

COURT FILE NUMBER 2401-02680
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

APPLICANTS

IN THE MATTER OF THE COMPANIES' CREDITORS' FILED
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED DIGITALLY
2401 02680
AND IN THE MATTER OF THE PLAN OF COMBINATION
ARRANGEMENT OF RAZOR ENERGY CORP., RAZOR
HOLDINGS GP CORP., AND BLADE ENERGY SERVICES
CORP. MARCH 18, 2024
CLERK OF THE COURT

DOCUMENT

AFFIDAVIT #4 OF DOUG BAILEY

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

McCarthy Tétrault LLP
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AFFIDAVIT #4 OF DOUG BAILEY
Sworn on March 18, 2024

I, Doug Bailey, of the City of Calgary, of the Province of Alberta, **SWEAR AND SAY THAT:**

1. I am the CEO of Razor Energy Corp. ("**Razor Energy**"), Razor Holdings GP Corp. ("**Razor Holdings**"), and Blade Energy Services Corp. ("**Blade**", Razor Energy, Blade, and Razor Holdings are collectively referred to as, the "**Applicants**"). Razor Energy is the sole limited partner, and Razor Holdings is the sole general partner, of Razor Royalties Limited Partnership ("**Razor Royalties LP**", and collectively with the Applicants, the "**Razor Entities**"). I am also a member of the board of directors of, each of the Applicants. I have reviewed the books and records prepared and maintained by the Razor Entities, in the ordinary course of business, including business and operational information and the most recently available annual audited and unaudited financial statements. I have personal knowledge of the facts and matters sworn to in this Affidavit, except where information was received from someone else or some other source of information, as identified herein. Where the information contained herein was received from another source, I believe such information to be true.

Clerk's Stamp

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APPLICANTS IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF RAZOR ENERGY CORP., RAZOR HOLDINGS GP CORP., AND BLADE ENERGY SERVICES CORP.

DOCUMENT **AFFIDAVIT #4 OF DOUG BAILEY**

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2. On February 20, 2024, I swore an affidavit (the “**Initial Affidavit**”), filed in the within proceedings (the “**CCAA Proceedings**”). Among other things, the Initial Affidavit describes: (i) the background with respect to the Razor Entities’ assets, liabilities, and operations; and, (ii) details concerning the relief sought in connection with the Initial Order and the Amended and Restated Initial Order (each as defined below), including the Applicants’ sale and investment solicitation process (the “**SISP**”). The Initial Order (as defined below) approved the SISP. Under the SISP, proposals were due on March 12, 2024 (the “**Bid Deadline**”). Capitalized terms used in this affidavit (this “**Affidavit**”), but not otherwise defined, shall have the meanings ascribed to such terms in the Initial Affidavit.
3. On February 28, 2024, the Honourable Justice N.J. Whitling granted an initial order (the “**Initial Order**”), in respect of the Applicants, under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Among other things, the Initial Order: (i) established a stay of proceedings against the Applicants for ten (10) days (the “**Stay Period**”) and extended the stay of proceedings to Razor Royalties LP, for the duration of the Stay Period; and, (ii) appointed FTI Consulting Canada Inc. (“**FTI**”) as monitor (when referred to in such capacity, the “**Monitor**”) of the Razor Entities.
4. On March 6, 2024, the Honourable Justice M.E. Burns granted an order (the “**Amended and Restated Initial Order**”), amending and restating the Initial Order. The Amended and Restated Initial Order extended the Stay Period until and including March 29, 2024, or such later date as this Court may order.

Summary of Relief Sought

5. I am authorized to swear this Affidavit in support of an application (the “**Application**”) filed by the Applicants, seeking, among other relief, an extension of the Stay Period, up to and including May 3, 2024.
6. As described in further detail below, the Applicants are continuing to review the bids, offers, proposals and other submissions (collectively, “**Offers**” and the parties or persons providing such Offers, being the “**Offerors**”) received under the SISP, and to determine appropriate next steps.
7. The Applicants are seeking an extension of the Stay Period to May 3, 2024 to enable them to: (i) assess the Offers received, with the assistance of the Monitor, the sale advisor under

the SISP (the “**Sale Advisor**”), and the Applicants’ professional advisors; (ii) assess their position and proposed path forward, and what further relief may be appropriate in the circumstances, following review of the Offers and discussions and negotiations with the Offerors and affected creditors and stakeholders; and (iii) if appropriate, following such review, complete negotiations and discussions, for any interim financing or other relief required to complete these CCAA Proceedings.

The Applicants’ Activities Since the Amended and Restated Initial Order

8. The Applicants have continued to advance their restructuring plan since the granting of the Amended and Restated Initial Order, on March 6, 2024. Specifically, among other things, the Applicants:
 - (a) worked with the Sale Advisor and the Monitor to conduct and carry out the SISP;
 - (b) are continuing to evaluate the Offers received in connection with the SISP (as described in further detail below), with the assistance of the Monitor, the Sale Advisor, and the Applicants’ professional advisors;
 - (c) worked with the Monitor and the Applicants’ professional advisors to prepare the Third Cash Flow Forecast (as defined and described below);
 - (d) are engaging with potential lenders regarding any potential Interim Financing Facility (as defined in the Initial Affidavit) and the terms on which any such interim lenders may advance financing to the Applicants. These discussions are continuing as the Applicants assess and evaluate the Offers and prepare to move forward with a transaction, and the terms of any Interim Financing Facility will depend, in large part, upon which Offer is selected under the SISP;
 - (e) continue to provide information to the Monitor, as requested, and work with the Monitor to identify potential solutions to various issues arising under or in connection with the Applicants’ CCAA Proceedings;
 - (f) responded to questions and issues, from creditors and other stakeholders, concerning these CCAA Proceedings;

- (g) are continuing to work with the Monitor and the Applicants' professional advisors to identify and formulate appropriate relief, in connection with the approval of an Offer under the SISP;
 - (h) have engaged with the Alberta Petroleum Marketing Commission ("**APMC**") regarding the application filed by APMC, concerning a dispute as to whether certain in-kind royalty payments for the period prior to the Filing Date are stayed pursuant to the Amended and Restated Initial Order;
 - (i) negotiated a settlement agreement and payment plan, with the approval of the Monitor, concerning certain indebtedness owed to Blade by a former indirect subsidiary of Razor Energy, Swan Hills Geothermal Power Corp. ("**SHGPC**"); and
 - (j) carried on operations, in the ordinary course.
9. The Applicants have acted, and are continuing to act, in good faith and with due diligence. The Applicants will require additional time in order to: (i) select, negotiate, and move forward with a transaction under the SISP, in order to maximize the value of their Property, to the benefit of all of the Applicants' creditors and stakeholders; and, (ii) identify and formulate any additional relief to be sought at the next application within these CCAA Proceedings.

Update Regarding the SISP

10. The Applicants have received multiple Offers and they, together with the Monitor, and the Sale Advisor, are continuing to assess the Offers received. If an Offer or Offers advance to an executable transaction or transactions, then the Applicants will provide further details regarding the specific Offers received, with such restricted access as may be advisable, including the purchase prices, the identities of the Offerors, and the assets included in such Offers, in connection with a future application seeking the approval of one or more transactions.

Update Regarding the Judy Creek Gas Plant

11. As I attested to in the Initial Affidavit, Conifer is the operator of the Judy Creek Gas Plant. Razor Energy and Conifer each hold ownership interests in the Judy Creek Gas Plant, and are parties to a dispute regarding, among other things, Conifer's refusal to permit

Razor Energy to access the Judy Creek Gas Plant. This dispute was the subject of the Supply Application heard within the NOI Proceedings, in which Justice Lema declared that Conifer's actions in locking Razor Energy out of the Judy Creek Gas Plant constituted a breach of the stay of proceedings under the *Bankruptcy and Insolvency Act* (the "**Lema Decision**"). Justice Lema directed that the terms for further supply will proceed on the basis that "Conifer and Razor [Energy] have the same rights and liabilities under their agreements as before i.e. without any limitations arising from or otherwise affected by the stay of proceedings" and that the parties may agree to new or varied payment arrangements.

12. Since the Lema Decision:
 - (a) the NOI Proceedings were terminated pursuant to the ARIO;
 - (b) Conifer lodged an appeal of the Lema Decision;
 - (c) Conifer and Razor Energy had preliminary discussions surrounding the bases upon which Conifer would grant access to the Judy Creek Gas Plant; an agreement has not been reached;
 - (d) Razor Energy determined to focus its efforts on unearthing a transaction or transactions capable of being closed under the SISF and to defer further negotiations with Conifer until such time as the results of the SISF are known, including whether any Offer contemplates the resumption by Conifer of processing Razor Energy's gas; and,
 - (e) Conifer has engaged with Razor Energy relative to an allegation made by Conifer (which Razor Energy disputes) that Conifer has a right of first refusal with respect to a discrete asset known as Functional Unit H, which forms part of the Judy Creek Gas Plant (the "**ROFR Dispute**").

13. The Operating Procedures with respect to the Judy Creek Gas Plant incorporate a right of first refusal with respect to certain specified dispositions of the parties' interests. A true copy of the Operating Procedures, which is incorporated by reference in the Ownership and Operating Agreement, was attached to the Initial Affidavit as Exhibit "B" thereto. A true copy of the Ownership and Operating Agreement was attached to the Initial Affidavit as Exhibit "A" thereto.

14. Razor Energy and FutEra Power Corp. ("**FutEra**") contemplated a disposition between affiliates of Razor Energy's interest in Functional Unit H, to FutEra. A specific conveyance (the "**Assignment Agreement**") was executed while the source head agreement (the "**Purchase Agreement**") was not executed. A copy of the Assignment Agreement was circulated to Conifer, however, the underlying transaction did not close because the Purchase Agreement was not executed. The ROFR Dispute relates to the Assignment Agreement between affiliates and whether this triggered the right of first refusal in favour of Conifer, under the Operating Procedures.
15. The Applicants are not seeking any relief against Conifer or with respect to the ROFR Dispute, in connection with the Application. The Applicants reserve their right to seek relief against Conifer in connection with a future application, if necessary.

SHGPC Settlement

16. Blade provided goods and services to SHGPC in connection with the construction of a geothermal power facility in the Swan Hills region. Certain invoices issued to SHGPC, by Blade, in connection with such work remain outstanding, in the total amount of \$496,300.75.
17. On March 8, 2024, SHGPC, FutEra, and Blade, reached a settlement agreement and payment plan with respect to the indebtedness of SHGPC to Blade.
18. As the settlement is confidential, the specific terms are not set out in this Affidavit. At a high level, the settlement contemplates the payment of the entire outstanding amount, by way of regular installment payments followed by a "balloon payment", with the full amount to come due immediately in certain circumstances.
19. The Monitor has reviewed and approved the settlement terms.

Third Cash Flow Forecast

20. With the assistance of the Monitor and the Applicants' professional advisors, the Applicants have prepared a cash flow forecast (the "**Third Cash Flow Forecast**") for the period ending May 5, 2024 (the "**Forecast Period**"). A true copy of the Third Cash Flow Forecast is attached hereto and marked as **Exhibit "A"** to this, my Affidavit.

21. The Third Cash Flow Forecast assumes that post-filing crown royalties will be paid in kind, and that there will be no interim financing, revenue from the Judy Creek Gas Plant, or from non-operated production, during the Forecast Period. The Applicants are nevertheless forecasted to have sufficient liquidity to satisfy their post-filing obligations during the Forecast Period.
22. The Third Cash Flow Forecast does not include any receipts or payments with respect to any KERP or Interim Financing Facility (each as defined in the Initial Affidavit). The Applicants are continuing to assess this relief and intend to make a determination as to whether approval of a KERP (or similar incentive plan) or Interim Financing Facility will be sought, following the determination of which Offer(s), if any, will be accepted under the SISP. In the event that the Applicants seek Court approval of a KERP or similar incentive plan, or an Interim Financing Facility, the Applicants will prepare a revised cash flow forecast incorporating such relief.

Extension of Stay Period

23. The Stay Period is currently set to expire on March 29, 2024. If the Stay Period is not extended, the Applicants will not have sufficient time to negotiate and seek Court approval of any transactions under the SISP.
24. The Applicants seek the approval of an extension of the Stay Period, up to and until May 3, 2024. The extension of the Stay Period is critical to the Applicants' ability to complete any transaction(s) under the SISP and maximize the value of their Property, to the benefit of all of the Applicants' creditors and stakeholders.
25. Specifically, the requested extension of the Stay Period is intended to provide the Applicants with sufficient time to:
 - (a) complete the ongoing evaluation and assessment of the results of the SISP, with the assistance of the Monitor and the Sale Advisor;
 - (b) determine what further relief will be sought by the Applicants, within these CCAA Proceedings;

- (c) if appropriate, finalize the terms of the proposed KERP (or similar incentive plan) and any necessary Interim Financing Facility, and seek Court approval of same; and
- (d) begin the process of completing one or more transactions under the SISF and seeking Court approval of same.

Conclusion

26. I make this Affidavit in support of the Application seeking an extension of the Stay Period, until and including May 3, 2024.

SWORN BEFORE ME in the City of)
Calgary, in the Province of Alberta, this)
18th day of March, 2024.)



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

Nathan A. Stewart
Barrister & Solicitor



DOUG BAILEY

This is Exhibit "A" referred to in the Affidavit #4 of Doug Bailey
sworn before me this 18th day of March, 2024.



A Commissioner for Oaths in and for the Province of Alberta

Nathan A. Stewart
Barrister & Solicitor

Razor Energy Corp., Razor Royalties Limited Partnership, Razor Holdings GP Corp., and Blade Energy Services Corp. (the "Razor Entities")
 Projected Cash Flow Statement for the Period of March 18, 2024 to May 05, 2024

Cash Flow Statement	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Total	
(C\$ 000s)	Week Ending	24-Mar	31-Mar	07-Apr	14-Apr	21-Apr	28-Apr	05-May	
Receipts									
Net production revenue	\$ -	\$ 1,903	\$ -	\$ -	\$ -	\$ 2,011	\$ -	\$ 3,914	
Other receipts	15	65	15	15	15	15	65	205	
Total - Receipts	15	1,968	15	15	15	2,026	65	4,119	
Disbursements									
Operating expenses	(599)	(260)	(290)	(160)	(10)	(1,205)	(140)	(2,665)	
Transportation costs	-	(50)	-	-	-	(250)	-	(300)	
Lease rentals	-	-	-	-	(44)	-	-	(44)	
Insurance	-	(645)	-	(27)	-	-	-	(672)	
Payroll	-	(230)	-	(230)	-	(230)	-	(690)	
Professional & Sales Agent fees	(100)	(195)	-	-	-	(120)	-	(415)	
G&A expense	(50)	(60)	(88)	(50)	(50)	(20)	(84)	(402)	
Total - Disbursements	(749)	(1,440)	(378)	(467)	(104)	(1,825)	(224)	(5,188)	
Net cash flow	(734)	528	(363)	(452)	(89)	201	(159)	(1,069)	
Opening cash balance	1,203	469	997	633	181	93	293	1,203	
Ending cash balance	\$ 469	\$ 997	\$ 633	\$ 181	\$ 93	\$ 293	\$ 134	\$ 134	

RAZOR ENTITIES

Per: Doug Bailey, President and CEO

Notes:

Management of the Razor Entities has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Razor Entities during the period of March 18, 2024 to May 5, 2024. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in the notes below. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 Net production revenue relates to the sale of Razor Energy Corp's petroleum and natural gas production and is based on forecast production volumes and third-party pricing. Further, it assumes no operated production can be sent to the Judy Creek Gas Plant and no additional net revenue received from non-operated production. Crown royalties for oil production are paid in kind.
- 2 Other receipts consist of third-party road use fees, partner joint interest billings, the SHGPC payments, etc.
- 3 Operating expenses are based on the annual operating budget and relates to the costs associated with the operation of oil and natural gas wells.
- 4 Transportation costs relate to transporting petroleum and natural gas production from well head to market and is based on projected production volumes and transportation rates.
- 5 Lease rentals are based on annual budget (excluding freehold).
- 6 Insurance is based on current policy premiums and estimated D&O run off insurance.
- 7 Payroll is based on the most recent payroll registers.
- 8 Professional fees include estimates for the Monitor, the Monitor's legal counsel, Razor Entities' legal counsel, and Sales Agent.
- 9 G&A expense includes overhead costs based on the annual budget and margin call on hedging contracts.