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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



COM
August 25, 2023
Justice Hollins

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

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

DOCUMENT

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

August 22, 2023



ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
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SECOND REPORT OF THE PROPOSAL TRUSTEE

TABLE OF CONTENTS

INTRODUCTION.....	2
PURPOSE	3
TERMS OF REFERENCE.....	3
P&NG ASSETS & OPERATIONS.....	5
RESTRUCTURING EFFORTS	5
SALE AND INVESTMENT SOLICITATION PROCESS	6
BUDGET TO ACTUAL RESULTS	14
CASH FLOW STATEMENT	16
PROPOSAL TRUSTEE’S CONCLUSIONS AND RECOMMENDATIONS	18

Appendix “A” – Cash Flow Statement for the period ending October 21, 2023

INTRODUCTION

1. On June 12, 2023 (the “**Filing Date**”), Free Rein Resources Ltd. (“**Free Rein**” or the “**Company**”), a private corporation formed under the laws of Alberta filed a Notice of Intention (the “**NOI**”) to make a proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”).
2. FTI Consulting Canada Inc. (“**FTI**”) was appointed as proposal trustee (FTI in such capacity, the “**Proposal Trustee**”) in the NOI proceedings of Free Rein (the “**Proceedings**”).
3. On July 11, 2023, the Court of King’s Bench of Alberta (the “**Court**”), granted an Order which, among other things:
 - (a) approved a first ranking administrative charge on all of the Company’s present and after-acquired assets, property and undertakings, not to exceed \$200,000; and
 - (b) extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to August 25, 2023.
4. This second report of the Proposal Trustee (the “**First Report**”) is in connection with the Company’s application currently scheduled to be heard on August 25, 2023 (the “**August 25 Application**”), seeking an Order from the Court, among other things:
 - (a) authorizing and approving the Proposal Trustee, with the assistance of the Company, to administer a sale and investor solicitation process (the “**SISP**”) in parallel with ongoing recapitalization efforts; and
 - (b) extending the time for Free Rein to file a proposal to October 9, 2023 (the “**Stay Period**”).

5. Electronic copies of all materials filed by the Company in connection with the August 25 Application and other statutory materials are available on the Proposal Trustee’s website at: <http://cfcanada.fticonsulting.com/freerein>.

PURPOSE

6. The Proposal Trustee has reviewed the Court materials filed by the Company in support of the August 25 Application. The purpose of this Second Report is to provide information to this Honourable Court pertaining to:
 - (a) the Company’s operations and assets;
 - (b) the status of the Company’s restructuring efforts, including comments on the proposed SISP;
 - (c) budget to actual cash flow results for the period ended August 19, 2023;
 - (d) the Company’s updated cash flow statement (the “**Cash Flow Statement**”) for the period ending October 21, 2023;
 - (e) the Company’s request for an extension to the Stay Period; and
 - (f) the Proposal Trustee’s conclusions and recommendations.

TERMS OF REFERENCE

7. In preparing this Second report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).

8. Except as described in this Second Report:
- (a) the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;
 - (b) the Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
 - (c) future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
9. The Proposal Trustee has prepared this Second Report in connection with the August 25 Application. This Second Report should not be relied on for other purposes.
10. Information and advice described in this Second Report that has been provided to the Proposal Trustee by its legal counsel, Cassels Brock & Blackwell LLP (the “**Proposal Trustee’s Counsel**”), was provided to assist the Proposal Trustee in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
12. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the SISP and Stalking Horse Term Sheet.

P&NG ASSETS & OPERATIONS

13. The primary objectives of these Proceedings are to:
- (a) ensure the Company has the necessary stability to maintain ongoing operations while it seeks to restructure its financial affairs; and
 - (b) provide a forum to effectuate a restructuring transaction (“**Restructuring Transaction**”) for the benefit of the Company’s creditors and preserve Free Rein’s going concern business.
14. The Company’s petroleum and natural gas assets (“**P&NG Assets**”) are located primarily in Central Alberta in the Golden Spike area.
15. Since the Filing Date the Company has maintained the operation of the P&NG Assets without any material disruption and the P&NG Assets are currently producing approximately 450 boe/d.

RESTRUCTURING EFFORTS

16. Since the date of the First Report, the Company has continued to explore and consider several alternatives, including:
- (a) continuing discussions with Enoch Cree First Nation (“**Enoch**”) in an effort to bring in additional funding to recapitalize Free Rein. The Company has advised that currently, it does not appear that Enoch will be able to make a final investment decision within the timeframe of these Proceedings, although discussions are ongoing;
 - (b) discussions with multiple parties with respect to a forward sale of natural gas to provide long-term fuel supply for a natural gas power generation or hydrogen generation project; and

- (c) continuing discussions with shareholders and other parties with a view of raising additional funds to address a potential equitization or refinancing of the debt owed to Invico Diversified Income Limited Partnership (“**Invico**”) and providing further working capital to assist in resolving the Company’s distressed financial affairs.
17. The Company has not executed any binding agreements; however, the Proposal Trustee has observed these ongoing efforts to obtain refinancing options. The Proposal Trustee understands discussions are ongoing with these various parties and the Company requires additional time to determine if these efforts will be successful in assisting the Company to complete a Restructuring Transaction.
18. As described in the First Report, the Company indicated that it would be open, on terms satisfactory to its primary stakeholders, to implementing a court-supervised solicitation process seeking offers for its assets, or a refinancing or recapitalization of the Company if a Restructuring Transaction was not completed by the August 25 Application.
19. As a result the Company has agreed to launch the SISP in parallel with continuing discussions with parties to complete a Restructuring Transaction. The SISP procedures are outlined below along with the Proposal Trustee’s comments.

SALE AND INVESTMENT SOLICITATION PROCESS

The Proposed SISP

20. A copy of the SISP is attached to the Affidavit of Terry McCallum sworn August 18, 2023 (the “**McCallum Affidavit**”).
21. The SISP, as proposed below, is intended to broadly canvas potential purchasers and investors in a structured manner to maximize value for the benefit of the Company’s creditors and stakeholders.

Stalking Horse Term Sheet

22. Free Rein has negotiated a Stalking Horse Term Sheet with Invico (in such capacity, the “**Stalking Horse Bidder**”). The Stalking Horse Term Sheet will effectively serve as a backstop for the SISP and set a floor price for the Company’s assets. If there is no Qualified Bid from a party other than the Stalking Horse Bidder, the SISP will terminate, and the Company will proceed to negotiate the applicable definitive agreements and close the Stalking Horse Transaction. A copy of the draft Stalking Horse Term Sheet is attached to the McCallum Affidavit.

23. As noted in the McCallum Affidavit, the versions of the SISP and Term Sheet attached to the McCallum Affidavit as Exhibits “A” and “B” are in draft form and Free Rein, Invico and the Proposal Trustee are in the process of finalizing those documents. The views expressed by the Proposal Trustee in this Report on the SISP and Term Sheet are based on those versions appended to the McCallum Affidavit. The Proposal Trustee reserves its rights to provide further commentary, or otherwise modify its views, on the SISP and Term Sheet once final versions of those documents have been prepared. The Proposal Trustee will advise the Court at a later date if the Proposal Trustee’s views on the final versions of the SISP and Term Sheet are materially different than its views on the draft versions of those documents.

24. The total consideration under the Stalking Horse Term Sheet is estimated to be \$6.2 million, comprised of:
 - (a) a non-cash credit bid as specified in the Stalking Horse Term Sheet, resulting in a reduction of the Invico Secured Debt in the estimated amount of \$6.3 million; and
 - (b) the Cash Component (as defined in the Stalking Horse Term Sheet), consisting of a cash payment in the estimated amount of approximately \$275,000 which amount shall consist of the Priority Payables (as defined in the Stalking Horse Term Sheet) and Cure Costs.

25. The Proposal Trustee will work with the Company and Invico to finalize the amounts above and will provide them to the Known Potential Bidders in the Teaser Letter and any Bid Process Letter, as appropriate.
26. The Company and the Proposal Trustee have had discussions with counsel to the Stalking Horse Bidder and understand that the Stalking Horse Bidder wishes to have review and consultation rights on bids received during the SISP. This is acceptable to the Proposal Trustee so long the Stalking Horse Bidder discloses their bid at the commencement of the SISP and the Stalking Horse Bidder confirms that it will not seek to increase its bid throughout the SISP or otherwise alter its bid in any material way, including in a manner that affects the overall value of the Stalking Horse Term Sheet. We understand the Stalking Horse Bidder is in agreement with this requirement and the SISP proposed reflects this agreement.
27. Given that part of the Purchase Price being offered under the Stalking Horse Term Sheet includes forgiveness of the Invico Secured Debt, the Proposal Trustee's Counsel is in the process of completing an independent review of the validity and enforceability of Invico's security to confirm that Invico has first ranking security over all of the assets and undertakings of the Company.

Timelines and Bidding Process

28. The key components of the SISP procedure as proposed by the Company include the following:
 - (a) the Proposal Trustee, with the assistance of the Company, 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 the Company's assets and business operations and 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 sale of all, substantially all, or one or more components of the Property as a going concern of otherwise;

- (c) except as otherwise set forth in a definitive agreement with the successful bidder, any transaction will be on an “as-is, where-is” basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Company, or any of their respective agents, advisors or estates;
- (d) as soon as reasonably practicable, but no later than September 1, 2023:
- the Company, in consultation with the Proposal Trustee and the Stalking Horse Bidder, will prepare a list of Known Potential Bidders;
 - the Proposal Trustee shall cause the Notice of the SISP Procedure to be published in the *BOE Report*, *the Daily Oil Bulletin*, and *the Insolvency Insider*;
 - the Company, in consultation with the Proposal Trustee, shall prepare the Teaser Letter describing the Opportunity to submit an Alternative Transaction and inviting recipients to execute a non-disclosure agreement (“**NDA**”) in order to participate in the SISP; and
 - the Proposal Trustee shall post the Teaser Letter and NDA on its website at <http://cfcanada.fticonsulting.com/freerein>.
- (e) the Proposal Trustee, with the assistance of the Company, 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 Proposal Trustee: (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 the Company and the Proposal Trustee 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 October 2, 2023 (the “**Phase 1 Bid Deadline**”), any Phase 1 Qualified Bidders who intend to continue in the SISP must deliver a non-binding letter of intent (“**LOI**”) to the Proposal Trustee, with a copy to the Company;
- (i) the requirements for a LOI to be considered 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 contain an indication of whether the Phase 1 Qualified Bidder is offering to:
 - acquire all, substantially all or a portion of the Applicants’ assets and business operations (a “**Sale Proposal**”); or
 - make an investment in, restructure, reorganize or refinance the business operations of the Applicants (an “**Investment Proposal**”); and
 - iii. the LOI must state the purchase price or price range (for a Sale Proposal) 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 Proposal Trustee, in consultation with the Company, 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 transaction.
- (k) the Proposal Trustee, in consultation with the Company and the Stalking Horse Bidder, may elect to terminate the SISP:
- at any time if the Company executes a binding commitment, in a form satisfactory to the Proposal Trustee and the Stalking Horse Bidder, with a third party which is sufficient to repay the Priority Payables, the Secured Debt and fund a proposal under Division I, Part III of the BIA; or
 - at a date subsequent to the Phase I Bid Deadline in the event that the Stalking Horse Term Sheet is the only Qualified LOI.
- (l) no later than 5:00 PM (Calgary Time) on November 6, 2023 (the “**Phase 2 Bid Deadline**”), Phase 2 Qualified Bidders who wish to continue in the SISP shall make a formal binding offer to purchase or make an investment in the Applicants or their assets or business and submit a binding offer (a “**Phase 2 Bid**”) to the Proposal Trustee.
- (m) 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;

- 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 Proposal Trustee 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 December 11, 2023.

(n) the Proposal Trustee, in consultation with the Company, will evaluate the Phase 2 Qualified Bids and identify the higher and overall best bid(s) (the “**Successful Bid**”) and shall thereafter apply to the Court to seek approval of the transaction contemplated in the Successful Bid.

29. For ease of reference, key dates included in the SISP are set out in the table below:

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

30. The SISP provides the opportunity for early termination in the event that (i) the Stalking Horse Transaction is the only Qualified LOI or (ii) there is another transaction entered into by Free Rein

which is of sufficient value to result in the repayment of the Priority Payables and the Secured Debt (each as defined in the SISP), and fund a proposal under Division I, Part III of the BIA.

Proposal Trustee's Comments on the Proposed SISP

31. The Proposal Trustee has the following comments on the proposed SISP:
- (a) the SISP is fair, transparent and the timelines to market and solicit an Alternate Transaction is appropriate in light of, among other things, the size and nature of the Company's operations and current financial position;
 - (b) the inclusion of the Stalking Horse Term Sheet is appropriate as it is based on the value of the Invico Secured Debt and will act as a backstop to the SISP 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 Proposal Trustee 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 Transaction in the event there are no other bids. In the Proposal Trustees view this clause is advantageous as it provides optionality: allowing for early completion of the Stalking Horse Transaction if it is the only Qualified LOI, or alternatively, for early repayment of Priority Payables and Secured Debt, permitting the Company to focus on a proposal for unsecured creditors in the event a recapitalization/investment transaction is completed that provides sufficient funding to fully repay Priority Payables and Secured Debt;
 - (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) in the Proposal Trustee’s experience, the SISP timelines will permit a sufficient level of market exposure and are consistent with other similar insolvency processes;
- (f) the SISP allows the Company to dual track either a sale or investment proposal; and
- (g) the Company’s senior secured creditor is supportive of the SISP.

32. Overall, in the Proposal Trustee’s view the SISP terms and timelines are reasonable in the circumstances and afford the Company with an opportunity to achieve a successful sale or Restructuring Transaction.

BUDGET TO ACTUAL RESULTS

33. The Company’s actual cash flows as compared to those contained in the cash flow statement for the period of July 2, 2023, to August 19, 2023, is summarized below.

7 Week Period Ended August 19, 2023	Actual	Forecast	Variance
(C\$ 000s)			
Receipts			
Net production revenue	\$ 363	\$ 392	\$ (29)
Other receipts	27	127	(100)
Total - Receipts	389	519	(130)
Disbursements			
Royalties	(38)	(63)	25
Transportation costs	(112)	(59)	(53)
Operating expenses	(264)	(262)	(2)
Capex	-	(128)	128
SG&A expense	(269)	(210)	(59)
Professional fees	(47)	(145)	98
Total - Disbursements	(730)	(867)	137
Net cash flow	(341)	(349)	8
Opening cash	395	395	-
Net cash flow	(341)	(349)	8
Ending cash	\$ 55	\$ 47	\$ 8

34. The variances in actual receipts and disbursements as compared to the Cash Flow Statement are primarily due to the following:
- (a) Receipts: negative variance of approximately \$130,000 primarily due to lower production than forecast and offset by higher realized pricing, and timing of collection of certain outstanding joint interest billings that were forecast in the period;
 - (b) Disbursements: positive variance of approximately \$137,000 primarily comprised of the following:
 - lower royalty payments than forecast in the period;
 - higher transportation costs than forecast due to one of the Company's oil marketers netting amounts that were owed for prior periods;
 - planned capital expenditures were not completed in the period;
 - professional fees were lower than forecast as some amounts remain unpaid and so, a portion of the variance is expected to reverse in future periods.
35. As at August 19, 2023, the Company has approximately \$55,000 of cash on hand.

CASH FLOW STATEMENT

36. The Company, in consultation with the Proposal Trustee, has prepared an updated Cash Flow Statement to estimate the Company’s liquidity for the period from August 20, 2023, to October 14, 2023 (the “**Forecast Period**”), a summary of which is presented below. A copy of the Cash Flow Statement is attached hereto as Appendix “A”.

Cash Flow Statement	
(C\$ 000s)	Total
Receipts	
Net production revenue	\$ 936
Other receipts	-
Total - Receipts	936
Disbursements	
Royalties	(53)
Transportation costs	(67)
Operating expenses	(248)
Capex	-
SG&A expense	(260)
Professional fees	(250)
Total - Disbursements	(878)
Net cash flow	59
Opening cash	55
Net cash flow	59
Ending cash	\$ 113

37. The Cash Flow Statement projects the Company will have net cash flow of approximately \$59,000 over the Forecast Period, including:
- (a) cash receipts of approximately \$936,000, primarily related to the collection of petroleum and natural gas sales;
 - (b) cash disbursements of approximately \$878,000 primarily related to trade payments, payroll and benefits, other operating disbursements and professional fees.

38. The Cash Flow Statement does not contemplate the payment of any amounts to secured creditors, including principal and interest. The Proposal Trustee is of the view that this is appropriate in light of:
- (a) the relatively accelerated timeline provided for by the extension of the Stay Period;
 - (b) to ensure that cash resources are maintained to facilitate the Company's restructuring efforts; and
 - (c) to minimize any potential prejudice to other post-filing creditors by paying amounts accruing to secured creditors.
39. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred and only critical pre-filing payables are paid. Critical pre-filing payables are anticipated to be a nominal amount, as all other payables prior to the Filing Date are assumed to be stayed.
40. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by the Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
41. Based on the Proposal's Trustee's review, as at the date of this Second Report, nothing has come to its attention that causes it to believe that, in all material respects:
- (a) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement; and

- (b) the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Cash Flow Statement.

PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS

SISP

- 42. In the Proposal Trustee view the SISP terms and timeframe are reasonable in the circumstances and afford the Company with an opportunity to achieve a successful sale or Restructuring Transaction within the constraints of its current liquidity position.
- 43. The Stalking Horse Term Sheet provides a backstop to the SISP and sets a floor price for other bidders to consider and provides certainty that a transaction will be completed if an Alternative Transaction is not advanced.
- 44. The Company's senior secured creditor is supportive of the proposed SISP.
- 45. The Proposal Trustee recommends that the SISP be implemented as currently constructed.

Stay Extension

- 46. The stay of proceedings expires on August 25, 2023. At the August 25 Application, the Company is requesting an extension of the stay of proceedings to October 9, 2023.
- 47. The Proposal Trustee is of the view that the requested extension of the stay of proceedings is appropriate pursuant to section 50.4(9) of the BIA for the following reasons:
 - (a) the Company and its management are acting in good faith and with due diligence in taking steps to facilitate a restructuring of the business;

- (b) the extension of the Stay Period will allow sufficient time for the Company to advance the SISP enhancing the likelihood of a viable proposal being presented;
- (c) the Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proceedings to October 14, 2023;
- (d) the Proposal Trustee is not aware of any reason that the extension of the Stay Period would materially prejudice any creditors.

48. Based on the foregoing, Proposal Trustee supports the relief being sought by the Company and respectfully recommends that the Court grant the relief referenced in paragraph 4 herein.

All of which is respectfully submitted this 22nd day of August 2023.

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



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

Appendix “A” – Cash Flow Statement for the period ending October 21, 2023

Free Rein Resources Ltd.

Cash Flow Statement for the period from August 20, 2023 to October 21, 2023

Cash Flow Statement (C\$ 000s)	Week 1 26-Aug	Week 2 2-Sep	Week 3 9-Sep	Week 4 16-Sep	Week 5 23-Sep	Week 6 30-Sep	Week 7 7-Oct	Week 8 14-Oct	Week 9 21-Oct	Total	Notes
Receipts											
Net production revenue	\$ 506	\$ -	\$ -	\$ -	\$ -	\$ 430	\$ -	\$ -	\$ -	\$ 936	1
Other receipts	-	-	-	-	-	-	-	-	-	-	
Total - Receipts	506	-	-	-	-	430	-	-	-	936	
Disbursements											
Royalties	-	-	(29)	-	-	-	(24)	-	-	(53)	2
Transportation costs	(38)	-	-	-	-	(29)	-	-	-	(67)	3
Operating expenses	(110)	(30)	-	-	-	(79)	(30)	-	-	(248)	4
Capex	-	-	-	-	-	-	-	-	-	-	5
SG&A expense	-	(57)	-	(73)	-	(57)	-	(73)	-	(260)	6
Professional fees	-	-	-	(125)	-	-	(125)	-	-	(250)	7
Total - Disbursements	(147)	(87)	(29)	(198)	-	(165)	(179)	(73)	-	(878)	
Net cash flow	359	(87)	(29)	(198)	-	265	(179)	(73)	-	59	
Opening cash	55	414	326	298	100	100	365	186	113	55	
Net cash flow	359	(87)	(29)	(198)	-	265	(179)	(73)	-	59	
Ending cash	\$ 414	\$ 326	\$ 298	\$ 100	\$ 100	\$ 365	\$ 186	\$ 113	\$ 113	\$ 113	



FREE REIN RESOURCES LTD.
Per: Terry McCallum, CEO



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

Notes:

Management of Free Rein Resources Ltd. ("FRR") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of FRR during the period of August 20, 2023 to October 21, 2023. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-7. Consequently, actual results will likely vary from actual performance and such variances may be material.

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