed, satisfied or waived before the Outside Date, this Subscription Agreement and the obligations of the Company and the Purchaser under this Subscription Agreement (other than under Sections 9.10 and 9.14) shall automatically terminate without any further action on the part of either the Company or the Purchaser.

#### **4.4 Purchaser's Conditions**

The obligation of the Purchaser to purchase the Purchased Shares is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of the Purchaser and may be waived by the Purchaser:

- (a) no material adverse effect in the Company or the Retained Assets;
- (b) the Purchaser being satisfied, acting reasonably, that the quantum of the Cash Component amount does not exceed the Estimated Trustee Fee Amount and the Estimated Priority Payable Amount;
- (c) the representations and warranties of the Company herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (d) all obligations of the Company contained in this Subscription Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (e) the Company has entered into amended or amended and restated Existing Credit Agreement, in form and substance satisfactory to the Purchaser, acting reasonably; and
- (f) the Company has entered into an amended or amended and restated BOCQ Indemnity or new financing documents evidencing the obligations owing in respect of the BOCQ Indemnity, each in form and substance satisfactory to the Purchaser, acting reasonably.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by the Purchaser, at or before the Outside Date, the Purchaser may rescind this Subscription Agreement by written notice to the Company. If the Purchaser rescinds this Subscription Agreement, the Company and the Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 9.10 and 9.14.

#### **4.5 Company's Conditions**

The obligation of the Company to sell the Purchased Shares is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of the Company and may be waived by the Company:

- (a) the representations and warranties of the Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of the Purchaser contained in this Subscription Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;

- (c) all amounts to be paid by the Purchaser to the Company at Closing, including the Cash Component of the Purchase Price, shall have been paid to the Monitor in the form stipulated in this Subscription Agreement; and
- (d) a set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement, in a form satisfactory to the Company, acting reasonably.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by the Company, at or before the Outside Date, the Company may rescind this Subscription Agreement by written notice to the Purchaser. If the Company rescinds this Subscription Agreement, the Company and the Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 9.10 and 9.14.

#### **4.6 Efforts to Fulfil Conditions Precedent**

The Purchaser and the Company shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

### **ARTICLE 5 REPRESENTATIONS AND WARRANTIES**

#### **5.1 Representations and Warranties of the Company**

The Company makes only the following representations to the Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the SARIO, Reverse Vesting Order and the Key Regulatory Approvals and the Transactions constituting a Successful Bid, the Company has the right to enter into this Subscription Agreement and to complete the Transactions; and
- (b) subject to obtaining the Reverse Vesting Order and the Key Regulatory Approvals, this Subscription Agreement is, and all documents executed and delivered pursuant to this Subscription Agreement will be, legal, valid and binding obligations of the Company enforceable against it in accordance with their terms.

#### **5.2 Representations and Warranties of the Purchaser**

The Purchaser makes the following representations and warranties to the Company and agrees that the Company is relying on such representations and warranties for the purposes of entering into this Subscription Agreement:

- (a) the Purchaser is a corporation duly organized, validly existing and, as at the Closing Date, will be authorized to carry on business in the provinces in which the Retained Assets are located;

- (b) the Purchaser has good right, full power and absolute authority to purchase and acquire the Purchased Shares according to the true intent and meaning of this Subscription Agreement;
- (c) the execution, delivery and performance of this Subscription Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which the Purchaser is bound;
- (d) subject to obtaining the Key Regulatory Approvals, the execution, delivery and performance of this Subscription Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which the Purchaser is party or by which the Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to the Purchaser;
- (e) this Subscription Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their terms;
- (f) except for the Key Regulatory Approvals, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Retained Assets is required for the due execution, delivery and performance by the Purchaser of this Subscription Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) the Purchaser is acquiring the Purchased Shares in its capacity as principal and is not purchasing the Purchased Shares for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with the Company;
- (h) the Purchaser is an accredited investor, as defined by National Instrument 45-106 – *Prospectus Exemptions*, and/or that it meets one of the other exemptions under Canadian securities laws;
- (i) the Purchaser understands that the Purchased Shares are being issued to it upon an exemption from the prospectus requirements applicable under applicable Canadian securities laws and that there may be restrictions imposed on the Purchaser and the Purchased Shares which limit the Purchaser's ability to resell the Purchased Shares in Canada. Without limiting the foregoing, the Purchaser further acknowledges and agrees that any proposed transfer, resale or other disposition of the Purchased Shares shall be subject to Applicable Laws, including any restrictions and requirements under Canadian securities laws; and
- (j) the Purchaser is a WTO investor within the meaning of the Investment Canada Act.

### 5.3 Limitation of Representations by the Company

Notwithstanding any other provision of this Subscription Agreement, the Purchaser acknowledges, agrees and confirms that:

- (a) except for the representations and warranties of the Company set forth in Section 5.1, it is entering into this Subscription Agreement, acquiring the Purchased Shares (and the underlying Retained Assets and Retained Liabilities), in each case on an “as is, where is” basis as they exist as of Closing;
- (b) except as expressly stated in Section 5.1, none of the Company or the Creditor Trust or their respective Representatives is making, and the Purchaser is not relying on, any written or oral representations, warranties, statements, information, promises or guarantees, express or implied, statutory or otherwise, concerning the Transactions, the Company, the business of the Company, the Purchased Shares, the Retained Assets, the Retained Liabilities, the Transferred Assets and the Transferred Liabilities, including the right, title or interest of the Company in and to any of the foregoing, and any and all conditions, warranties or representations expressed or implied pursuant to any Applicable Law in any jurisdiction, which the Purchaser confirms do not apply to this Subscription Agreement, are hereby waived in their entirety by the Purchaser;
- (c) none of the Company, the Creditor Trust or any of their respective Representatives has made any representation or warranty as to any regulatory approvals, permits, licences, consents, registrations, filings or authorizations that may be needed to complete the Transactions or to obtain the benefit of the Retained Assets or any portion thereof, and the Purchaser is relying entirely on its own investigation, due diligence and inquiries in connection with such matters;
- (d) the obligations of the Purchaser under this Subscription Agreement are not conditional upon any additional due diligence;
- (e) except for the representations and warranties of the Company set forth in Section 5.1, any information regarding or describing the Purchased Shares, the Retained Assets or the Retained Liabilities, or in any other agreement or instrument contemplated hereby, is for identification purposes only, is not relied upon by the Purchaser, and no representation, warranty or condition, express or implied, has or will be given by the Company or the Creditor Trust or any of their respective Representatives concerning the completeness or accuracy of such information or descriptions;
- (f) except as otherwise expressly provided in this Subscription Agreement, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or claims the Purchaser might have against the Company, the Creditor Trust, or any of their respective Representatives pursuant to any warranty, express or implied, legal or conventional, of any kind or type, other than those representations and warranties of the Company expressly set forth in Section 5.1

such waiver is absolute, unlimited, and includes, but is not limited to, waiver of express warranties, completeness of warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not discoverable or latent, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights; and

- (g) the provisions of Section 5.3 shall survive and not merge on Closing.

## **ARTICLE 6 INDEMNITIES**

### **6.1 Purchaser's Indemnities for Representations and Warranties**

The Purchaser shall be liable to the Company and the Creditor Trust for and shall, in addition, indemnify each of them and their respective Representatives from and against, all Losses suffered, sustained, paid or incurred by each of them or their respective Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 5.2 been accurate and truthful.

## **ARTICLE 7 MAINTENANCE OF RETAINED ASSETS**

### **7.1 Maintenance of Retained Assets**

From the date hereof until the Closing Date, the Company shall, subject to the amounts of the agreed-upon expenditures set forth in the DIP Financing Agreement, use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the SARIO and the Reverse Vesting Order, to:

- (a) maintain the dataroom and provide access to the Purchaser and its Representatives;
- (b) maintain the Retained Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (c) pay or cause to be paid all costs and expenses relating to the Retained Assets which become due from the date hereof to the Closing Date;

provided that nothing contained in the foregoing or elsewhere in this Subscription Agreement shall obligate the Company to post security, make any other financial contribution or file any undertaking with a Governmental Authority with respect to any liability management program or other program.

## 7.2 Consent of the Purchaser

Notwithstanding Section 7.1, the Company shall not from the date hereof to the Closing Date, without the written consent of the Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Retained Assets, except: (i) in accordance with the “Cash Flow Projections” provided for in the DIP Financing Agreement; (ii) in case of an emergency; (iii) as may be reasonably necessary to protect or ensure life and safety; (iv) to preserve the Retained Assets or title to the Retained Assets; or (v) in respect of amounts which the Company may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should the Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Retained Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) other than pursuant to ordinary course expiries, surrender or abandon any of the Retained Assets, unless an expenditure of money is required to avoid the surrender or abandonment and the Purchaser does not provide same to the Company in a timely fashion, in which event the Retained Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title and Operating Document or enter into any new material agreement or commitment relating to the Retained Assets; or
- (d) sell, encumber or otherwise dispose of any of the Retained Assets or any part or portion thereof excepting: pursuant to preferential purchase rights; sales of non-material obsolete or surplus equipment; or sales in the normal course of business.

## 7.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Retained Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in the Purchaser incurring an obligation pursuant to Section 7.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the “**Proposal**”):

- (a) the Company shall promptly give the Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) the Purchaser shall, not later than 48 hours prior to the time the Company is required to make its election with respect to the Proposal, advise the Company, by notice, whether the Purchaser wishes the Company to exercise the Company’s rights with respect to the Proposal on the Purchaser’s behalf, provided that the Purchaser’s failure to make such election within such period shall be deemed to be the Purchaser’s election to participate in the Proposal;



- (c) the Company shall make the election authorized (or deemed to be authorized) by the Purchaser with respect to the Proposal within the period during which the Company may respond to the Proposal; and
- (d) the Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Retained Assets shall not entitle the Purchaser to any reduction of the Purchase Price if the Company's interest therein is terminated as a result of such election and such termination shall not constitute a failure or breach of the Company's representations and warranties relating to such Retained Assets.

#### **7.4 Payments in Respect of Transferred Assets**

If at any time after Closing, the Company, the Purchaser or any of their respective Affiliates receives a payment or other consideration in respect of or relating to a Transferred Asset (including a Tax Refund), the recipient of such payment or other consideration shall promptly notify the Creditor Trust and promptly pay and transfer such payment or other consideration to the Creditor Trust. From and after Closing, the Company and the Purchaser shall provide reasonable cooperation to the Creditor Trust to enable the Creditor Trust to obtain the benefit of any Transferred Asset.

#### **7.5 Agreement Regarding Fees**

The Purchaser hereby acknowledges and agrees that it will be responsible for any and all fees, expenses, and disbursements incurred by the Purchaser in connection with the formulation, negotiation, and finalization of this Agreement and the closing of the Transactions contemplated hereby.

### **ARTICLE 8 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS**

#### **8.1 Company to Provide Access**

Prior to Closing, the Company shall, subject to all contractual and fiduciary obligations, at the Calgary offices of the Company during normal business hours, provide reasonable access for the Purchaser and its Representatives to the records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Retained Assets and are in possession of the Company, as well as physical access to the Retained Assets (insofar as the Company can reasonably provide such access, with such access to be at the Purchaser's sole risk, expense and liability), and to the directors, senior officers and employees of the Company, to facilitate the Purchaser's review of the Retained Assets and title thereto for the purpose of completing these Transactions. The Purchaser shall indemnify and save harmless the Company and the Creditor Trust from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. The Purchaser shall comply fully with all rules, regulations and instructions issued by the Company regarding the Purchaser's actions while upon, entering or leaving such properties. The Purchaser's obligations set forth in this Section 8.1 shall survive the Closing Date indefinitely.

## **8.2 Access to Information**

For a period of four (4) years after the Closing Date, and subject to contractual restrictions in favour of Third Parties relative to disclosure, the Purchaser shall, on request from the Company or the Creditor Trust, provide reasonable access to their Representative at the Purchaser's offices, during its normal business hours, to the agreements and documents to which the Retained Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data which are then in the possession or control of the Purchaser and to make copies thereof, as they may reasonably require, including for purposes relating to:

- (a) the Creditor Trust's ownership of the Transferred Assets (including taxation matters and Losses that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Subscription Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against the Creditor Trust, the Company or any of them.

## **8.3 Maintenance of Information**

All of the information, materials and other records delivered to the Purchaser pursuant to the terms hereof shall be maintained by the Purchaser in good order and good condition and kept in a reasonably accessible location by the Purchaser for a period of two years from the Closing Date.

# **ARTICLE 9 GENERAL**

## **9.1 Further Assurances**

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Subscription Agreement.

## **9.2 Entire Agreement**

Except for the SARIO and the Reverse Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Subscription Agreement and, in the event of conflict, except for the SARIO or the Reverse Vesting Order, the provisions of this Subscription Agreement shall prevail. In the event that Closing occurs, except for the SARIO and the Reverse Vesting Order, this Subscription Agreement supersedes all other agreements (other than the Confidentiality Agreement), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transactions herein.

### **9.3 Governing Law**

This Subscription Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of King's Bench Court Action No. 2401-09247. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Subscription Agreement.

### **9.4 Assignment and Enurement**

This Subscription Agreement shall not be assigned by the Purchaser without the prior written consent of the Company, which consent may be unreasonably and arbitrarily withheld; provided that, notwithstanding the foregoing, the Purchaser shall be entitled to assign this Subscription Agreement, or any rights or obligations of the Purchaser hereunder, to an Affiliate of the Purchaser without the prior written consent of the Company, and provided further that any such assignment shall not relieve the Purchaser of its obligations hereunder. This Subscription Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

### **9.5 Time of Essence**

Time is of the essence in this Subscription Agreement.

### **9.6 Notices**

The addresses of the Parties for delivery of notices hereunder shall be as follows:

Company: Long Run Exploration Ltd.  
300, Elveden Center  
707 7th Avenue SW  
Calgary, Alberta T2P 3H6

Attention: Wendy Barber  
Email: [wbarber@longrunexploration.com](mailto:wbarber@longrunexploration.com)

**With a copy to its legal counsel at:**

Dentons Canada LLP  
Bankers Court, 15th Floor  
850 – 2nd Street SW  
Calgary, Alberta T2P 0R8

Attention: Bennett Wong and John Regush  
Email: [bennett.wong@dentons.com](mailto:bennett.wong@dentons.com) and [john.regush@dentons.com](mailto:john.regush@dentons.com)

**With a copy to the Monitor at:**

FTI Consulting Canada Inc.  
520 5<sup>th</sup> Avenue SW  
Suite 1610  
Calgary, Alberta T2P 3R7

Attention: Brett Wilson  
Email: [brett.wilson@fticonsulting.com](mailto:brett.wilson@fticonsulting.com)

With a copy to the Monitor's legal counsel at:

Bennett Jones LLP  
4500 Bankers Hall East  
855 2nd Street SW  
Calgary, Alberta T2P 4K7

Attention: Kelsey Meyer  
Email: [meyerk@bennettjones.com](mailto:meyerk@bennettjones.com)

Purchaser: Hiking Group Shandong Jinyue Int't Trading Corporation  
No. 131 Songling Road, Laoshan District  
Qingdao City, China, 266202

Attention: Jason Ge  
Email: [jason.ge1970@gmail.com](mailto:jason.ge1970@gmail.com)

**With a copy to its legal counsel at:**

Cassels Brock & Blackwell LLP  
Suite 3810, Bankers Hall West  
888 – 3<sup>rd</sup> Street SW,  
Calgary, Alberta, T2P 0C1

Attention: Jeff Oliver  
Email: [joliver@cassels.com](mailto:joliver@cassels.com)

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by email to a Party to the email address of such Party for notices, in which case, if the notice was emailed prior to 4:00 p.m. on a Business Day, the notice shall be

deemed to have been received by that Party when it was emailed and if it is emailed on a day which is not a Business Day or is emailed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or

- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, email address for service or designated representative by giving written notice of such change to the other Party.

### **9.7 Invalidity of Provisions**

In case any of the provisions of this Subscription Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

### **9.8 Waiver**

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Subscription Agreement. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

### **9.9 Amendment**

This Subscription Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

### **9.10 Confidentiality and Public Announcements**

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Purchased Shares, the Retained Assets and this Subscription Agreement, and shall not release any information concerning this Subscription Agreement and the Transactions without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that the Purchaser shall advise the Company in advance of the content of any such public

statement); (ii) in connection with obtaining the SARIO; (iii) in connection with obtaining the Reverse Vesting Order; or (iv) as required by the Company's secured creditors.

### **9.11 Sealing Order**

The Company may, at its discretion, apply to the Court for a sealing order with respect to confidential materials prepared by the Company or the Monitor containing the financial and other confidential details of these Transactions (the "**Confidential Materials**"), such order sealing the Confidential Materials and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by the Company, if granted, only the judge presiding over the CCAA Proceedings, the Purchaser and their respective Representatives and the secured creditors of the Company who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to the Confidential Materials and the confidential information contained therein.

### **9.12 Termination**

This Subscription Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of the Company and the Purchaser; or
- (b) by either the Company or the Purchaser pursuant to the provisions of Sections 4.2, 4.4 or 4.5, as applicable; or
- (c) by the Company if the Purchaser has breached its obligations under this Agreement and has not cured such breach within five (5) Business Days of receiving notice thereof from the Company; or
- (d) by the Purchaser if the Company has breached its obligations under this Agreement and has not cured such breach within five (5) Business Days of receiving notice thereof from the Purchaser.

In the event that this Subscription Agreement is terminated pursuant to this Section 9.12, each Party shall be released from all obligations under or in connection with this Subscription Agreement, other than the provisions with respect to (i) confidentiality (Section 9.10) and (ii) the use of personal information (Section 9.14).

### **9.13 Break Fee and Termination Upon Close of Alternative Successful Bid**

If the Transactions are not selected as a Successful Bid and an alternate Successful Bid closes, Purchaser shall be entitled to a break-fee of \$500,000 (the "**Break Fee**") which shall become payable by the Company immediately upon the closing of the transaction by the other Successful Bidder. The Company agrees to seek from the Court, as part of the order approving the bid of an alternative Successful Bidder, a provision providing for the distribution of the Break Fee to the Purchaser from the purchase price paid by such alternative Successful Bidder. Upon the successful completion of the alternate transaction contemplated by the selected Successful Bid: (i) this Agreement shall automatically terminate; and (ii) the Company and the Purchaser shall have no further liabilities or obligations to each other with respect to this Agreement or the Transactions,

other than with respect to confidentiality (Section 9.10), the use of personal information (Section 9.14) and payment of the Break Fee. The obligation of the Company to pay the Break Fee as contemplated above shall survive any termination of this Agreement provided for in this Section 9.13.

#### **9.14 Personal Information**

The Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to the Purchaser or otherwise obtained or reviewed by the Purchaser in connection with these Transactions only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) the Company or the Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual; and
- (c) the Purchaser's obligations set forth in this Section 9.14 shall survive the Closing Date indefinitely.

*(Remainder of page intentionally left blank)*

**9.15 Counterpart Execution**

This Subscription Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

**IN WITNESS WHEREOF** the Parties have executed this Subscription Agreement as of the date first above written.

**FTI CONSULTING CANADA INC., LIT,**  
**in its capacity as the court-appointed**  
**Monitor of LONG RUN EXPLORATION**  
**LTD. and not in its personal or corporate**  
**capacity.**

**HIKING GROUP SHANDONG JINYUE**  
**INT’T TRADING CORPORATION**

Per:   
Name: Dustin Olver  
Title: Senior Managing Director

Per: \_\_\_\_\_  
Name:  
Title:



**9.15 Counterpart Execution**

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in its capacity as the court-appointed  
Monitor of LONG RUN EXPLORATION  
LTD. and not in its personal or corporate  
capacity.**

Per: \_\_\_\_\_  
Name:  
Title:

**HIKING GROUP SHANDONG JINYUE  
INT’T TRADING CORPORATION**

Per:  \_\_\_\_\_  
Name:  
Title: Jason Ge

**THE FOLLOWING COMPRISES SCHEDULE “A” ATTACHED TO AND FORMING PART OF A SUBSCRIPTION AGREEMENT DATED JULY 23, 2024 BETWEEN LONG RUN EXPLORATION LTD. AND HIKING GROUP SHANDONG JINYUE INT’L TRADING CORPORATION**

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**Form of Reverse Vesting Order**

See attached.

COURT FILE NUMBER 2401-09247  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
MATTER IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, RSC 1985, c C-36, as amended  
  
AND IN THE MATTER OF A PLAN OR COMPROMISE OR  
ARRANGEMENT OF LONG RUN EXPLORATION LTD. AND  
CALGARY SINOENERGY INVESTMENT CORP.

DOCUMENT **TRANSACTION APPROVAL AND REVERSE  
VESTING ORDER**

ADDRESS FOR SERVICE **BENNETT JONES LLP**  
AND CONTACT Suite 4500, 855 – 2nd Street S.W.  
INFORMATION OF PARTY Calgary, AB T2P 4K7  
FILING THIS DOCUMENT  
  
Attention: Kelsey Meyer / Michael Selnes  
Telephone No.: 403-298-3323 / 3311  
Fax No.: 403-265-7219  
Client File No.: 76142.18

**DATE ON WHICH ORDER WAS PRONOUNCED:** [●], 2024

**LOCATION WHERE ORDER WAS PRONOUNCED:** [Calgary/Edmonton] Courts Centre

**NAME OF JUSTICE WHO MADE THIS ORDER:** The Honourable Justice [●]

**UPON THE APPLICATION** by FTI Consulting Canada Inc., in its capacity as Monitor with enhanced powers (in such capacity, the “**Monitor**”) of Long Run Exploration Ltd. (the “**Company**”) and Calgary Sinoenergy Investment Corp. for an order (among other things) approving the sale transaction (the “**Transaction**”) contemplated by the subscription agreement between Hiking Group Shandong Jinyue Int'l Trading Corporation, or its nominee, (the “**Purchaser**”) and the Company (the “**Agreement**”), a copy of which is attached as Appendix “●” to the Third Report of the Monitor dated [●], 2024 (the “**Third Report**”); **AND UPON HAVING READ** the Notice of Application, the prior affidavits sworn in these proceedings, the Pre-Filing Report of the Monitor dated July 3, 2024, the First Report of the Monitor dated July 9, 2024, the Second Report of the Monitor dated [●], 2024, the Third Report, the Brief of Law of the Monitor and the Affidavit of Service of [●] sworn [●], 2024; **AND UPON HEARING** the submissions of counsel for the Company, the Purchaser, the Monitor and such other parties present at the hearing of this Application;

**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.

#### **CAPITALIZED TERMS**

2. Capitalized terms used but not otherwise defined in this Order shall have the meaning given to such terms in the Agreement.

#### **APPROVAL OF TRANSACTION**

3. The Agreement and Transactions are hereby approved, and execution of the Agreement by the Company (or the Monitor on behalf of the Company) is hereby authorized and approved, with such amendments as the Company (or the Monitor on behalf of the Company) and the Purchaser may agree to. The Company (or the Monitor on behalf of the Company) is hereby authorized and directed to complete the Transactions subject to the terms of the Agreement, to perform its obligation under the Agreement and any ancillary documents related thereto, and to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transactions. In the event of any conflict between the terms of the Agreement and this Order, this Order shall prevail.
4. Subject to the terms of the Agreement, this Order shall constitute the only authorization required in respect of the Company (or the Monitor on behalf of the Company) proceeding with and completing the Transactions.

#### **REORGANIZATION AND ISSUANCE OF SHARES OF THE COMPANY**

5. On the Closing Date, the Company is hereby authorized and directed to complete the Transactions, including the Reorganization and issuance of the Purchased Shares to the Purchaser (or its nominee) in consideration of the Purchase Price.
6. The Purchased Shares shall be issued by the Company to the Purchaser (or its nominee) free and clear of and from any Losses or Encumbrances.
7. The Purchaser (or its nominee) and the Company (or the Monitor on behalf of the Company), in completing the Transactions, are authorized to:
  - (a) execute and deliver any documents and assurances governing or giving effect to the Transactions as the Purchaser (or its nominee) and/or the Company, in their discretion, may deem to be reasonably necessary or advisable to conclude the Transactions, including

the execution of all such ancillary documents as may be contemplated in the Agreement or necessary or desirable for the completion and implementation of the Transactions, and all such ancillary documents are hereby ratified, approved and confirmed; and

- (b) take such steps as are, in the opinion of the Purchaser (or its nominee) and/or the Company, necessary or incidental to the implementation of the Transactions.
8. The Registrar appointed pursuant to Section 243 of the *Business Corporations Act*, RSA 2000, c B-9, as applicable, shall accept and receive any documents or instruments as may be required to permit or enable and effect the Transactions contemplated in the Agreement, filed by the Company.

### VESTING OF ASSETS AND LIABILITIES

9. Subject to the terms of the Agreement, upon delivery of the Monitor's certificate to the Purchaser (or its nominee) substantially in the form set out in Schedule "A" hereto (the "**Monitor's Certificate**"), the following shall occur and be deemed to occur commencing at the time of delivery of the Monitor's Certificate (the "**Effective Time**") in the following sequence:
- (a) all right, title and interest of the Company in and to the Transferred Assets shall be transferred to and shall vest absolutely and exclusively, without recourse, in the Creditor Trust and all Losses and Encumbrances attached to the Transferred Assets (other than the Retained Liabilities) shall continue to attach to the Transferred Assets with the same nature and priority as they had immediately prior to their transfer;
  - (b) all Losses and Encumbrances in respect of the Company (including the "**Transferred Liabilities**" as defined in Schedule "B" to the Agreement), other than the Retained Liabilities, shall be transferred to and assumed by and shall vest absolutely and exclusively without recourse in the Creditor Trust, and shall no longer be liabilities of the Company, and such Losses and Encumbrances (including the Transferred Liabilities) shall continue to attach to the Transferred Assets with the same nature and priority as they had immediately prior to the Effective Time, as if the Transferred Assets had not been conveyed and had remained in the possession or control of the person having that possession or control immediately prior to the transfer;
  - (c) all Losses and Encumbrances (including without limitation, the Transferred Liabilities) other than the Retained Liabilities shall be irrevocably and forever expunged, released and discharged as against the Company, the Purchaser (or its nominee), the Purchased Shares and the Retained Assets;

- (d) Mr. Jason Ge is, without any further action required by any party, appointed as director of the Company and in place of all Persons who were previously serving as directors of the Company, which directors shall be deemed to have resigned as at the Effective Time;
  - (e) without limiting subparagraph 9(b), any and all security registrations against the Company (other than any security registrations in respect of a Retained Liability) shall be and are hereby forever released and discharged as against the Company, and all such security registrations shall attach to the Transferred Assets vested in the Creditor Trust and maintain the same attributes, rights, nature, perfection and priority as they had immediately prior to the Effective Time, as if the Transferred Assets had not been conveyed and remained in the possession or control of the person having that possession or control immediately prior to the transfer, and no financing change statements in any applicable personal property or other registry system are required to reflect the transfer of and assumption by the Creditor Trust of such security registrations; and
  - (f) the Company shall cease to be a Party in this Action and shall be released from the purview of the SARIO and all other orders of this Court granted in these proceedings.
10. As of the Effective Time:
- (a) (a) the Company shall continue to hold all right, title and interest in and to the Retained Assets, free and clear of all Losses and Encumbrances other than the Retained Liabilities; and
  - (b) (b) the Company shall be deemed to have disposed of the Transferred Assets and shall have no right, title or interest in or to the Transferred Assets;
11. For greater certainty, any person that, prior to the Effective Time, had a Loss and/or Encumbrance (other than a Retained Liability) against the Company or its assets, properties or undertakings shall, as of the Effective Time, no longer have any such Loss or Encumbrance against or in respect of the Company or the Retained Assets, but shall have an equivalent Loss or Encumbrance, as applicable, against the Transferred Assets to be administered by the Creditor Trust from and after the Effective Time, with the same attributes, rights, security, nature and priority as such Loss or Encumbrance had immediately prior to its transfer to the Creditor Trust, and nothing in this Order limits, lessens, modifies (other than by change in debtor) or extinguishes the Loss or Encumbrance of any Person as against the Transferred Assets to be administered by the Creditor Trust.
12. From and after the Effective Time, the Purchaser (or its nominee) and/or the Company shall be authorized to take all steps as may be necessary to effect the discharge and release as against the Company and the Retained Assets of the Losses and Encumbrances that are transferred to and vested in the Creditor Trust.

13. Upon the delivery of the Monitor’s Certificate, and upon filing a certified copy of this Order, together with any applicable registration fees, all governmental authorities and any other applicable registrar or government ministries or authorities exercising jurisdiction with respect to the Company, the Retained Assets or the Transferred Assets, including but not limited to the Alberta Energy Registry, Alberta Personal Property Registry or the Alberta Land Titles Office (collectively, “**Governmental Authorities**”) are hereby authorized, requested and directed to accept delivery of such Monitor’s 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 give effect to the terms of this Order and the completion of the Transactions and to discharge and release all Losses and Encumbrances other than Retained Liabilities against or in respect of the Company and the Retained Assets, and presentment of this Order and the Monitor’s Certificate shall be the sole and sufficient authority for the Governmental Authorities to do so.
14. Without limiting the generality of the foregoing paragraph, the Registrar of the Alberta Personal Property Registry is hereby shall and is hereby directed to forthwith cancel and discharge the following registrations:

REGISTRATION NUMBER	REGISTRATION DATE	DEBTOR	SECURED PARTY
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]

**RELEASES**

15. From and after the Effective Time, each of the Monitor, the Purchaser (or its nominee), the Company and each of their current and former directors, officers, employees, contractors, executive team, agents, representatives, and all of their respective advisors, including financial advisors and legal counsel, (the “**Released Parties**”) are hereby released, remised and forever discharged from any and all rights, actions, causes of action, suits, demands, debts, covenants, or claims of any nature whatsoever, whether contractual, extra-contractual, in law or in equity or otherwise, past, present or future, direct or indirect, whether known or unknown (collectively, the

**"Indemnified Claims")** against any of the Released Parties, including in their capacity as equity holders of the Company, as applicable; save and except for any and all Indemnified Claims arising out of or in connection with any fraud, gross negligence or willful misconduct, on the part of the Released Parties, or any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

16. From and after the Effective Time, all Persons shall be absolutely and forever barred, estopped, foreclosed and permanently enjoined from pursuing, asserting, exercising, enforcing, issuing or continuing any steps or proceedings, or relying on any rights, remedies, claims or benefits in respect of or against the Company, the Purchaser (or its nominee) or the Retained Assets, in any way relating to, arising from or in respect of:
- (a) the Transferred Assets;
  - (b) any and all Losses or Encumbrances other than the Retained Liabilities against or relating to the Company, the Transferred Assets or the Retained Assets existing immediately prior to the Effective Time;
  - (c) the insolvency of the Company prior to the Effective Time;
  - (d) the commencement or existence of these CCAA proceedings; or
  - (e) the completion of the Transactions.

#### **CREDITOR TRUST**

17. The Creditor Trust created pursuant to this Order shall be named the "Long Run Exploration Residual Trust". The Creditor Trust shall be instituted and administered in accordance with the Creditor Trust Settlement attached as Schedule "B" hereto.
18. At the Effective Time, the Creditor Trust shall be substituted as a Party in these proceedings in place of the Company and the style of cause for these proceedings shall be changed by deleting the Company as a Party, and replacing it with the Creditor Trust as Party.
19. The Creditor Trust, and the Monitor as Trustee of the Creditor Trust, shall enjoy the benefits of the indemnity provided by Section [●] of the Agreement and any other provision of the Agreement that is for the benefit of either the Creditor Trust or the Monitor as Trustee of the Creditor Trust, notwithstanding the fact that neither are parties to the Agreement.
20. The administration of the Creditor Trust shall remain subject to the Court's oversight and these proceedings.



21. In addition to and without limiting the rights and protections afforded to the Company and the Monitor pursuant to the SARIO, the Company, the Monitor and their respective employees and representatives shall not incur any liability as a result of acting in accordance with this Order or administering the Creditor Trust, save and except for any gross negligence or wilful misconduct on the part of any such parties. All protections afforded to the Company and the Monitor pursuant to the SARIO or any further order granted in these proceedings or the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “BIA”) shall continue to apply.

#### **MISCELLANEOUS MATTERS**

22. The Monitor is directed to file with the Court a copy of the Monitor’s Certificate forthwith after delivery thereof to the Purchaser (or its nominee).

23. 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 BIA, in respect of the Company, and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of the Company; and
- (d) the provisions of any federal or provincial statute:

the execution of the Agreement and the implementation of the Transactions shall be binding on any trustee or other administrator in respect of the Creditor Trust and any trustee in bankruptcy or receiver that may be appointed in respect of the Company, 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 or at common law, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

24. The Company, the Purchaser (or its nominee) and any other interested party, 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 Transactions.
25. This Court shall retain exclusive jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Order, the Agreement and all amendments thereto, in connection with any dispute involving the Company or the Creditor Trust, and to adjudicate, if

necessary, any disputes concerning the Company or the Creditor Trust related in any way to the Transactions.

26. 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 Receiver 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 Receiver, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
27. 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 its nominee) or the Purchaser's (or its nominee's) solicitors; and
  - (b) Posting a copy of this Order on the Monitor's website at:  
<http://cfcanada.fticonsulting.com/longrun/>
- and service on any other person is hereby dispensed with.
28. 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.

## Schedule "A"

### Form of Monitor's Certificate

COURT FILE NUMBER	2401-09247
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
MATTER	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c C-36, as amended  AND IN THE MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF LONG RUN EXPLORATION LTD. AND CALGARY SINOENERGY INVESTMENT CORP.

DOCUMENT	<b>MONITOR'S CERTIFICATE</b>
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ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<b>BENNETT JONES</b> 4500 Bankers Hall East 855 2nd Street SW Calgary, Alberta T2P 4K7
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Attention: Kelsey Meyer  
Telephone: 403-298-3323  
Email: [meyerk@bennettjones.com](mailto:meyerk@bennettjones.com)

### RECITALS

- A. China Construction Bank Toronto Branch commenced proceedings (the "**CCAA Proceedings**") in the Court of King's Bench of Alberta, Judicial District of Calgary (the "**Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and the Court granted an initial order in the CCAA Proceedings on July 4, 2024 under Court File No. 2401-09247, which initial order was amended and restated by the Court on [●], 2024 pursuant to a Second Amended and Restated Initial Order (the "**SARIO**")
- B. Pursuant to the SARIO, FTI Consulting Canada Inc. was appointed as Monitor (with enhanced powers) of Long Run Exploration Ltd. (the "**Company**") and Calgary Sinoenergy Investment Corp. and the Court approved the Subscription Agreement made as of [●], 2024 (the "**Subscription Agreement**") between the Company and Hiking Group Shandong Jinyue Int'l Trading Corporation, or its nominee (the "**Purchaser**").
- C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Subscription Agreement.

**THE MONITOR CERTIFIES** the following:

1. The Purchaser (or its nominee) has paid and the Monitor has received the Purchase Price for the Purchased Shares payable on the Closing Date pursuant to the Subscription Agreement;
2. The conditions to Closing as set out in the Subscription Agreement have been satisfied or waived by the Company and the Purchaser; and
3. The Transactions contemplated by the Subscription Agreement has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at **[Time]** on **[Date]**.

**FTI Consulting Canada Inc., in its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., and not in its personal capacity.**

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

**Name:**

**Title:**

## Schedule “B”

### Creditor Trust Settlement

#### CREDITOR TRUST SETTLEMENT

#### Long Run Exploration Residual Trust

#### RECITALS

China Construction Bank Toronto Branch, in its capacity as collateral agent, commenced proceedings (the “**CCAA Proceedings**”) in the Court of King’s Bench of Alberta in the Judicial Centre of Calgary, Alberta (the “**Court**”) under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) in respect of Long Run Exploration Ltd. (the “**Company**”) and the Court granted an initial order in the CCAA Proceedings on July 4, 2024 under Court File No. 2401-09247, which initial order was amended and restated by the Court on July 12, 2024 pursuant to the amended and restated initial order and further amended and restated by the Court on ●, 2024 (the “**SARIO**”).

On ●, 2024, the Court granted a Reverse Vesting Order (the “**RVO**”) that, among other things, approved a subscription agreement dated ●, 2024, entered into between ● (the “**Purchaser**”) and the Company (the “**Subscription Agreement**”).

The Subscription Agreement contemplates a transaction (the “**RVO Transaction**”) which includes, among other things: (i) the establishment of a trust for the benefit of the creditors of the Company (the “**Creditor Trust**”); (ii) the transfer to the Creditor Trust of certain liabilities of the Company (the “**Transferred Liabilities**”); (iii) the transfer to the Creditor Trust of certain assets of the Company (the “**Transferred Assets**”); (iv) the payment by the Purchaser of the Estimated Trustee Fee Amount to be applied for the benefit of the creditors of the Company (the “**RVO Payment**”); and (v) the retention by the Company of certain liabilities associated with the assets and contracts being retained by the Company (the “**Retained Liabilities**” and the “**Retained Assets**”, respectively).

This Creditor Trust Settlement is intended to be appended to and form part of the RVO, for the purpose of furthering the RVO Transaction, including but not limited to governing the manner in which the Creditor Trust shall be established, effective on the closing of the RVO Transaction, and administered thereafter.

#### ARTICLE 1 ESTABLISHMENT OF THE CREDITOR TRUST

##### 1.1 Settling the Creditor Trust

The Creditor Trust shall be named the “Long Run Exploration Residual Trust” and shall be settled by the delivery by the Purchaser of the RVO Payment, in the amount of the Estimated Trustee Fee Amount (the “**Settlement Funds**”) to the Trustee.

##### 1.2 Appointment of the Trustee

FTI Consulting Canada Inc. in its capacity as the Court-appointed monitor of the Company shall be the trustee of the Creditor Trust (the “**Trustee**”) and shall hold the Settlement Funds in trust for the creditors of the Company (the “**Creditor Trust Beneficiaries**”), subject to the terms of this Creditor Trust Settlement. The Trustee shall have all the rights, powers and duties set forth herein and pursuant to applicable law for accomplishing the purposes of the Creditor Trust.

### **1.3 Purpose of the Creditor Trust**

The purpose of the Creditor Trust is for the Trustee to hold the Settlement Funds and the Transferred Assets, assume the Transferred Liabilities, and to distribute the Settlement Funds and Transferred Assets to the Creditor Trust Beneficiaries, in accordance with their respective priorities, rights and entitlements as against the Company or Transferred Assets.

## **ARTICLE 2 THE TRUSTEE**

### **2.1 Authority of Trustee**

The Trustee shall have all powers and authorities necessary to carry out the purpose of the Creditor Trust as set out in Article 1.3. The Trustee may from time to time apply to the Court for advice and directions as to the discharge of its powers and duties hereunder.

### **2.2 Compensation of the Trustee**

The Trustee shall be compensated for its services, and reimbursed for its expenses, including the reasonable costs and expenses of its legal counsel from the Settlement Funds.

### **2.3 Standard of Care; Exculpation**

In addition to the rights and protections afforded to the Trustee under the CCAA or as an Officer of the Court, the Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Creditor Trust Settlement, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Creditor Trust Settlement shall derogate from the protections afforded to the Trustee by the CCAA or any applicable legislation, or the SARIO.

## **ARTICLE 3 INDEMNIFICATION**

### **3.1 Indemnification of Trustee and others**

To the fullest extent permitted by law, the Creditor Trust, to the extent of its assets legally available for that purpose, shall indemnify and hold harmless the Trustee, and each of its respective directors, members, shareholders, partners, officers, agents, employees, counsel and other professionals (collectively, the "**Indemnified Persons**") from and against any and all losses, costs, damages, reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel and other advisors and any court costs incurred by any Indemnified Person) or liability by reason of anything any Indemnified Person did, does, or refrains from doing for the business or affairs of the Creditor Trust, except to the extent that the loss, cost, damage, expense or liability resulted from the Indemnified Person's gross negligence or wilful misconduct.

## **ARTICLE 4 TERM; TERMINATION OF THE CREDITOR TRUST**

### **4.1 Term; Termination of the Creditor Trust**

- (a) The Creditor Trust shall commence on the date that the RVO Transaction closes, and shall terminate no later than three months thereafter; provided, however, that, on or prior to the date that is 30 days prior to such termination, the Trustee may extend the term of the Creditor Trust if it is necessary to the efficient and proper administration of the Creditor Trust in accordance with the purposes and terms of this Creditor Trust Settlement, by filing a notice of such extension with the Court, and serving such notice on interested parties.

- (b) The Creditor Trust may be terminated by the Trustee earlier than its scheduled termination if the Trustee has distributed all Settlement Funds and performed all other duties required by this Creditor Trust Settlement.

## **ARTICLE 5 AMENDMENT AND WAIVER**

### **5.1 Amendment and Waiver**

The Trustee may amend, supplement or waive any provision of this Creditor Trust Settlement, without notice to or the consent of the Creditor Trust Beneficiaries or the approval of the Court: (i) to cure any ambiguity, omission, defect or inconsistency in this Creditor Trust Settlement; (ii) to comply with any legal (including tax) requirements; and (iii) to achieve any other purpose that is not inconsistent with the purpose and intention of this Creditor Trust Settlement.

## **ARTICLE 6 MISCELLANEOUS PROVISIONS**

### **6.1 Laws as to Construction**

This Creditor Trust Settlement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to whether any conflicts of law would require the application of the law of another jurisdiction.

### **6.2 Jurisdiction**

Without limiting any Person's right to appeal any order of the Court with regard to any matter, (i) the Court shall retain exclusive jurisdiction to enforce the terms of this Creditor Trust Settlement and to decide any claims or disputes which may arise or result from, or be connected with, this Creditor Trust Settlement, or the matters contemplated hereby, and (ii) any and all actions related to the foregoing shall be filed and maintained only in the Court.

### **6.3 Irrevocability**

The Creditor Trust is irrevocable, but is subject to amendment and waiver as provided for in this Agreement.

**THE FOLLOWING COMPRISES SCHEDULE “B” ATTACHED TO AND FORMING PART OF A SUBSCRIPTION AGREEMENT DATED JULY 23, 2024, BETWEEN LONG RUN EXPLORATION LTD. AND HIKING GROUP SHANDONG JINYUE INT’T TRADING CORPORATION**

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**Transferred Assets**

The Transferred Assets, being those assets proposed to be transferred to the Creditor Trust through operation of the Reverse Vesting Order, mean:

- the cash received as the Estimated Trustee Fee Amount; and
- any other assets of the Company designated as a Transferred Asset upon the mutual agreement of the Purchaser and the Monitor, in writing prior to Closing.

**Transferred Liabilities**

The Transferred Liabilities, being those liabilities proposed to be transferred to the Creditor Trust through operation of the Reverse Vesting Order, mean:

- any and all funded indebtedness other than as related to the Lenders Secured Debt, the BOCQ Indemnity Obligation and the DIP Financing Agreement to the extent not set off;
- any and all liabilities associated with guarantees of the Company other than as related to the Lenders Secured Debt, BOCQ Indemnity Obligation and the DIP Financing Agreement to the extent not set off;
- all accrued but unpaid interest owing under the Existing Credit Agreement;
- any and all promissory notes issued by the Company;
- any and all operating and tax liabilities related to the Transferred Assets or the Retained Assets, other than the 2023 property tax arrears, 2024 property tax amounts (as listed in Schedule “C”);
- any and all operating liabilities to the extent they are trade claims, trade payables, utility bills or other unsecured claims, and excluding any amounts that would constitute a Priority Payable on or against any Retained Assets;
- any and all liabilities for or in relation to the *Income Tax Act* (Alberta), the *Excise Tax Act* (Canada), or any transfer tax, sales or use tax, stamp tax, recording tax value added tax and any other similar levies or charged made by any Governmental Authority;
- any and all liabilities associated with shareholder loans to the Company;



- any intercompany indebtedness or claim owing to an Affiliate of the Company (including Sinoenergy);
- any and all trade claims, trade payables, lien claims or other unsecured claims whether relating to the Retained Assets, Transferred Assets, or otherwise;
- except with respect to the Continuing Employees, any and all liabilities with respect to any present or former employees (including deemed employees), officers, directors, dependent contractors, independent contractors or consultants of the Company, including for wages or other work-related benefits, bonuses, fees, accrued vacation, workers' compensation, employee deferred compensation including stock option plans, equity grants, retention bonuses, other grants and agreements, entitlements to notice of termination and pay in lieu of termination notice including entitlements pursuant to contract, common law or statute, or other payments whatsoever relating to the cessation of employment;
- the Administration Charge as described and defined in the SARIO and any subsequent orders of the Court;
- the Directors' Charge as described and defined in the SARIO and any subsequent orders of the Court;
- all liabilities of the Company relating to legal Claims brought against the Company and/or its Affiliates (including relating to the Claims of Henenghaixin Corp. and Oxford Properties);
- any and all other Losses, Encumbrances or other liabilities of the Company (other than the Retained Liabilities); and
- any and all other liabilities pertaining to the Transferred Assets except as otherwise set out herein.

### **Transferred Contracts**

The Transferred Contracts, being those contracts proposed to be transferred to the Creditor Trust through operation of the Reverse Vesting Order, mean:

- Integrated Gas Handling Agreement – Cutbank Complex dated September 22, 2011, between the Company and Pembina Gas Services Limited Partnership, as amended, including pursuant to amending agreement #1 dated December 1, 2013 between Crew Energy Ltd. and Pembina Gas Services Limited Partnership and amending agreement #2 dated April 1, 2015 between the Company and Pembina Gas Services Limited Partnership (collectively, the “**GHA Agreement**”), unless the Company and Pembina have entered into an amended or amended and restated GHA Agreement in form and substance satisfactory to the Purchaser, in its sole discretion;

- Letter agreement (re: Cutbank Complex – Additional Firm Service, Proposed Increase in Processing Capacity) dated May 23, 2013, between Crew Energy Inc. and Pembina Gas Services Limited Partnership;
- Consulting Agreement dated June 14, 2022, between the Company and 2254651 Alberta Ltd.;
- other than those contracts with the Continuing Employees, any and all contracts and agreements with any present or former employees (including deemed employees), officers, directors, dependent contractors, independent contractors or consultants of the Company; and
- any and all other contracts of the Company other than the Retained Contracts.

### **Retained Assets**

The Retained Assets, being those assets proposed to be retained by the Company, mean:

- the O&G Assets;
- the Real Property;
- all cash, bank balances, funds, deposits, or monies owned or held by the Company or any other Person (including any bank or depository) on behalf of the Company at Closing and all cash equivalents, securities and investments of the Company at Closing;
- all accounts receivable, bills receivable, trade accounts, holdbacks, retention, book debts, insurance claims and other amounts due or accruing to the Company and includes, for greater certainty, any and all Tax Refunds, and together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits, which arise prior to Closing;
- all Tax Refunds which arise prior to Closing;
- all prepaid expenses or other security or collateral provided by the Company, including any security deposits held by Governmental Authorities; all books and records of the Company, including minute books, books of account, ledgers, general, financial and accounting records, tax returns and other records in the possession and control of the Company or the Monitor, but in each case excludes all books and records in respect of the Transferred Assets and Transferred Liabilities, and excludes any email correspondence of the Company (including any of its present and former, directors, officers, employees, contractors and other representatives) prior to Closing;
- the Company's bank accounts and all agreements related thereto;

- all regulatory and license attributes of the Company, including without limitation: business numbers; payroll numbers; GST numbers; and regulatory operator codes;
- letters of intent, non-disclosure agreements, confidentiality agreements and non-compete/non-solicitation agreements (other than any employment agreements);
- all shares of capital stock or other Equity Interests in any Affiliate of the Company;
- any intercompany indebtedness or claim owing to the Company by an Affiliate of the Company;
- all organizational documents, corporate books and records, income tax returns and the corporate seal of the Company;
- any records that are required by law to be retained by the Company;
- all computer servers and websites;
- all office equipment;
- all leased or owned vehicles;
- all inventory;
- legal opinions and all other documents prepared by or on behalf of the Company in contemplation of acquisition or litigation and any other documents within the possession of the Company which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction, except with respect to those matters, if any, in respect of which the Purchaser is assuming responsibility for and indemnifying the Company;
- all tax attributes (including for certainty all government credits of any nature) if any, of the Company inherent to it, including tax pools, all rights related to former tax returns, operating, non-operating, and capital loss balances or carry forwards and tax audits;
- all rights to payments and benefits under government support and subsidy programs;
- all existing insurance policies maintained by the Company with respect to the O&G Assets;
- all current and prior director and officer insurance policies of the Company and all rights of any nature with respect thereto running in favor of the Company;
- any and all rights of the Company under this Subscription Agreement and the Reverse Vesting Order;

- all Claims, rights, Losses or causes of action by or on behalf of the Company against any Person;
- all intellectual property;
- all goodwill and intangibles; and
- any and all other assets or interests of the Company other than the Transferred Assets.

### **Retained Liabilities**

The Retained Liabilities, being those liabilities proposed to be retained by the Company, mean:

- all liabilities and obligations arising from the possession, ownership and/or use of the Retained Assets and the business of the Company from and after Closing;
- any and all liabilities with respect to any Continuing Employees, including for wages or other work-related benefits, bonuses, fees, accrued vacation, workers' compensation, employee deferred compensation including stock option plans, equity grants, other grants and agreements, retention, or other payments other than liabilities with respect to any vacation entitlement and notice entitlement upon termination of employment;
- all liabilities associated with the Lenders Secured Debt and the BOCQ Indemnity Obligation, other than the those listed as Transferred Liabilities;
- non-disclosure agreements, confidentiality agreements and non-compete/non-solicitation agreements;
- all new liabilities incurred, assumed or accepted by the Company after Closing;
- all Environmental Liabilities relating to the Retained Assets;
- all regulatory and government liabilities related to the Retained Assets;
- any and all surface lease payments related to the Retained Assets;
- any other obligation designated as a Retained Liability by the Purchaser in writing to the Company or the Monitor prior to the closing of the Transactions.

### **Retained Contracts**

The Retained Contracts, being those assets to be retained by the Company through operation of the Reverse Vesting Order, mean:

- any and all joint operating agreements between the Company and a third-party, other than the Transferred Contracts (collectively, the "**Retained JOAs**");

- any and all contracts relating to the Retained Assets, other than the Transferred Contracts; and
- any and all contracts with the Continuing Employees.

**THE FOLLOWING COMPRISES SCHEDULE “C” ATTACHED TO AND FORMING PART OF A SUBSCRIPTION AGREEMENT DATED JULY 23, 2024 BETWEEN LONG RUN EXPLORATION LTD. AND HIKING GROUP SHANDONG JINYUE INT’L TRADING CORPORATION**

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**Priority Payables**

<b>Payable</b>	<b>Amount</b>
Tier - Carbon Emissions	\$1,770,000
2023 Property Tax - arrears	\$1,800,000
2024 Property Tax – Due June 30	\$4,163,359
2024 Property Tax – Due July 31	\$2,833,745
2024 Property Tax - Due August 31	\$1,500,000
2024 Property Tax - Due September 30	\$100,000
2024 Property Tax - Due October 31	\$735,000
2024 Property Tax - Due November 30	\$200,000
Post CCAA Filing GST Amount	\$200,000

**THE FOLLOWING COMPRISES SCHEDULE “D” ATTACHED TO AND FORMING PART OF A SUBSCRIPTION AGREEMENT DATED JULY 23, 2024 BETWEEN LONG RUN EXPLORATION LTD. AND HIKING GROUP SHANDONG JINYUE INT’L TRADING CORPORATION**

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**SISP Procedure**

See attached.

## **Procedure for the Sale and Investment Solicitation Process of Long Run Exploration Ltd.**

1. On July 4, 2024, China Construction Bank Toronto Branch ("**CCBT**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") from the Alberta Court of King's Bench (the "**Court**") that commenced the CCAA proceedings (the "**CCAA Proceedings**") in respect of Long Run Exploration Ltd. ("**Long Run**" or the "**Company**") and Calgary SinoEnergy Investment Corp. (together with Long Run, the "**Debtors**") and, among other things, granted an initial stay of proceedings (the "**Stay**") in respect of the Debtors and appointed FTI Consulting Canada Inc. as monitor (the "**Monitor**"). On July 12, 2024, CCBT obtained an amended and restated version of the Initial Order from the Court (the "**ARIO**") that, among other things, extended the Stay.
2. At a court application scheduled for July 30, 2024, in the CCAA Proceedings, the Monitor intends to request the Court's approval of, among other things, a sale and investment solicitation process (the "**SISP**") as set forth herein and the Stalking Horse Subscription Agreement.
3. Below is the procedure (the "**SISP Procedure**") to be followed in the SISP to seek a Successful Bid (as defined herein), and, if there is a Successful Bid, to complete the transaction(s) contemplated by the Successful Bid.
4. All monetary references shall be in Canadian dollars (\$CAD), unless otherwise stated.

### **Defined Terms**

5. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Stalking Horse Subscription Agreement or the Reports of the Monitor. In this SISP Procedure:

"**Alternate Transaction**" means any alternate transaction, which may include, among other things, the recapitalization of, investment in, arrangement of or reorganization of the Company, or the business of the Company as a going concern or a sale of some or all of the Property, securities held in the Company or some combination thereof, and includes a Sale Proposal or Investment Proposal;

"**Business**" means the business of the Company;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

"**Court**" means the Alberta Court of King's Bench;

"**Cure Costs**" means Long Run's Pre-Filing Liabilities (if any) under any contracts being assumed by a Qualified Bidder as part of the Property;

"**DIP Credit Bid Amount**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**DIP Financing Agreement**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**Estimated Priority Payable Amount**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**Estimated Trustee Fee Amount**" has the meaning given to it in the Stalking Horse Subscription Agreement;



"**Existing Credit Agreements**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**Lenders**" means CCBT and China Construction Bank Qindao Branch;

"**Lenders Secured Debt**" means the aggregate of the principal amount and all accrued but unpaid loan administration fees, legal fees and interest incurred by the Lenders for the account of the Company that is owed to the Lenders as the senior secured creditors of the Company pursuant to the Existing Credit Agreements;

"**Pre-Filing Liabilities**" means all monetary obligations, debts and liabilities, present or future, to which Long Run is subject on July 4, 2024 or to which Long Run may become subject by reason of any obligation incurred before July 4, 2024, and which were stayed by the Initial Order;

"**Priority Payables**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**Property**" means all of the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof;

"**Purchase Price**" has the meaning given to it in the Stalking Horse Subscription Agreement;

"**SISP Order**" means an order of the Court approving the SISP and the SISP Procedure;

"**Stalking Horse Bidder**" means Hiking Group Shandong Jinyue Int't Trading Corporation or its nominee;

"**Stalking Horse Subscription Agreement**" means the subscription agreement between the Company and the Stalking Horse Bidder;

"**Stalking Horse Transaction**" means the transaction contemplated by the Stalking Horse Subscription Agreement;

"**Superior Bid**" means a credible, reasonably certain and financially viable Qualified Bid for (a) the acquisition of all, substantially all or a portion of the Property, or (b) an investment, restructuring, reorganization or refinancing of the Business or the Company, the terms of which offer are no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse Subscription Agreement; and

"**Vesting Order**" means an Order of the Court that is either a reverse vesting order or an approval and vesting order.

### **SISP Procedure**

6. The SISP Procedure set forth herein describes, among other things, the property available for sale, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property and the Company, the manner in which bidders and bids become Qualified Bidders and Qualified Bids, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder and the Court's approval and recognition thereof.
7. This SISP Procedure outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**" respectively).
8. The Monitor shall administer the SISP Procedure. In the event that there is disagreement as to the interpretation or application of this SISP Procedure, the Court will have jurisdiction to hear and

resolve such dispute.

9. The Monitor, with the assistance of the Company, shall use reasonable efforts to complete the SISP Procedure in accordance with the timelines as set out in **Schedule "B"** hereto. The Monitor shall be permitted to make such adjustments to the timeline that it determines are reasonably necessary.

### **Opportunity**

10. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Company's assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of the Company as a going concern, or a sale of all, substantially all, of one or more components of the Property and/or Business as a going concern or otherwise.
11. Except to the extent otherwise set forth in a definitive agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Company, or any of their respective agents, advisors or estates.
12. In the event of a sale pursuant to this SISP, all of the rights, title and interests of the Company in and to the Property subject to the Successful Bid(s) will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against, other than any permitted encumbrances agreed to by the Monitor and the Successful Bidder (collectively the "**Claims and Encumbrances**"), such Claims and Encumbrances to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to a Vesting Order made by the Court, upon the application of the Company. The vesting out of Claims and Encumbrances by a Successful Bidder other than the Stalking Horse Bidder shall not be materially more favourable to the Successful Bidder than those set out in the Stalking Horse Subscription Agreement, except to the extent additional tangible monetary value of an equivalent amount is provided for the vesting out of such Claims and Encumbrances.

### **Stalking Horse Subscription Agreement**

13. Long Run has entered into the Stalking Horse Subscription Agreement with the Stalking Horse Bidder, pursuant to which, if there is no Qualified Bid (as defined herein) from a party other than the Stalking Horse Bidder or there is no Qualified LOI (as defined herein) from a party other than the Stalking Horse Bidder following the Phase 1 Bid Deadline, the SISP will terminate and the Company will proceed to negotiate the applicable definitive agreements and close the Stalking Horse Transaction.
14. The Stalking Horse Subscription Agreement is attached hereto as **Schedule "A"**.
15. The Purchase Price, as further detailed under the Stalking Horse Subscription Agreement, is equal to the sum of:
  - (a) a cash payment to satisfy the Estimated Priority Payable Amount due on the Closing Date;
  - (b) a cash payment to satisfy the Estimated Trustee Fee Amount;
  - (c) set off in the amount of the DIP Credit Bid Amount against (as a non-cash credit reduction of) the amounts owing under the DIP Financing Agreement.

16. Provided the Stalking Horse Subscription Agreement is approved by the Court, the Stalking Horse Subscription Agreement shall constitute a Qualified LOI, Qualified Phase 1 Bid, Qualified Phase 2 Bid and Qualified Bid (as the case may be) for all purposes and at all times under this SISP Procedure and the Stalking Horse Bidder shall constitute a Qualified Phase 1 Bidder and Qualified Phase 2 Bidder (as the case may be) and the Stalking Horse Bidder is deemed to comply with all eligibility conditions contained in Paragraphs 27 and 33 hereto.

**Solicitation Of Interest: Notice of the SISP**

17. As soon as reasonably practicable, but in any event by no later than August 1, 2024:
- (a) the Company, in consultation with the Monitor, will prepare a list of Potential Bidders (as defined herein), including:
    - (i) parties that have approached the Company or the Monitor indicating an interest in the Opportunity; and
    - (ii) local and international strategic and financial parties who the Company, in consultation with the Monitor, believes may be interested in purchasing all or part of the Business and Property or investing in the Company pursuant to the SISP, (collectively, "**Known Potential Bidders**");
  - (b) the Monitor shall cause a notice (the "**Notice**") of the SISP Procedure and any other relevant information, to be published in the *BOE Report*, the *Daily Oil Bulletin*, the *Insolvency Insider*, and such other publications as the Monitor may consider appropriate. At the same time, the Monitor or the Company will invite bids from interested parties, by which ever means the Monitor and/or the Company deems appropriate; and
  - (c) the Company, in consultation with the Monitor, shall prepare:
    - (i) a process summary (the "**Teaser Letter**") describing the Opportunity to submit an Alternate Transaction, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
    - (ii) a non-disclosure agreement (an "**NDA**") in form and substance satisfactory to the Company and the Monitor, and their respective counsel.
18. The Monitor shall post the Teaser Letter on its website (<http://cfcanada.fticonsulting.com/longrun/>) by no later than August 1, 2024. The Monitor shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than August 1, 2024, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Company or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

**Phase 1: Non-Binding LOIs**

***Qualified Bidders and Delivery of Confidential Information***

19. Unless the Monitor confirms to such potential bidder that the below documents were already provided to the satisfaction of, or are already available to, the Company and the Monitor, any party who wishes to participate in the SISP (each, a "**Potential Bidder**") must deliver to the Monitor:
- (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or

Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Company or Monitor and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this paragraph unless otherwise requested by the Monitor;

- (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
- (c) a form of financial disclosure and credit quality support or enhancement that allows the Company and the Monitor to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate an Alternate Transaction.

20. If the Company and the Monitor, determine that a Potential Bidder has:

- (a) delivered the documents contemplated in paragraph 19 above; and
- (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,

then such Potential Bidder will be deemed to be a "**Phase 1 Qualified Bidder**". For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Monitor.

21. At any time during Phase 1 of the SISP, the Monitor may, in its reasonable business judgment and after consultation with the Company, eliminate a Phase 1 Qualified Bidder from the SISP (other than the Stalking Horse Bidder), in which case such bidder will be eliminated from the SISP, will no longer be a Phase 1 Qualified Bidder for the purposes of this SISP, and shall have no further recourse as against the Company or the Monitor.

22. The Monitor, with the assistance of the Company, shall prepare a virtual data room (the "**VDR**") with additional information considered relevant to the Opportunity. The Company, the Monitor and their respective advisors make no representation or warranty as to the information made available pursuant to the SISP, including in the VDR, except to the extent expressly contemplated in any definitive sale or investment agreement with a successful bidder ultimately executed and delivered by the Company.

### **Due Diligence**

23. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Company.

24. The Monitor, in consultation with the Company, shall, in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to the VDR, due diligence material and information relating to the Property and Business as the Monitor deems appropriate, provided that such Phase 1 Qualified Bidder has complied with paragraph 19(a). Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Company, in their reasonable business judgment and after consulting with the Monitor, may agree.

25. The Monitor shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such

requests must be communicated. Neither the Company nor the Monitor shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Company, in consultation with, and with the approval of, the Monitor, determines such information to represent proprietary or sensitive competitive information.

***Non-Binding Letters of Intent from Phase 1 Qualified Bidders***

26. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an "**LOI**") to the Monitor, with a copy to the Company, at the email addresses specified in Schedule "C" hereto, so as to be received by them not later than 5:00 PM (Calgary Time) on September 5, 2024 (the "**Phase 1 Bid Deadline**").
27. Subject to paragraph 60, an LOI will only be considered a qualified LOI (a "**Qualified LOI**") if:
- (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
  - (b) other than the Stalking Horse Subscription Agreement, it does not contemplate payment of a break fee, expense reimbursement, or other form of bid protection;
  - (c) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
    - (i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); or
    - (ii) make an investment in, restructure, reorganize or refinance the Business or the Company (an "**Investment Proposal**");
  - (d) in the case of a Sale Proposal, it identifies or contains the following:
    - (i) the consideration or range of consideration in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
    - (ii) a description of the Property that is expected to be subject to and/or excluded from the transaction;
    - (iii) confirmation of the payment or assumption of any Cure Costs associated with the Property expected to be subject to the transaction;
    - (iv) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
    - (v) a description of the conditions and approvals required for a final and binding offer;
    - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
    - (vii) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
  - (e) in the case of an Investment Proposal, it identifies or contains the following:

- (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
  - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Company in Canadian dollars;
  - (iii) the underlying assumptions regarding the *pro forma* capital structure;
  - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
  - (v) a description of the conditions and approvals required for a final and binding offer;
  - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
  - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and
  - (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (f) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Monitor or the Company.

***Preliminary Assessment of Phase 1 Bids and Subsequent Process***

28. Following the Phase 1 Bid Deadline, the Monitor, in consultation with the Company, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:
- (a) has a *bona fide* interest in completing an Alternate Transaction; and
  - (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a "**Phase 2 Qualified Bidder**", provided that the Monitor may, in its reasonable business judgment and, with the approval of the Company, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders, excluding the Stalking Horse Bidder from the process) taking into account the factors identified in paragraph 29 hereof and any material adverse impact on the operations and performance of the Company. Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISP. A Phase 1 Qualified Bidder that has submitted a Qualified LOI shall only be deemed to be a Phase 2 Qualified Bidder with the approval of the Monitor, in consultation with the Company.

29. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Monitor, in consultation with the Company, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as it considers appropriate in the circumstances including, but not limited to:
- (a) the number of Qualified LOIs received;
  - (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve

Investment Proposals predicated on certain Property or Business; and

- (c) the scope of the Property or Business to which any Qualified LOIs may relate.
30. Following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 28 and 29 hereof, the Monitor, in consultation with the Company, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be sent by the Monitor to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline.

***Selection of Stalking Horse Subscription Agreement and Termination of the SISP***

31. The Monitor, in consultation with the Company, may elect to terminate the SISP at a date subsequent to the Phase 1 Bid Deadline in the event that:
- (a) the Stalking Horse Subscription Agreement is the only Qualified LOI; or
  - (b) none of the Qualified LOIs in the view of the Monitor in consultation with the Company constitute a credible, reasonably certain and financially viable Qualified LOI, the terms of which are more favourable than the terms contained in the Stalking Horse Subscription Agreement.

The Monitor shall provide at least three (3) days' notice to the Company of the Monitor's intention to terminate the SISP pursuant to this paragraph.

**Phase 2: Formal Offers and Selection of Successful Bidder**

32. Paragraphs 33 to 46 below and the conduct of Phase 2 are subject to paragraphs 28 to 31 above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

**Formal Binding Offers**

33. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Company or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to the Monitor at the address specified in **Schedule "C"** hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on October 3, 2024 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 27 above in respect of Phase 1 Qualified LOIs;
  - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Company or their Property or Business and is consistent with any necessary terms and conditions established by the Company and the Monitor and communicated to Phase 2 Qualified Bidders;
  - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
  - (d) the bid includes duly authorized and executed transaction agreements, including the

purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Consideration**"), together with all exhibits and schedules thereto, including, in the case of a Sale Proposal:

- (i) a duly executed purchase and sale agreement based on the template asset purchase agreement to be prepared by the Company (the "**Template APA**"); and
  - (ii) blackline of the executed purchase and sale agreement to the Template APA;
- (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Company and the Monitor to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
- (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Company receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;
- (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
- (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Monitor (a "**Deposit**") in the amount of not less than 10% of the Consideration offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
- (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
- (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
- (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Company prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
  - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
  - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Company or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Company;
- (k) the bid is received by the Phase 2 Bid Deadline; and



- (l) the bid contemplates closing the transaction set out therein on or before October 31, 2024.
- 34. Following the Phase 2 Bid Deadline, the Monitor, together with the Company, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Monitor. Only Phase 2 Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).
- 35. The Monitor shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Monitor deems appropriate.
- 36. The Monitor may, with the approval of the Company, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

### **Evaluation of Competing Bids**

- 37. The Monitor, in consultation with the Company, will evaluate Qualified Bids based upon several factors including, without limitation:
  - (a) the Consideration and the net value provided by such bid;
  - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
  - (c) the proposed transaction documents;
  - (d) factors affecting the speed, certainty and value of the transaction;
  - (e) the assets included or excluded from the bid;
  - (f) any related restructuring costs; and
  - (g) the likelihood and timing of consummating such transaction.
- 38. The Monitor must obtain the Lenders' consent for any assumption by a Phase 1 Qualified Bidder or a Phase 2 Qualified Bidder of the Lenders Secured Debt by a Qualified LOI or Qualified Bid (other than the Stalking Horse Subscription Agreement) which proposes to retain Lenders Secured Debt as a retained liability under the terms and conditions of such Qualified LOI or Qualified Bid, such consent not to be unreasonably withheld by the Lenders.

### **Selection of Successful Bid**

- 39. The Monitor, will:
  - (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Company, in consultation with the Monitor, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
  - (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**") for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Company,

with the assistance of the Monitor shall be subject to approval by the Court.

40. With the exception of the Stalking Horse Bid, the Company shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Monitor, to reject any or all Phase 2 Qualified Bids.
41. For greater certainty, if at the Phase 2 Bid Deadline, no Qualified Bids have been received that improve upon the terms and conditions of the Stalking Horse Subscription Agreement, as determined by the Monitor in consultation with the Company, the Stalking Horse Subscription Agreement will be declared the Successful Bid (and the Stalking Horse Bidder the Successful Bidder) and will close in accordance with the term so the Successful Bid and any applicable court orders.
42. If the Monitor, in consultation with the Company, determines in its reasonable discretion that, one or more of the Qualified Bids constitutes a Superior Bid, the Monitor shall provide the parties making Superior Bids and the Stalking Horse Bidder the opportunity to make further bids through the auction process set out below (the "**Auction**").

#### **Auction**

43. In the event of an Auction, the Monitor shall conduct the Auction commencing at 10:00 a.m. on October 10, 2024 at the offices of the Monitor's legal counsel, Bennett Jones LLP, Suite 4500, Bankers Hall East, 855 2 St SW, Calgary, AB T2P 4K7, or such other location as shall be timely communicated to all entities entitled to attend at the Auction, which Auction may be adjourned by the Monitor.
44. Notwithstanding the foregoing, if circumstances do not permit the Auction to be held in person, the Company shall work in good faith with the parties entitled to attend the Auction to arrange for the Auction to be held via videoconference or teleconference, or such other reasonable means as the Monitor, in consultation with the Company, deems appropriate.
45. The Auction shall run in accordance with the following procedures, which shall be adjusted accordingly in the event of any adjournment of the Auction by the Monitor:
  - (a) prior to 5:00 p.m. on October 7, 2024, the Monitor will provide unredacted copies of the Superior Bid which the Monitor believes is the highest or otherwise best Superior Bid (the "**Starting Bid**") to all Phase 2 Qualified Bidders making Superior Bids and the Stalking Horse Bidder;
  - (b) prior to 5:00 p.m. on October 8, 2024, each Phase 2 Qualified Bidders making Superior Bids and Stalking Horse Bidder must inform the Monitor by email whether it intends to participate in the Auction (the parties who so inform the Monitor that they intend to participate are hereinafter referred to as the "**Auction Bidders**");
  - (c) prior to the Auction, the Monitor shall develop a financial comparison model (the "**Comparison Model**") which will be used to compare the Starting Bid and all Subsequent Bids (as defined below) submitted during the Auction, if applicable;
  - (d) during the morning of October 9, 2024, the Monitor shall make itself available to meet with each of the Auction Bidders to review the procedures for the Auction, the mechanics of the Comparison Model, and the manner by which Subsequent Bids will be evaluated during the Auction, and the Auction shall be held immediately thereafter;
  - (e) only representatives of the Auction Bidders, the Monitor, and such other persons as

permitted by the Monitor (and the advisors to each of the foregoing entities) are entitled to attend the Auction in person (and the Monitor shall have the discretion to allow such persons to attend by teleconference);

- (f) the Monitor shall arrange to have a court reporter attend the Auction;
- (g) at the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale;
- (h) only the Auction Bidders will be entitled to make a Subsequent Bid (as defined below) at the Auction; provided, however, that in the event that any Phase 2 Qualified Bidder elects not to attend and/or participate in the Auction, such Phase 2 Qualified Bidder's Qualified Bid, shall nevertheless remain fully enforceable against such Phase 2 Qualified Bidder if it is selected as the Winning Bid (as defined below);
- (i) all Subsequent Bids presented during the Auction shall be made and received in one room and on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- (j) all Auction Bidders must have at least one individual present at the Auction with authority to bind such Auction Bidder;
- (k) the Monitor may employ and announce at the Auction such additional procedural rules that are reasonable under the circumstances (including but not limited to, the amount of time allotted to make a Subsequent Bid, requirements to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with these SISP Procedures, general practice in insolvency proceedings, or the Initial Order and (ii) disclosed to each Auction Bidder at the Auction;
- (l) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (each, a "**Subsequent Bid**") that the Monitor, utilizing the Comparison Model, determines is:
  - (i) for the first round, a higher or otherwise better offer than the Starting Bid;
  - (ii) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (as defined below),

in each case by at least the minimum incremental overbid of at least \$250,000. After the first round of bidding and between each subsequent round of bidding, the Monitor shall announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (in each round, the "**Leading Bid**"). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

- (m) to the extent not previously provided (which shall be determined by the Monitor), an Auction Bidder submitting a Subsequent Bid must submit, at the Monitor's discretion, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit-

quality support information or enhancement reasonably acceptable to the Monitor), demonstrating such Auction Bidder's ability to close the transaction proposed by the Subsequent Bid;

- (n) the Monitor reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction of not more than 24 hours each, to among other things (i) facilitate discussions between the Monitor and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Monitor with such additional evidence as the Monitor, in its reasonable business judgment, may require that that Auction Bidder has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing overbid amount;
  - (o) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;
  - (p) the Auction shall be closed within 2 Business Days of the start of the Auction unless otherwise extended by the Monitor; and
  - (q) no bids (from Phase 2 Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.
46. At the end of the Auction, the Monitor shall select the winning bid (the "**Winning Bid**"). Once a definitive agreement has been negotiated and settled in respect of the Winning Bid as selected by the Monitor (the "**Selected Superior Bid**") in accordance with the provisions hereof, the Selected Superior Bid shall be the "**Successful Bid**" hereunder and the person(s) who made the Selected Superior Offer shall be the "**Successful Bidder**" hereunder.

#### **Confidentiality and Access to Information**

47. All discussions regarding an Alternative Transaction shall be directed through the Monitor and if management presentations are requested, the Monitor shall make arrangements with Potential Bidders for same.
48. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Company, the Monitor and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Company, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
49. The Monitor may consult with any other parties with a material interest in the CCAA Proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Monitor (subject to paragraph 48 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Company and the Monitor.

#### **AER Approval**

50. All Qualified Bids, including the Stalking Horse Bid and Successful Bid, may be submitted by the Monitor to the Alberta Energy Regulator ("AER"), on appropriate confidentiality undertakings, for review and approval by the AER. All Qualified and Subsequent Bids shall remain open for acceptance until the time that the transaction contemplated by the Successful Bid is closed.

#### **Approval Application**

51. Upon determination of the Successful Bid(s), the Company shall apply to the Court (the "**Approval Application**") for a Vesting Order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid.
52. The Approval Application will be held on a date agreed upon, and may be adjourned or rescheduled, by the Company and the Monitor.
53. All Qualified Bids and Subsequent Bids (other than the Successful Bid) shall be deemed rejected on closing of the Successful Bid and shall remain open for acceptance until that time.

#### **Deposits**

54. All Deposits shall be retained by the Monitor in a non-interest-bearing trust account located at financial institution in Canada.
55. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the Successful Bidder shall be applied to the consideration to be paid upon closing of the transaction constituting the Successful Bid.
56. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of (i) the date that the Monitor, in consultation with the Company, selects a Successful Bid pursuant to paragraphs 31 hereof or (ii) the Court declares a Successful Bid pursuant to paragraph 39 hereof, or (iii) or (iii) the Monitor has selected a Winning Bid pursuant to paragraph 46 hereof.
57. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Monitor for and on behalf of the Company; *provided, however*, that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company have in respect of such breach or default.
58. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder as its sole remedy.

#### **Supervision of the SISP**

59. The Monitor shall oversee the conduct of the SISP in all respects. Without limitation to that supervisory role, the Monitor shall participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other order of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
60. The Monitor, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty:

- (c) deem a non-compliant LOI to be a Qualified LOI; and/or
  - (d) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
61. This SISP does not, and shall not be interpreted to, create any contractual or other legal relationship between the Company or the Monitor and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party (other than the Stalking Horse Bidder), other than as specifically set forth in a definitive agreement that may be entered into with the Company.
62. Without limiting the preceding paragraph, the Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Company, or any other creditor or other stakeholder of the Company, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or willful misconduct of the Monitor. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or willful misconduct of the Monitor.
63. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
64. Subject to the terms of the SISP Order, the Monitor, in consultation with the Company, shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) if, in its reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; *provided that* the Potential Bidders and other participants in the SISP shall be advised of any substantive modification to the procedures set forth herein.
65. In order to discharge its duties in connection with the SISP, the Monitor may engage professional or business advisors or agents as the Monitor deems fit in its sole discretion.

#### **Approvals**

66. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by applicable law in order to implement a Successful Bid.

#### **Further Orders**

67. At any time during the SISP the Monitor may apply to the Court for advice and directions with respect to any aspect of these SISP Procedure or the discharge of its powers and duties hereunder.

**SCHEDULE "A"**

**STALKING HORSE SUBSCRIPTION AGREEMENT**

**(attached)**

**SCHEDULE "B"**

**TIMELINE**

<b>Milestone</b>	<b>Deadline</b>
Long Run, Monitor and Stalking Horse Bidder to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	<b>August 1, 2024</b>
Long Run and Monitor to prepare and have available for Potential Bidders the Data Room	<b>August 1, 2024</b>
Phase 1 Bid Deadline	<b>September 5, 2024</b>
Phase 2 Bid Deadline	<b>October 3, 2024</b>
Transaction Approval Application Hearing	<b>October 21, 2024</b>
Closing Date Deadline	<b>October 31, 2024</b>



**SCHEDULE "C"**

**NOTICE**

**To the Monitor:**

**FTI Consulting Canada Inc., the Monitor**

Attention: Dustin Olver / Brett Wilson

Email: dustin.olver@fticonsulting.com/ brett.wilson@fticonsulting.com

With a copy to:

**Bennett Jones LLP, legal counsel to the Monitor**

Attention: Kelsey Meyer / Michael Selnes

Email: meyerk@bennettjones.com / selnesm@bennettjones.com

**To the Company:**

**Long Run Exploration Ltd., the Company**

Attention: Wendy Barber

Email: wbarber@longrunexploration.com

With a copy to:

**Dentons LLP, legal counsel to the Company**

Attention: Bennett Wong and John Regush

Email: bennett.wong@dentons.com/john.regush@dentons.com

Second Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “C” – DIP Term Sheet**

## SUMMARY OF TERMS AND CONDITIONS (DIP FACILITY)

The Borrowers (as defined below) have requested that the Lender (as defined below) provide financing to fund certain of the Borrowers' cash requirements during the pendency of the CCAA Proceedings (as defined below) on the terms and conditions set forth herein below:

The Borrowers and Lender agree as follows:

- 1. Borrowers:** Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., on a joint and several basis.
- 2. Lender:** Hiking Group Shandong Jinyue Int't Trading Corporation or an affiliate thereof.
- 3. Monitor:** FTI Consulting Canada Inc. The Monitor shall be authorized to have direct discussions with the Lender, and the Lender shall be entitled to receive information from the Monitor as may be requested by the Lender from time to time.
- 4. DIP Facility:** Interim financing, non-revolving facility (the "**DIP Facility**") in the maximum aggregate principal amount of CAD \$7,000,000 (the "**Maximum Amount**"). The Borrower may request multiple advances under the DIP Facility up to the Maximum Amount. Each advance shall be in a minimum of \$1,000,000 and no more than five (5) advances shall be made by the Lender.

Provided that no Event of Default has occurred and is continuing, each advance shall be made by the Lender to the Borrowers within two (2) business days after satisfaction, as determined by the Lender, of all of the applicable Funding Conditions set out in this Term Sheet. No more than one advance hereunder will be available in any week.

- 5. Purpose:** The DIP Facility shall be available to fund: (i) working capital needs of the Borrowers; (ii) professional fees and expenses incurred by the Borrowers and the Monitor in respect of the proceedings commenced in relation to the Borrowers pursuant to the Companies' Creditors Arrangement Act (the "**CCAA**") and before the Court (the "**CCAA Proceedings**"), in each case in accordance with the cash flow projections for the period beginning July 22, 2024 and ending November 1, 2024, as approved by the Monitor and the Lender (the "**Cash Flow Projections**"); and (iii) such other costs and expenses of the Borrowers as may be agreed to by the Lender and the Monitor, in writing.

The amount and purpose of the DIP Facility may be amended by the Borrowers and Lender, with the consent of the Monitor, in writing, and further order of the Court.

- 6. Interest:** A rate per annum equal to 10%, due and payable in cash in arrears, on the Maturity Date.

Overdue amounts of principal, interest and any fee or other amounts payable under the DIP Facility shall bear interest at the rate payable under this clause plus an additional 5% per annum (the "**Default Interest Rate**") from the date that such amount is due until the date that such amounts are paid.

During any period in which an Event of Default has occurred and is continuing, the Default Interest Rate shall apply to all other Obligations owing hereunder.

- 7. Fees:** Borrowers shall pay to the Lender an upfront fee of \$50,000, which shall be due and payable on the date of the initial advance. The upfront fee shall be withheld by the Lender from the initial advance.
- 8. Security:** All debts, liabilities and obligations of the Borrowers to the Lender under or in connection with the DIP Facility, this Term Sheet and any other documents executed in connection therewith (the "**Obligations**") shall be secured by a Court-ordered priority charge (the "**DIP Lender's Charge**") granted to the Lender in and to all present and future properties, assets, and undertakings of the Borrowers, real and personal, tangible and intangible, whether now owned or hereafter acquired, and the proceeds thereof (the "**Property**"), subject only to an administration charge in the maximum aggregate principal amount of \$500,000 for the payment of the fees and expenses of the Monitor, counsel to the Borrowers and counsel to the Monitor (the "**Administration Charge**").
- 9. Maturity Date:** The DIP Facility shall be due and payable on the earlier of (the "**Maturity Date**");
- (a) November 14, 2024 (the "**Outside Date**");
  - (b) the effective date of any plan of arrangement or compromise under the CCAA Proceedings;
  - (c) the termination of the CCAA Proceedings or the appointment of a receiver or a receiver manager; and
  - (d) the occurrence of an Event of Default that is continuing.
- 10. Repayment:** The Obligations shall become immediately due and payable on the Maturity Date. For certainty, the DIP Facility shall be treated in all respects as a debtor-in-possession loan in accordance with the terms and conditions set out in this Term Sheet.
- 11. Funding Conditions:** The availability of each advance under the DIP Facility shall be subject to and conditional upon the following, which may be waived by the Lender in writing:
- (a) Borrowers shall have executed and delivered to the Lender this Term Sheet;

- (b) The second amended and restated initial order (the “**SARIO**”) issued by the Court shall not have been vacated, stayed, appealed or amended in a manner not acceptable to the Lender, and no application or motion shall have been made to vacate, stay, appeal or amend same;
- (c) the Lender shall have received the Cash Flow Projections;
- (d) the Lender shall have received a request for advance under the DIP Facility no less than seven (7) business days prior to the requested date for such advance; provided that the initial advance may be made on shorter notice as agreed between the Borrowers and the Lender;
- (e) the Borrowers are diligently and in good faith continuing their restructuring efforts under the CCAA Proceedings;
- (f) all fees and expenses for which invoices have been provided to the Borrowers shall have been paid, or will be paid from the proceeds of the applicable advance hereunder within such period of time as is acceptable to the Lender, in all cases to the extent permitted by the SARIO;
- (g) the DIP Lender’s Charge shall be valid and effective;
- (h) the Lender is satisfied that no material adverse effect in respect of the Borrowers shall have occurred after the date of the issuance of the SARIO;
- (i) no Event of Default shall have occurred.

**12. Covenants:**

Until such time as the Obligations have been repaid to the Lender in full, the Borrowers covenant and agree to:

- (a) promptly on the receipt by the Borrowers of the same, give the Lender a copy of any notice of motion or application to vary, supplement, revoke, terminate or discharge the SARIO, any SISP order, or any other court order issued in the CCAA Proceedings, including, without limitation, any application to the Court for the granting of new or additional security that will or may have priority over the DIP Lender’s Charge, or otherwise for the variation of the priority of the DIP Lender’s Charge;
- (b) provide the Lender with any additional financial information reasonably requested by the Lender;
- (c) use the Advances under the DIP Facility for the purposes for which they are being provided, as set out in Section 5 of this Term Sheet, or such other purposes as may be agreed to by the Lender and the Monitor, in writing;

- (d) provide the Lender and the Monitor with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default;
- (e) keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
- (f) pay all claims which, under law, may rank prior to or *pari passu* with the DIP Lender's Charge due and payable from and after the commencement of the CCAA Proceedings, as and when such amounts are due;
- (g) keep the Borrowers' assets fully insured against such perils and in such manner as would be customarily insured by companies owning similar assets;
- (h) conduct all activities in the ordinary course and in material compliance with the Cash Flow Projections;
- (i) not make any payment to any director, officer, investor or related party of the Borrowers (except salary and wages in the normal course) without the prior written consent of the Lender and the Monitor;
- (j) not, without the prior written consent of the Lender, incur any borrowings or other secured indebtedness, obligations or liabilities for borrowed money, other than the DIP Facility, or create or grant any security (other than the Administration Charge and the DIP Lender's Charge) over any of the Borrowers' Property, whether ranking with, in priority to, or subordinate to the DIP Lender's Charge; and
- (k) the Lender is satisfied that no material adverse effect in respect of the Borrowers shall have occurred since the date of the issuance of the SARIO.

**13. Events of Default:**

The DIP Facility shall be subject to the following events of default (each, an "Event of Default"):

- (a) any of the Borrowers' failure to pay any amount due hereunder when due and payable;
- (b) any covenant, condition precedent, payment obligation, or other term or condition of this Term Sheet, or of any document executed in connection with this Term Sheet, is breached, not complied with, or not fulfilled to the satisfaction of the Lender;
- (c) the seeking or support by the Borrowers, or the issuance by the Court, of any Court order (in the CCAA Proceedings or otherwise) which is adverse to the interests of the Lender;

- (d) the failure of the Borrowers to comply with the SARIO or any other Court order in the CCAA Proceedings;
- (e) the occurrence of an event that will, in the reasonable opinion of the Lender, materially impair the Borrowers' financial condition, operations or ability to perform under this Term Sheet or any order of the Court;
- (f) the occurrence of any material adverse change in: (i) the business, operations, or financial condition of the Borrowers; (ii) the Property of the Borrowers; (iii) the DIP Lender's Charge, including its relative priority; (iv) the ability of the Borrowers to perform their obligations to the Lender or to any person under any material contract; (v) the Lender's ability to enforce any of its rights or remedies against the Borrowers' Property, or for the obligations of the Borrowers to be satisfied from the realization thereof (a "**Material Adverse Effect**");
- (g) any of the Borrowers become bankrupt or subject to a proceeding under the BIA, or a receiver, interim receiver, receiver and manager, or trustee in bankruptcy is appointed in respect of any Borrower, or any Borrower's Property;
- (h) the sale, transfer, assignment, conveyance or lease of substantially all of the Property of the Borrowers; or
- (i) the commencement of any claim, action, proceeding, application, motion, defense or other contested matter the purpose of which is to seek, or the result of which would be, to obtain any order, judgment, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or subordinating the obligations of the Borrowers under the DIP Facility, the DIP Lender's Charge or its priority; (ii) for monetary, injunctive or other relief against the Lender or the Borrowers' Property; or (iii) preventing, hindering or otherwise delaying the exercise by the Lender of any of its rights and remedies hereunder, pursuant to the SARIO or under applicable law, or the enforcement or realization by the Lender against any of its collateral, unless the Borrowers are contesting such matter in good faith and no final order has been made in respect thereof.

**14. Remedies and Enforcement:**

Following the occurrence of an Event of Default, upon written notice to the Borrowers and the Monitor, the Lender shall have the right, subject to the Lender obtaining an Order from the Court lifting the stay under the CCAA Proceedings, to:

- (a) enforce the DIP Lender's Charge and realize on the Property and any other collateral securing the Obligations; and
- (b) exercise all such other rights and remedies available to the Lender under applicable law.

No failure or delay on the part of the Lender in exercising any of its rights and remedies shall be deemed to be a waiver of any kind.

**15. Costs:** The Borrower shall pay all of the Lender's reasonable legal fees (on a solicitor-client, full indemnity basis) and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the DIP Facility, the DIP Lender Charge and/or the CCAA Proceedings and such payment shall be made forthwith upon receipt of the applicable invoice.

**16. Amendments; Waivers:** No amendment or waiver of any provisions of this Term Sheet or consent to any departure by the Borrowers from any provision thereof is effective unless it is in writing and signed by the Lender. Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

**17. Severability:** Each of the provisions contained in this Term Sheet is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

**18. Further Assurances:** The Borrowers will, at their own expense and promptly on demand by the Lender at any time, do such acts and things and execute and deliver such documents as the Lender may reasonably request to give effect to the provisions set out herein.

**19. Assignment:** The Borrowers shall not assign their rights or obligations under this Term Sheet or any of the provisions set out herein without the prior written consent of the Lender. The Lender may assign or sell its rights or obligations under this Term Sheet to any person without the prior written consent of the Borrowers.

**20. Governing Law:** This Term Sheet and the provisions set out herein shall be governed and construed in all respects in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

**21. Evidence of Indebtedness:** The Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrowers to the Lender pursuant to the DIP Facility.

**22. Currency:** All dollar amounts herein are in Canadian Dollars.

**23. Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered to:

In the case of the Lender:

c/o Hiking Group Shandong Jinyue Int't Trading Corporation

Attention Jason Ge



Email: jason.ge1970@gmail.com

With copy to:

Cassels Brock & Blackwell LLP  
3800 Banker's Hall West  
855-2nd Street SW  
Calgary, AB T2P 4K7  
Attention: Jeffrey Oliver  
Email: joliver@cassels.com

In the case of the Borrowers:

Long Run Exploration Ltd.  
Suite 300, 707 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3H6

Attention: Wendy Barber, Interim Chief Executive Officer  
E-mail: wbarber@longrunexploration.com

With copy to:

Dentons Canada LLP  
Bankers Court, 15<sup>th</sup> Floor  
850 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 0R8

Attention: Bennett Wong and John Regush  
E-mails: bennett.wong@dentons.com and john.regush@dentons.com

In the case of the Monitor:

FTI Consulting Canada Inc.  
520 5th Ave SW, Suite 1610  
Calgary, AB T2P 3R7

Attention: Deryck Helkaa  
Email: deryck.helkaa@fticonsulting.com

With copy to:

Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2nd Street SW  
Calgary, AB T2P 4K7

Attention: Kelsey Meyer  
Email: meyerk@bennettjones.com

**24. Counterparts:**

This Term Sheet may be executed in any number of counterparts, each of which when taken together shall constitute one and the same instrument. Any

counterpart of this Term Sheet can be executed and delivered by any manner of direct electronic transmission each of which shall be deemed to be an original hereof.

*[Signature Page Follows]*

Dated July \_\_\_\_\_, 2024.

**Hiking Group Shandong Jinyue Int't  
Trading Corporation**

Per:   
\_\_\_\_\_

Name:

Title: Jason Ge

I have authority to bind the corporation.

**ACCEPTANCE**

Dated July \_\_\_\_\_, 2024.

**FTI CONSULTING CANADA INC., in its  
capacity as Court Appointed Monitor of  
LONG RUN EXPLORATION LTD. and not  
in its personal capacity**

Per: 

Name:

Title: Authorized Signatory

I have authority to bind the corporation.

**FTI CONSULTING CANADA INC., in its  
capacity as Court Appointed Monitor of  
CALGARY SINOENERGY INVESTMENT  
CORP. and not in its personal capacity**

Per: 

Name:

Title: Authorized Signatory

I have authority to bind the corporation.