



COURT FILE NUMBER           **B301 135903**

COURT                               **COURT OF KING’S BENCH OF ALBERTA**

JUDICIAL CENTRE               **CALGARY**

PROCEEDING                   **IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE  
A PROPOSAL OF ERIKSON NATIONAL ENERGY INC.**

COM  
Nov 21, 2024

DOCUMENT                       **SECOND REPORT OF THE PROPOSAL TRUSTEE  
NOVEMBER 18, 2024**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT           **PROPOSAL TRUSTEE**  
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## 1.0 Introduction

1. This second report (this “**Second Report**”) is filed by KSV Restructuring Inc. (“**KSV**”), in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) in connection with a Notice of Intention to Make a Proposal (“**NOI**”) filed on October 1, 2024 (the “**Filing Date**”) by Erikson National Energy Inc. (“**Erikson**” or the “**Company**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. The principal purpose of the NOI proceedings (these “**Proceedings**”) is to utilize the stay of proceedings under the BIA to create a stabilized environment to enable the Company to continue to maintain its oil and gas assets while it continues an ongoing sale and investment solicitation process (the “**SISP**”), with the assistance of a sales agent, Sayer Energy Advisors (“**Sayer**” or the “**Sales Agent**”), with the objective of completing one or more transactions.
3. On October 21, 2024, on application by Erikson, the Court of King’s Bench of Alberta (the “**Court**”) granted:
  - a) an Order (the “**First Extension Order**”), among other things:
    - i. extending the time for the Company to file a proposal to its creditors and the stay of proceedings up to and including November 30, 2024;
    - ii. approving the SISP and Sayer’s engagement letter dated October 15, 2024 (the “**Sayer Engagement Letter**”), including Sayer’s Work Fee and Success Fee (both as defined in the Sayer Engagement Letter);
    - iii. granting a first-priority charge in the maximum amount of \$200,000 (the “**Administration Charge**”) on all of Erikson’s current and future assets, undertakings and properties of every nature and kind whatsoever (collectively, the “**Property**”) for the fees and disbursements of the Company’s legal counsel, Bennett Jones LLP (“**Bennett Jones**”), the Proposal Trustee, and the Proposal Trustee’s legal counsel, Fasken Martineau DuMoulin LLP (“**Fasken**”); and

- iv. expanding the scope of the stay of proceedings in the Proceedings as it relates to the terms of supply and service to the Company on a basis consistent with the provisions of the model Initial Order in a proceeding under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCA**"); and
- b) an interim financing order (the "**Interim Financing Order**"), among other things:
  - i. authorizing the Company to obtain and borrow under a credit facility (the "**Interim Financing Facility**") from Third Eye Capital Corporation ("**TEC**" and in such capacity, the "**Interim Lender**") in the maximum principal amount of \$250,000, subject to the terms and conditions set forth in the term sheet (the "**Interim Financing Term Sheet**") and granting a charge in favor of the Interim Lender (the "**Interim Lender's Charge**") to secure the advances made under the Interim Financing Facility; and
  - ii. ranking the Court-ordered charges in these Proceedings as follows:
    - 1. first, the Administration Charge; and
    - 2. second, the Interim Lender's Charge.
- 4. Copies of the First Extension Order and Interim Financing Order are attached as **Appendix "A"** and **"B"**, respectively.

## **1.1 Purposes of this Second Report**

- 1. The purposes of this Second Report are to:
  - a) provide background information about the Company and these Proceedings;
  - b) provide an update on the SISP;
  - c) report on the Company's amended and extended cash flow forecast for the period November 10, 2024 to January 25, 2025 (the "**Second Cash Flow Forecast**");
  - d) provide a comparison of the Company's initial cash flow forecast for the period October 1 to December 28, 2024 (the "**First Cash Flow Forecast**") filed in the Proceedings pursuant to section 50.4(2)(a) of the BIA to the Company's actual results;

- e) summarize the terms of the amended and restated interim financing term sheet dated November 21, 2024 (the “**Amended Interim Financing Term Sheet**”), which, *inter alia*, increases the authorized borrowings under the Interim Financing Facility from \$250,000 to \$950,000;
- f) discuss the rationale for extending the time for the Company to file a proposal to its creditors and the stay of proceedings up to and including January 15, 2025 (the “**Stay Extension**”);
- g) provide the Court with an update on the Company’s and the Proposal Trustee’s activities since the First Report; and
- h) provide the Proposal Trustee’s recommendations in respect of:
  - i. Erikson’s application for an order (the “**Second Extension Order**”), among other things:
    - 1. granting the Stay Extension; and
    - 2. approving the Amended Interim Financing Term Sheet and increasing the Interim Lender’s Charge from \$250,000 to \$950,000, to secure the advances made under the Interim Financing Facility; and
  - ii. the Proposal Trustee’s application for an order (the “**Sealing Order**”) sealing the Sales Agent SISP Summary (as defined below), attached hereto as **Confidential Appendix “1”**, until the closing of a transaction involving substantially all of the Property or further order of the Court.

## 1.2 Scope and Terms of Reference

- 1. In preparing this Second Report, the Proposal Trustee has relied upon the Company’s unaudited financial information, books and records, information available in the public domain, and discussions with the Company’s management and legal counsel and TEC, the agent for the Company’s secured lenders.
- 2. The Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Second Report in a manner that complies with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Proposal Trustee

expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own due diligence.

3. An examination of the Second Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future-oriented financial information relied upon in this Second Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee expresses no opinion or other form of assurance on whether the Second Cash Flow Forecast will be achieved.
4. This Second Report should be read in conjunction with the Proposal Trustee's First Report to Court dated October 18, 2024 (the "**First Report**"), the Affidavit of Mark Horrox sworn October 15, 2024 (the "**First Horrox Affidavit**"), the Affidavit of Mark Horrox sworn November 15, 2024 (the "**Second Horrox Affidavit**"), and the materials filed by the Company in support of the Company's application returnable November 21, 2024. Capitalized terms not defined in this Second Report have the meanings ascribed to them in the Second Horrox Affidavit.

### **1.3 Currency**

1. Unless otherwise noted, all currency references in this Second Report are in Canadian dollars.

### **1.4 Court Materials**

1. Court materials filed in these proceedings are available on the Proposal Trustee's website at: <https://www.ksvadvisory.com/experience/case/erikson> (the "**Case Website**").

## **2.0 Background**

1. Erikson is incorporated and registered pursuant to the laws of Alberta and was previously headquartered out of an office in Calgary, Alberta. During the Proceedings, the Company closed its Calgary office and terminated its office lease agreement with the consent of the Proposal Trustee.

2. Erikson is a junior oil and natural gas company with assets in the Fort Nelson and Greater Fort St. John areas of British Columbia. Erikson was established to own and operate certain assets, which were acquired through the Ranch Energy Corp. receivership proceedings. The Company holds licenses issued by the British Columbia Energy Regulator (“**BCER**”) for 414 wells, 346 pipelines, and 20 facilities (collectively, the “**Oil & Gas Assets**”).
3. As of the Filing Date, all of the Oil & Gas Assets were shut-in and not producing and remain shut-in. The Proposal Trustee understands that certain of the Oil & Gas Assets consist of sour gas wells.
4. As of the Filing Date, Erikson had approximately seven employees and three contractors. While the Oil & Gas Assets are shut-in, Erikson maintains certain employees to perform routine well site and facilities inspections to ensure that its Oil & Gas Assets are maintained in a safe manner.
5. Additional background information on the Company is included in the First Report and the First Horrox Affidavit.

### **3.0 SISP Update<sup>1</sup>**

1. Pursuant to the First Extension Order, this Court approved the SISP, which was developed in consultation with the Proposal Trustee and the Sales Agent, to solicit interest in, and opportunities for, a sale of all or some of Erikson’s assets, or an investment in Erikson and its business. As outlined in the First Horrox Affidavit and the First Report, the SISP is a continuation of a sale and investment solicitation process that was commenced by Erikson with the assistance of Sayer in January 2023 (the “**Pre-Filing SISP**”).
2. Since the granting of the First Extension Order, the Sales Agent has been working with the Company to carry out the SISP, under the supervision of the Proposal Trustee and with input from the BCER.
3. As detailed in the First Report, the SISP contemplates the following milestones and timelines:

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<sup>1</sup> Capitalized terms not defined in this section have the meanings ascribed to them in the SISP.

<b>Milestone</b>	<b>Deadline</b>
Marketing Launch	October 16, 2024
Bid Deadline	12:00 p.m. MT, November 14, 2024
Sale Approval Application	November 25, 2024
Target Closing Date	November 30, 2024

### 3.1 Solicitation of Interest

1. The following steps were taken to solicit interest in the SISP:
  - a) Erikson, in consultation with Sayer and the Proposal Trustee, prepared a list of potential bidders including parties who may be interested in the Opportunity (collectively, "**Known Potential Bidders**");
  - b) Sayer, in consultation with the Proposal Trustee and Erikson, prepared:
    - i. a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP, and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP;
    - ii. a non-disclosure agreement (an "**NDA**"); and
    - iii. a virtual data room (the "**VDR**");
  - c) on October 16, 2024, the Teaser Letter and NDA were uploaded to the Sales Agent's website;
  - d) on October 17, 2024, the Sales Agent distributed the Teaser Letter and NDA to a total of 2,250 Known Potential Bidders, comprising Canadian and US operators, financial groups, and other parties; and
  - e) advertisements of the SISP were posted in the following publications:
    - i. the Daily Oil Bulletin;
    - ii. the BOE Report; and
    - iii. A&D Watch and Energy Advisors Group, a US publication.
2. During the SISP, the Company and the Sales Agent responded to numerous due diligence requests and engaged in various correspondence with Potential Bidders.



3. A memorandum prepared by the Sales Agent summarizing the SISP and the offers received at the Bid Deadline (the “**Sales Agent SISP Summary**”) is attached as **Confidential Appendix “1”**. Due to the commercially sensitive nature of the information contained in the Sales Agent SISP Summary, the Proposal Trustee intends to seek a sealing order from this Court respecting **Confidential Appendix “1”**, as discussed in further detail below.

### **3.2 Bid Deadline**

1. The Company received multiple offers prior to the Bid Deadline from Potential Bidders, however, none were designated as Qualified Bids in accordance with the SISP as one or more of the requirements to be designated as a Qualified Bid were not met. As at the date of this Second Report, the Company and the Sales Agent, in consultation with the Proposal Trustee and the BCER, continue to assess the terms of the bids received and engage in various negotiations and correspondence with the Potential Bidders regarding the offers submitted by same in an effort to advance these bids to Qualified Bids.

## **4.0 Second Cash Flow Forecast**

1. Pursuant to the BIA, the Company is required to prepare a cash flow statement for the Stay Extension period. The Second Cash Flow Forecast for the period November 10, 2024 to January 25, 2025 (the “**Forecast Period**”), together with Management’s Report on the Cash-Flow Statement, as required by subsection 50.4(2)(c) of the BIA, is collectively attached hereto as **Appendix “C”**.
2. The Second Cash Flow Forecast was prepared by the Company with the assistance of the Proposal Trustee using probable and hypothetical assumptions set out therein. As the Oil & Gas Assets have been shut-in, the Company is not forecasting any material receipts during the Forecast Period. Projected disbursements are primarily for funding payroll and benefits, utilities and other operating expenses, and professional fees. These costs are necessary in order for the Company to continue to maintain care and custody of its Oil & Gas Assets in a safe manner, including performing ongoing well site monitoring.
3. The Second Cash Flow Forecast projects funding from the Interim Financing Facility beginning the week ending November 16, 2024. This funding will support the Company’s essential operations during the Proceedings and allow it to meet its post-filing obligations, as outlined in the Second Cash Flow Forecast.

4. Based on the Proposal Trustee's review of the Second Cash Flow Forecast, there are no material assumptions that seem unreasonable. The Proposal Trustee's Report on the Company's Cash Flow Statement, as required by subsection 50.4(2)(b) of the BIA, is attached as **Appendix "D"**.
5. As set out in the Second Cash Flow Forecast, the Company will require additional capital to fund the Proceedings. As of the date of this Second Report, Erikson has borrowed \$130,000 of the \$250,000 maximum amount provided for under the Interim Financing Facility. As discussed in further detail below, Erikson requires a further \$700,000 under the Interim Financing Facility in order to satisfy its projected post-filing obligations.

#### **4.1 Amended Interim Financing Facility**

1. The Company has negotiated the Amended Interim Financing Term Sheet to, among other things, increase the commitment under the Interim Financing Facility. A copy of the Amended Interim Financing Term Sheet is attached to the Second Horrox Affidavit as Exhibit "A". Pursuant to the terms of the Amended Interim Financing Term Sheet, the Interim Financing Facility and corresponding Interim Lender's Charge is to be increased from \$250,000 to \$950,000, in order for Erikson to satisfy its projected post-filing obligations as set forth in the Second Cash Flow Forecast. The proposed Second Extension Order provides for a corresponding increase to the Interim Lender's Charge.
2. The Amended Interim Financing Term Sheet also revises the Maturity Date under the facility from November 30 to December 16, 2024, with an option for the Interim Lender to further extend the Interim Financing Facility until January 15, 2025 upon payment of \$5,000 by the Company and so long as there is no existing Event of Default pursuant to the Amended Interim Financing Term Sheet.
3. Additionally, the Amended Interim Financing Term Sheet revises the Event of Default (as defined in the Amended Interim Financing Term Sheet) in relation to the reinstatement of the Company's currently expired crown mineral leases. Specifically, the lease reinstatement date is revised from November 8 to 29, 2024.
4. The Proposal Trustee notes that under the existing Interim Financing Term Sheet, the Company obtained a waiver of default and extension of this lease reinstatement date from the Interim Lender on each of November 8 and 15, 2024.

5. As at the date of this Second Report, the Company's crown mineral leases have not yet been reinstated; however, the Company, with the assistance of the Proposal Trustee, remains in ongoing discussions with the Tenure Ministry regarding the reinstatement.
6. The Proposal Trustee recommends the Court issue an order approving the Amended and Restated Interim Financing Term Sheet and increasing the Interim Lender's Charge, as:
  - a) without additional funding, the Company will not be able to continue to maintain the Oil & Gas Assets, which may also jeopardize the ability to continue the Proceedings and to successfully close a transaction;
  - b) the additional fees associated with the Amended Interim Financing Term Sheet are reasonable and consistent with fees charged in similar insolvency engagements in the Proposal Trustee's experience; and
  - c) no stakeholder should be prejudiced by the Amended Interim Financing Term Sheet, as it will enable the Company to satisfy its post-filing obligations and pursue a transaction.

## 5.0 Performance Against the First Cash Flow Forecast

1. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to review and evaluate the state of the Company's business and financial affairs since the Filing Date.
2. The Proposal Trustee understands that the Company remains current in respect of its obligations that have arisen since the Filing Date.
3. A review process has been established with the Company to review weekly cash variances. A summary of Erikson's actual receipts and disbursements compared to the First Cash Flow Forecast for the period from October 1 to November 9, 2024 (the "**Reporting Period**") is as follows:

(unaudited; \$)	Actual	Projected	Difference
Receipts			
Interim Financing Facility Advances	-	49,293	(49,293)
Disbursements			
Operating disbursements	(418,557)	(452,179)	33,622
Professional fees	(84,213)	(100,000)	15,787
	(502,770)	(552,179)	49,409
<b>Net cash flow</b>	<b>(502,770)</b>	<b>(502,886)</b>	<b>116</b>

4. As reflected in the table above, the Company's cash flow has generally been in line with the First Cash Flow Forecast since the commencement of these Proceedings. The material variances and explanations are summarized below:
- a) receipts are less than forecasted as an initial advance of \$135,000 under the Interim Financing Facility was made during the week ending November 16, 2024 (i.e., the week after the Reporting Period);
  - b) operating disbursements were less than forecasted primarily as a result of the Company significantly reducing its camp costs by sourcing a cheaper alternative provider; and
  - c) professional fees are lower than forecasted, as the forecasted fees for Bennett Jones are scheduled to be paid by the Company during the week ending November 16 or 23, 2024 (i.e. outside of the Reporting Period).

## 6.0 Company's Request for an Extension

1. The Company is seeking an extension of the time required to file a proposal from November 30, 2024 to January 15, 2025. The Proposal Trustee supports the extension request for the following reasons:
  - a) since the Filing Date, the actions taken by the Company and observed by the Proposal Trustee demonstrate to the Proposal Trustee that the Company is acting in good faith and with due diligence, including through the advancement of the SISP and engaging with the Tenure Ministry regarding the reinstatement of the crown mineral leases;
  - b) the extension will enhance the likelihood of the Company being able to make a viable proposal to its creditors by enabling the Company to complete the SISP;

- c) the extension should not adversely affect or prejudice any group of creditors as the Company is projected to pay post-filing services and suppliers in the amounts contemplated by the Second Cash Flow Forecast; and
- d) the extension will provide the Company the additional time it requires to further advance its restructuring and allow the Company to continue discussions with the Potential Bidders, with a view to completing a transaction.

## **7.0 Activities of the Proposal Trustee and the Company**

### **7.1 Activities of the Proposal Trustee**

1. Since the First Report, the Proposal Trustee has performed the following key activities:
  - a) attending ongoing meetings with the Company and the Sales Agent to discuss the SISP;
  - b) assisting the Company with its communications to both internal and external stakeholders;
  - c) monitoring the affairs of the Company's business including reviewing financial information with management;
  - d) assisting the Company in preparing the Second Cash Flow Forecast;
  - e) corresponding and holding numerous discussions with the Company, Bennett Jones, and Fasken with respect to general matters and specific matters related to the SISP;
  - f) assisting the Company and the Sales Agent in responding to due diligence questions raised by Potential Bidders during the SISP;
  - g) reviewing bids received following the Bid Deadline;
  - h) corresponding and holding discussions with various stakeholders, and/or respective legal counsel to stakeholders, including the BCER;
  - i) maintaining the Case Website; and
  - j) preparing this Second Report.

## 7.2 Activities of the Company

1. The Proposal Trustee has observed certain key activities of the Company since the First Report, including:
  - a) communicating with various stakeholders and creditors regarding the Proceedings, in consultation with the Proposal Trustee;
  - b) communicating with the Tenure Ministry, in consultation with the Proposal Trustee, regarding the reinstatement of the crown mineral leases;
  - c) assisting the Sales Agent in conducting the SISP, including responding to due diligence requests from Potential Bidders;
  - d) with the assistance of the Proposal Trustee, responding to various questions by vendors;
  - e) reporting to the Proposal Trustee on a weekly basis in respect of the Company's receipts and disbursements;
  - f) working with the Proposal Trustee in preparing the Second Cash Flow Forecast;
  - g) with assistance from Bennett Jones, negotiating an agreement of purchase and sale that was uploaded to the VDR;
  - h) attending ongoing meetings with the Proposal Trustee, Bennett Jones, and Fasken to discuss the SISP;
  - i) terminating its Calgary office lease and then taking the necessary steps to vacate its Calgary office premises; and
  - j) working with Bennett Jones and the Proposal Trustee to prepare materials for the application to be heard on November 21, 2024.

## 8.0 Sealing Order

1. The Proposal Trustee is seeking the Sealing Order to seal **Confidential Appendix “1”** until the earlier of: (i) the closing of a transaction or transactions with respect to substantially all of the Property; or (ii) further order of this Court, as **Confidential Appendix “1”** contains confidential information, including a summary of bids received at the Bid Deadline. Making this information publicly available prior to closing a transaction or transactions could have a detrimental impact on the value of a potential transaction or transactions under the SISP. Sealing **Confidential Appendix “1”** is necessary due to the risk that the public disclosure of the information contained in the same could cause irreparable prejudice to creditors and other stakeholders.
2. Notwithstanding this, the Sales Agent SISP Summary has been shared by the Company with the BCER on a confidential basis.
3. The salutary effects of sealing such information from the public record greatly outweigh the deleterious effects of doing so under the circumstances. The Proposal Trustee is not aware of any party that will be prejudiced if the information in **Confidential Appendix “1”** is sealed or any public interest that will be served, if such details are disclosed in full. The Proposal Trustee is of the view that the sealing of **Confidential Appendix “1”** is consistent with the decision in *Sherman Estate v. Donovan*, 2021 SCC 25. Accordingly, the Proposal Trustee believes the proposed sealing of **Confidential Appendix “1”** is appropriate in the circumstances.

## 9.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought by the Company and the Proposal Trustee.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.,  
in its capacity as trustee in the proposal of  
Erikson National Energy Inc.,  
and not in its personal capacity**

**APPENDIX A**  
**[ATTACHED]**



COURT FILE NUMBER

B301-135903  
25-3135903



COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PROCEEDING

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF ERIKSON NATIONAL ENERGY INC.

DOCUMENT

**ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**BENNETT JONES LLP**  
Barristers and Solicitors  
4500 Bankers Hall East  
855 – 2 Street SW  
Calgary, Alberta T2P 4K7

Attention: Keely Cameron/Luc Rollingson  
Telephone No.: 403-298-4485  
Fax No.: 403-265-7219  
Client File No.: 87754.38

DATE ON WHICH ORDER WAS PRONOUNCED:

October 21, 2024

LOCATION WHERE ORDER WAS PRONOUNCED:

Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER:

Justice P. Johnston

UPON the application of the Applicant, Erikson National Energy Inc. ("**Erikson**" or the "**Applicants**"); AND UPON having reviewed the Affidavit of Mark Horrox, sworn October 15, 2024 (the "**Horrox Affidavit**"), AND UPON reviewing the Certificate of Filing of a Notice of Intention to Make a Proposal filed, October 1, 2024; AND UPON noting the support of KSV

Restructuring Inc. as Proposal Trustee (“**Proposal Trustee**”); AND UPON reviewing the First Report of the Proposal Trustee; AND UPON having heard counsel for Erikson, the Proposal Trustee and counsel for any other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

### **SERVICE**

1. Service of this Application and its supporting materials is deemed good and sufficient, and the time for service of this Application and its supporting materials is abridged to the time actually given.

### **EXTENSION AND STAY**

2. Erikson is granted an extension of 40 days, to November 30, 2024 (“**Proposal Extension Date**”) to file a proposal to its creditors, under section 50.4 of the *Bankruptcy and Insolvency Act*, RSA 1985, c. B-3, as amended (“**BIA**”).
3. The stay of proceedings in the within matter is extended by 40 days to and including November 30, 2024.

### **NO INTERFERENE WITH RIGHTS**

4. Until and including the Proposal Extension Date, no individual firm, corporation, governmental body, or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, or take any further action to issue or enforce any garnishee summons, except with the written consent of the Applicant and the Proposal Trustee, or leave of this Court.

### **CONTINUATION OF SERVICES**

5. Until and including the Proposal Extension Date, all Persons having:
  - (a) Statutory or regulatory mandates for the supply of goods and/or services; or

- (b) oral or written agreements or arrangement with the Applicant, including without limitation all purchase orders, supply agreements, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Applicant

are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under such agreements or arrangements. The Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with the payment practices of the Applicant, or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Proposal Trustee or as may be ordered by this Court.

#### **SALES ADVISOR**

6. Sayer Energy Advisors (the “**Sales Advisor**”) is appointed to carry out the SISP (defined below) in cooperation with the Proposal Trustee. The Engagement Letter as set out in the Confidential Appendix “1” to the Proposal Trustee’s First Report is approved.

#### **APPROVAL OF SALE AND INVESTMENT SOLICITATION PROCESS**

7. The Sale and Investment Solicitation Process attached hereto as Schedule “A” (“**SISP**”) is approved. The Proposal Trustee and Sales Advisor are authorized and directed to perform their respective obligations and to do all things reasonably necessary to perform their obligations under the SISP, including seeking approval of this Court as soon as reasonably practicable following the selection of a successful bid or bids under the SISP, if applicable.
8. The Sale Advisor and the Proposal Trustee shall incur no liability or obligation whatsoever to any person or party for any act or omission related to the SISP, except to

the extent such act or omission is the result of gross negligence or willful misconduct of the Sales Advisor or the Proposal Trustee, as applicable.

#### **ADMINISTRATION CHARGE**

9. The Proposal Trustee, counsel for the Proposal Trustee and the Applicant's counsel, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and hereby granted a charge ("**Administration Charge**") on the Property (as defined below), which charge shall not exceed an aggregate amount of \$200,000, as security for their professional fees and disbursements incurred at the normal rates and charges of the Proposal Trustee and such counsel. The Administration Charge shall have the priority set out in paragraphs 10 through 14 herein.

#### **VALIDITY AND PRIORITY OF CHARGE**

10. The priority of the Administration Charge shall be as follows:

First – Administration Charge (to the maximum amount of \$200,000).

11. The filing, registration or perfection of the Administration Charge shall not be required, and the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record, or perfect.
12. The Administration Charge shall constitute a charge on the Applicant's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"); and shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favor of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**").

13. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Administration Charge, unless the Applicant also obtains the prior written consent of the beneficiaries of the Administration Charge (the “**Chargee**”), or by further order of this Court.
14. The Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargee thereunder shall not otherwise be limited or impaired in any way by:
  - (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
  - (b) any application(s) for a bankruptcy or receivership order made in respect of the Applicant;
  - (c) the filing of any assignment for the general benefit of creditors made pursuant to the *BIA*;
  - (d) the provisions of any federal or provincial statutes; or
  - (e) any negative covenants, prohibitions or similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:
    - (i) neither the creation of the Administration Charge nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a new breach by the Applicant of any Agreement to which it is a party;
    - (ii) the Chargee shall not have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and

- (iii) the payments made by the Applicant pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

## **SEALING ORDER**

- 15. The Confidential Appendix 1 to the Proposal Trustee's First Report shall be sealed on the Court file and shall not form part of the public record.
- 16. Erikson is empowered and authorized, but not directed, to provide the Confidential Appendix 1 or any portion thereof to any interested entity or person that it, along with the Proposal Trustee, considers reasonable in the circumstances, subject to confidentiality arrangements satisfactory to Erikson and the Proposal Trustee.
- 17. The Clerk of the Court shall file the Confidential Appendix in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states:

THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS  
FILED IN COURT FILE NO. B301-135903 PURSUANT TO  
THE SEALING ORDER ISSUED BY THE  
HONOURABLE JUSTICE P. JOHNSTON ON OCTOBER 21,  
2024

18. Leave is hereby granted to any person, entity or party affected by this sealing order to apply to this Court for a further order vacating, substituting, modifying or varying the terms of this Order, with such application to be brought on not less than 7 days' notice to the Monitor and any other affected party pursuant to the Alberta Rules of Court, Alta Reg 124/2010 and this Order.

*BB Johnston*

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J.C.K.B.A.

**SALE AND INVESTMENT SOLICITATION PROCESS**  
**Erikson National Energy Inc.**

**INTRODUCTION**

On October 1, 2024, Erikson National Energy Inc. ("**Erikson**") filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.

KSV Restructuring Inc. ("**KSV**") is a licensed insolvency trustee and the Proposal Trustee for Erikson. Additionally, Erikson has retained the services of Sayer Energy Advisors ("**Sayer**") to act as the sale advisor for the purposes of its sale and investment solicitation process ("**Erikson SISP**") described herein.

Erikson intends to, with the assistance and oversight of the Proposal Trustee and assistance from Sayer, conduct the Erikson SISP. All qualified interested parties as defined herein will be provided with an opportunity to participate in the Erikson SISP. The Erikson SISP is intended to solicit interest in an acquisition of the business or a sale of all or some of the assets and/or the business of Erikson.

This document (the "**Erikson SISP Procedure**") outlines the Erikson SISP, comprised principally of 3 stages: pre-marketing, marketing and offering and evaluation.

**OPPORTUNITY AND SISP SUMMARY**

1. The Erikson SISP is intended to solicit interest in, and opportunities for, a sale of all or some of Erikson's assets (a "**Sale Proposal**"), or an investment in Erikson and its business (an "**Investment Proposal**"), which are primarily comprised of various oil and gas interests located in the Wildboy and Greater Fort St. John areas of British Columbia (the "**Opportunity**").
2. In addition to the Opportunity, the shareholders of Erikson are prepared to consider offers for the sale of their shares to facilitate a corporate transaction.
3. Except to the extent otherwise set forth in a definitive sale or investment agreement with a 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, Sayer, or Erikson or any of their respective affiliates, agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of Erikson in and to the property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders.
4. Solicitation of interest will be on an unpriced basis whereby no set asking price will be stipulated but any such purchase shall, at a minimum, assume all regulatory obligations associated with the purchased property to the British Columbia Energy Regulator ("**BCER**").



5. As described more fully in this Erikson SISP, the major stages in the Erikson SISP Procedure will be comprised of the following:
- (a) Pre-Marketing: preparation of all marketing material, assembly of all relevant due diligence material, establishment of an electronic data room and preparation of potential buyer/investor lists;
  - (b) Marketing: advertising, contacting potential buyers/investors, disseminating marketing material to potential buyers and investors and responding to requests for information, and allowing Qualified Bidders (defined below) to perform due diligence; and
  - (c) Offer Submission and Evaluation: receipt of, evaluation and negotiation of offers from potential buyers and investors, as described below.
6. The Pre-Marketing and Marketing stages will be led by Sayer and the Proposal Trustee, with requests for engagement with Erikson or the BCER to be provided to Sayer.
7. The offer submission and evaluation stage of the Erikson SISP will be comprised of a single phase offering process whereby Qualified Bidders (as defined below) will be entitled to submit formal binding offers to Erikson and the Proposal Trustee.
8. Information related to this process, including any bids received will be shared with both Erikson and the BCER.
9. In assessing the Potential Bidders, Qualified Bidders, Final Bids and Qualified Bids and in selecting Successful Bidders and Successful Bids (each as defined herein), Erikson, Sayer and the Proposal Trustee shall have the ability to consult with the BCER and Erikson's secured creditors with respect to all aspects of the SISP, and the bidders who are participating in the SISP, to assess, among other things, the bidders' ability to meet the BCER's regulatory and eligibility requirements, the amount of recovery that will be available for secured creditors, the assumption of regulatory obligations and liabilities, the financial capability of the bidders and the ability of bidders to consummate a transaction.

## **TIMELINE**

10. The complete schedule for the Erikson SISP is set out below:

<b>Milestone</b>	<b>Date</b>
Marketing Launch	<b>October 16, 2024</b>
Bid Deadline	<b>November 14, 2024</b>
Sale Approval Application	<b>November 25, 2024</b>
Target Closing Date	<b>November 30, 2024</b>

## PRE-MARKETING STAGE

11. As soon as reasonably practicable:
- (a) Sayer, in consultation with the Proposal Trustee, will prepare: (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the Erikson SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the Erikson SISP; (ii) a non-disclosure agreement in form and substance satisfactory to Erikson and the Proposal Trustee, and their respective counsel (an "**NDA**"); and (iii) a Confidential Information Memorandum ("**CIM**"). The CIM will specifically stipulate that Erikson and the Proposal Trustee and their respective advisors make no representation or warranty as to the accuracy or completeness of the information contained in the CIM, the Data Room (as defined below), or otherwise made available pursuant to the Erikson SISP or otherwise, except to the extent expressly contemplated in any definitive sale or investment agreement with a Successful Bidder (as defined below) ultimately executed and delivered by Erikson;
  - (b) Erikson and Sayer will gather and review all required due diligence material to be provided to interested parties and together with the Proposal Trustee shall establish a secure, electronic data room (the "**Data Room**") which will be maintained and administered by Sayer during the Erikson SISP;
  - (c) Erikson and the Proposal Trustee will develop a draft form of a purchase and sale agreement or investment agreement for use during the Erikson SISP (the "**Draft Agreement**"), which will be uploaded by Sayer to the Data Room; and
  - (d) Erikson, in consultation with Sayer and the Proposal Trustee, will prepare a list of potential bidders, including: (i) parties that have approached Erikson or Sayer indicating an interest in the Opportunity; and (ii) local, national and international strategic and financial parties who Erikson, Sayer and the Proposal Trustee believe may be interested in the Opportunity (collectively, "**Known Potential Bidders**").

## MARKETING STAGE

### *Marketing*

12. Sayer will arrange for a notice of the Erikson SISP (and such other relevant information as the Proposal Trustee and Sayer, in consultation with Erikson, considers appropriate) (the "**Notice**") to be published in the Daily Oil Bulletin, and any other newspaper or journals as Erikson, Sayer and the Proposal Trustee consider appropriate, if any.
13. Sayer will send the Teaser Letter and NDA to all Known Potential Bidders and to any other party who responds to the Notice as soon as reasonably practicable after such request or identification, as applicable.

14. Any party who expresses a wish to participate in the Erikson SISP (a "**Potential Bidder**") must, prior to being given any additional information such as the CIM and access to the Data Room, provide to Sayer and the Proposal Trustee:
  - (a) an NDA executed by it, and which shall inure to the benefit of any ultimate Successful Bidder, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder. If a Potential Bidder has previously delivered an NDA and letter of this nature to Erikson or Sayer in respect of Erikson and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA, unless otherwise requested by Sayer or the Proposal Trustee.
15. If it is determined by Sayer and the Proposal Trustee in their reasonable business judgment that a Potential Bidder has delivered the documents contemplated in paragraph 15 above then such Potential Bidder will be deemed to be a "**Qualified Bidder**".

### ***Due Diligence***

16. Erikson, Sayer and the Proposal Trustee shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials through the Data Room and information relating to the Opportunity as they deem appropriate. Due diligence access may further include on-site inspections, and other matters which a Qualified Bidder may reasonably request and to which Erikson and the Proposal Trustee, in their reasonable business judgment, may agree. Sayer will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither Sayer, BCER, Erikson nor the Proposal Trustee will be obligated to furnish any information relating to the Opportunity to any person other than to Qualified Bidders. Further and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if Erikson and the Proposal Trustee determine such information to represent proprietary or sensitive competitive information.
17. Requests for information and access will be directed to Sayer at the contact information listed in Schedule "A" hereto. All printed information shall remain the property of Erikson and, if requested by Erikson, shall be returned without further copies being made and/or destroyed with an acknowledgement that all such material has either been returned and/or destroyed and no electronic information has been retained.

## **OFFER SUBMISSION AND EVALUATION STAGE**

### ***Submission of Final Bids***

18. Qualified Bidders that wish to make a Sale Proposal or an Investment Proposal shall submit to Sayer and the Proposal Trustee a sealed, final, binding offer (a "**Final Bid**") that complies with all of the following requirements at the addresses specified in Schedule "A" hereto (including by email or fax transmission), so as to be received by Sayer and the Proposal Trustee not later than 12:00 PM (Calgary time) on November 15, 2024, or as may

be modified by the Proposal Trustee in consultation with the BCER and Erikson or the Court (the "**Bid Deadline**"):

- (a) it is submitted on or before the Bid Deadline by a Qualified Bidder;
- (b) if the bid is a sale proposal, it identifies or contains the following:
  - (i) the purchase price, in Canadian dollars, including details of any liabilities to be assumed by the Qualified Bidder;
  - (ii) a description of property and assets that are expected to be subject to the transaction and any of the property, obligations or liabilities in relation to the property and assets which are expected to be excluded;
  - (iii) a form of financial disclosure and credit quality support or enhancement that allows Erikson, the Proposal Trustee and the BCER to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal, as applicable and meet applicable regulatory obligations; and
  - (iv) any other terms or conditions of the Sale Proposal that the Qualified Bidder believes are material to the transaction;
- (c) if the bid is an investment proposal, it identifies the following:
  - (i) a description of how the Qualified Bidder proposes to structure the proposed investment in the business;
  - (ii) the aggregate amount of the equity and/or debt investment to be made in Erikson in Canadian dollars;
  - (iii) the underlying assumptions regarding the *pro forma* capital structure;
  - (iv) a specific indication of the sources of capital for the Qualified Bidder and the structure and financing of the transaction;
  - (v) a detailed description of any property, assets and liabilities which the Qualified Bidder proposes to be excluded; and
  - (vi) any other terms or conditions of the Investment Proposal that the Qualified Bidder believes are material to the transaction;
- (d) cash and/or the assumption of BCER regulatory obligations are the preferred form of consideration, but if the bid utilizes other consideration, a description of the material terms of the consideration shall be provided;
- (e) 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 property or

business on terms and conditions reasonably acceptable to Erikson, the BCER and the Proposal Trustee;

- (f) unless otherwise agreed, the bid shall take the form of the Draft Agreement and shall include a letter stating that the Final Bid is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
- (g) it includes duly authorized and executed transaction agreements as listed in the Draft Agreement together with all exhibits and schedules thereto, the name or names of the ultimate beneficial owner(s) of the Qualified Bidder including their respective percentage interests;
- (h) to the extent that a bid is conditional upon new or amended agreements being entered into with other parties, the interested parties shall provide the proposed terms of such amended or new agreements and identify how such agreements may differ from existing agreements to which Erikson may be a party. A Qualified Bidder's willingness to proceed without such conditions and, where such conditions are included in the bid, the likelihood of satisfying such conditions shall be an important factor in evaluating the bid;
- (i) 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 Erikson and the BCER, with the assistance of the Proposal Trustee, to make a determination as to the Qualified Bidder's financial and other capabilities to consummate the proposed transaction, including any regulatory obligations associated with the purchased property;
- (j) the bid should not be conditioned on the outcome of unperformed due diligence by the Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld from the Qualified Bidder;
- (k) 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;
- (l) the bid includes a commitment by the Qualified Bidder to provide a refundable deposit in the amount of not less than the greater of \$10,000 or 10% of the purchase price or investment offered upon the Qualified Bidder being selected as the Successful Bidder, which shall be paid to the Proposal Trustee in trust (the "**Deposit**"). One half of the Deposit shall be paid to the Proposal Trustee in trust upon the submission of the Qualified Bidder's bid. The second half of the Deposit shall be submitted to the Proposal Trustee upon the Qualified Bidder being selected as the Successful Bidder. The Successful Bidder's Deposit shall be applied as against the Purchase Price and all other Deposits submitted by Qualified Bidders

who are not selected as the Successful Bidder shall be returned within one week of obtaining Court Approval for the Successful Bid;

- (m) the bid includes acknowledgments and representations of the Qualified Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the property, business and Erikson prior to making its bid (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld from the Qualified Bidder); (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the property in connection with the Erikson SISP, its bid, and any transaction it enters into with Erikson; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever made by Erikson or by the Proposal Trustee, whether express, implied, statutory or otherwise, regarding the Business, Property, or Erikson or the accuracy or completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by Erikson;
  - (n) all required corporate approvals of the Qualified Bidder will have been obtained prior to the submission of the bid;
  - (o) it contains such other information as may reasonably be requested by Sayer, the Proposal Trustee or by Erikson, in consultation with the Proposal Trustee; and
  - (p) the bid contemplates a schedule for closing the transaction set out therein which is on or before the target closing date of November 30, 2024.
19. Following the Bid Deadline, Erikson and the Proposal Trustee, with the assistance of Sayer, will assess the Final Bids received. Erikson and the Proposal Trustee will designate the most competitive Final Bids that comply with the foregoing requirements to be "**Qualified Bids**". No Final Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Qualified Bidders whose Final Bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).
  20. Erikson and the Proposal Trustee may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant Final Bids to be a Qualified Bid.
  21. The Proposal Trustee shall notify each Qualified Bidder in writing as to whether its Final Bid constituted a Qualified Bid within seven (7) days of the Bid Deadline, or at such later time as Erikson and the Proposal Trustee deem appropriate.
  22. If Erikson, the BCER and the Proposal Trustee are not satisfied with the number or terms of the Qualified Bids, Erikson and the Proposal Trustee, in conjunction with the BCER, may extend the Bid Deadline.

23. Erikson may with the approval of the Proposal Trustee, terminate, at any time, further participation in the Erikson SISP by any interested party, or modify dates or procedures as deemed appropriate or necessary, or to terminate the process.
24. Erikson and the Proposal Trustee may aggregate separate bids from Qualified Bidders to create one or more "Qualified Bids".

#### *Evaluation of Competing Qualified Bids*

25. A Qualified Bid will be evaluated based upon several factors, including, without limitation, items such as the Purchase Price and the net value and form of consideration to be paid provided by such bid, the identity, circumstances and ability of the Qualified Bidder to successfully complete such transactions, including any conditions attached to the bid and the expected feasibility of such conditions, the proposed transaction documents, factors affecting the speed, certainty and value of the transaction, the assets included or excluded from the bid, any related restructuring costs, and the likelihood and timing of consummating such transactions, and the ability of the bidder to finance and ultimately consummate the proposed transaction within the timeline established by the Proposal Trustee, each as determined by Erikson, with the assistance of the Proposal Trustee.

#### *Selection of Successful Bid*

26. Erikson and the Proposal Trustee will together: (a) review and evaluate each Qualified Bid and the applicable Qualified Bidder, in consultation with the BCER, and such Qualified Bid may be amended, modified or varied as a result of negotiations with such Qualified Bidder, and (b) identify the highest or otherwise best bid or combination of bids (the "**Successful Bid(s)**"), and the Qualified Bidder(s) making such Successful Bid (the "**Successful Bidder(s)**") for any particular property or the business in whole or part. The determination of any Successful Bid by Erikson, in consultation with the Proposal Trustee and the BCER shall be subject to approval by the Court.
27. Erikson shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee and BCER, to reject any or all Qualified Bids.

#### *Sale Approval Motion Hearing*

28. At the hearing of the motion to approve any transaction with a Successful Bidder (the "**Sale Approval Application**") Erikson shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Qualified Bids other than the Successful Bid, if any, shall be deemed rejected by Erikson on and as of the date of approval of the Successful Bid by the Court.

#### *Confidentiality and Access to Information*

29. Participants and prospective participants in the Erikson 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, Qualified Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence

between Erikson, the Proposal Trustee, or Sayer and such other bidders or Potential Bidders in connection with the Erikson SISP. Erikson and the Proposal Trustee may however disclose to the BCER such information for the purpose of seeking to combine separate bids from Qualified Bidders.

***Supervision of the Erikson SISP***

30. The Proposal Trustee will participate in the Erikson SISP in the manner set out in this Erikson SISP Procedure and the SISP Order and is entitled to receive all information in relation to the Erikson SISP.
31. This Erikson SISP does not, and will not be interpreted to create any contractual or other legal relationship between Sayer, Erikson or the Proposal Trustee and any Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be signed with Erikson and approved by the Court.
32. Without limiting the preceding paragraph, neither Erikson, Sayer or the Proposal Trustee shall have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Qualified Bidder, the Successful Bidder, or any other creditor or other stakeholder of Erikson, for any act or omission related to the process contemplated by this Erikson SISP Procedure, except to the extent such act or omission is the result from gross negligence or willful misconduct. By submitting a bid, each Qualified Bidder or Successful Bidder shall be deemed to have agreed that it has no claim against Erikson, Sayer or the Proposal Trustee for any reason whatsoever, except to the extent such claim is the result from gross negligence or willful misconduct.
33. Participants in the Erikson SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
34. Erikson and the Proposal Trustee, in consultation with the BCER and Third Eye Capital Corporation, shall have the right to modify the Erikson SISP and the deadlines set out herein if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the Erikson SISP.
35. At any time during the Erikson SISP, Erikson, Sayer, or the Proposal Trustee may apply to the Court for advice and directions with respect to any aspect of the Erikson SISP or the discharge of their respective powers and duties hereunder.
36. In the event that there is a disagreement as to the interpretation or application of the Erikson SISP, the Court will have jurisdiction to hear and resolve such dispute.



## Schedule "A"

### **Sales Advisor**

Tom Pavic, CFA  
President, Sayer Energy Advisors  
1620, 540 5th Avenue SW  
Calgary, AB T2P 0M2

P: 403.266.6133  
F: 403.266.4467  
E: TPavic@sayeradvisors.com

### **Proposal Trustee**

Andrew Basi / Jason Knight  
KSV Restructuring Inc.  
1165, 324 – 8<sup>th</sup> Avenue SW  
Calgary, AB T2P 272

P: 587.287.2670 / 587.287.2605  
F: 416.932.6266  
E: abasi@ksvadvisory.com / jknight@ksvadvisory.com

**APPENDIX B**  
**[ATTACHED]**



COURT FILE NUMBER

B301-135903

25-3135903

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PROCEEDING

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, as amended**

**AND IN THE MATTER OF ERIKSON NATIONAL ENERGY INC.**

DOCUMENT

**ORDER: INTERIM FINANCING**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**BENNETT JONES LLP**

Barristers and Solicitors  
4500 Bankers Hall East  
855 – 2 Street SW  
Calgary, Alberta T2P 4K7

Attention: Keely Cameron  
Telephone No.: 403-298-3324  
Fax No.: 403-265-7219  
Client File No.: 87754.38

DATE ON WHICH ORDER WAS PRONOUNCED:

**October 21, 2024**

LOCATION WHERE ORDER WAS PRONOUNCED:

**Calgary, Alberta**

NAME OF JUSTICE WHO MADE THIS ORDER:

**The Honourable Justice Johnston**

UPON the application of the Applicant, Erikson National Energy Inc. (“**Erikson**” or the “**Applicant**”); AND UPON having reviewed the Affidavit of Mark Horrox, sworn October 15, 2024 (“**Horrox Affidavit**”) and the Supplemental Affidavit of Mark Horrox, sworn October 18, 2024; AND UPON having heard counsel for the Applicant, and any other interested parties appearing at the application; AND UPON reading the Report of KSV Restructuring Inc. dated October 18, 2024; **IT IS HEREBY ORDERED AND DECLARED THAT:**

### **SERVICE**

1. Service of this Application and its supporting materials is deemed good and sufficient, and the time for service of this Application and its supporting materials is abridged to the time 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 Horrox Affidavit sworn herein.

### **INTERIM FINANCING**

3. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Third Eye Capital Corporation (the “**DIP Lender**”) in order to finance the Applicant’s working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$250,000 unless permitted by further order of this Court.
4. Such credit facility (the “**DIP Facility**”) shall be on the terms and subject to the conditions set forth in the term sheet between the Applicant and the DIP Lender (the “**Interim Financing Agreement**”) substantially in the form attached as **Schedule “A”**.
5. The Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs, and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Interim Financing Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and

directed to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations to the DIP Lender under and pursuant to the Interim Financing Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

6. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the **“DIP Lender’s Charge”**) on the Property to secure all obligations under the Definitive Documents incurred on or after the date of this Order under the Definitive Documents. The Interim Lender’s Charge shall not secure any obligation existing before the date this Order is made. The Interim Lender’s Charge shall have the priority set out in paragraphs 10 through 14 herein.
7. Notwithstanding any other provision of this Order:
  - (a) The DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
  - (b) Upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon three days’ notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Term Sheet, Definitive Documents, and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Interim financing Agreement, the Definitive Documents or the DIP Lender’s Charge, to make demand, accelerate payment, and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

(c) The foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

8. The DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), with respect to any advances made under the Definitive Documents.

### **VALIDITY AND PRIORITY OF CHARGES**

9. The priorities of the Administration Charge and the Interim Lender’s Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$250, 000); and

Second – Interim Lenders Charge (to the maximum amount of \$250,000).

10. The filing, registration or perfection of the Administration Charge and Interim Lender’s Charge (collectively, the “**Charges**”) shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filled, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record, or perfect.

11. The Charges shall constitute a charge on the Applicant’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”); and shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favor of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing collectively being “**Persons**” and each being a “**Person**”).

12. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Applicant also obtains the prior written

consent of the beneficiaries of the Charges (the “**Chargees**”), or by further order of this Court.

13. The Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by:
- (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
  - (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications;
  - (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;
  - (d) the provisions of any federal or provincial statutes; or
  - (e) any negative covenants, prohibitions or similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:
    - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a new breach by the Applicant of any Agreement to which it is a party;
    - (ii) none of the Charges shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
    - (iii) the payments made by the Applicant pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent

conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

*BB Johnston*

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J.C.K.B.A.



## Schedule A

### **\$250,000 INTERIM FINANCING TERM SHEET**

**October 18, 2024**

**WHEREAS** the Borrower (as defined below) has requested that the Interim Lenders (as defined below) provide financing to fund certain of the Borrower's obligations during the pendency of the Borrower's proceedings (the "**NOI Proceedings**") under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**") commenced before the Court of King's Bench of Alberta under Court File No. 2401-13792 (the "**Court**") pursuant to the Notice of Intention to Make a Proposal filed with the Official Receiver of the Superintendent of Bankruptcy on October 1, 2024 under Estate No. 25-3135903 (the "**NOI**") and in accordance with the terms and conditions set out herein;

**AND WHEREAS** KSV Restructuring Inc. was appointed as the Proposal Trustee of the Borrower (in such capacity, the "**Proposal Trustee**") in the NOI Proceedings;

**NOW THEREFORE** in consideration of the mutual covenants, terms and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **BORROWER** Erikson National Energy Inc.(the "**Borrower**")
2. **LENDERS** One or more investment vehicles managed, advised, or operated by Third Eye Asset Management Inc. or its affiliates (collectively, the "**Interim Lenders**").
3. **AGENT** Third Eye Capital Corporation, as administrative and collateral agent (in such capacity, the "**Agent**", together with the Interim Lenders, the "**Secured Parties**").
4. **DEFINED TERMS** Capitalized terms used in this Interim Financing Term Sheet (including in the recitals above) (also referred to herein as "**this Term Sheet**") not otherwise defined herein shall have the meanings given thereto in **Schedule A**.
5. **CURRENCY** Except as otherwise expressly provided herein, all dollar amounts herein are in Canadian Dollars. All payments made hereunder shall be made in the currency in respect of which the obligation requiring such payment arose.
6. **PURPOSE** The Borrower shall use the proceeds of the Interim Facility solely for the following purposes and in the following order, in each case during and for the purposes of the Borrower's pursuit of a sale and/or restructuring under its NOI Proceedings:

- (a) To fund professional fees of the Proposal Trustee, the Borrower's sales advisor, Sayer Energy Services Inc., and the legal fees of counsel to each of the Borrower and the Proposal Trustee.
- (b) To finance only (i) agreed operating expenses, including the operating expenses of the Borrower, administrative and other restructuring costs in the NOI Proceedings, and (ii) agreed general corporate purposes of the Borrower, including the payment of insurance premiums and/or run-off coverage, in each case and all in accordance with the Agreed Budget.
- (c) To fund the payment of interest, Interim Financing Fees and Expenses and other amounts payable under the Interim Facility in accordance with the terms hereof.
- (d) To fund such other costs and expenses as agreed to by the Agent, in writing.

For greater certainty, the Borrower may not use the proceeds of the Interim Facility to pay any pre-filing obligations of the Borrower without the prior written consent of the Agent; it being agreed by the Agent that such consent is not required for the Borrower to pay (i) fees and disbursements for the pre-filing period incurred in contemplation of the NOI Proceedings owing to counsel to the Borrower, the Proposal Trustee and counsel to the Proposal Trustee (ii) taxes, accrued payroll and other ordinary course liabilities, provided that such amounts are included in the Agreed Budget, or (iii) any other amounts owing by the Borrower to the extent specifically identified in the Agreed Budget.

**7. INTERIM FACILITY, MAXIMUM AMOUNT**

A super-priority, debtor-in-possession interim, non-revolving credit facility (the "**Interim Facility**") up to a maximum principal amount of \$250,000 (two hundred fifty thousand dollars, as such amount may be reduced from time to time pursuant to the terms hereof, the "**Maximum Amount**"), subject to the terms and conditions contained herein. Advances under the Interim Facility (collectively the "**Interim Advances**" and individually an "**Interim Advance**") shall be deposited into the Deposit Account and

utilized by the Borrower in accordance with the Agreed Budget and the terms hereof.

**8. CONDITIONS  
PRECEDENT TO  
EFFECTIVENESS  
AND INTERIM  
ADVANCES**

The effectiveness of this Term Sheet and the agreement of the Secured Parties to make advances of the Interim Facility shall be subject to the satisfaction of the following conditions precedent, as determined by the Secured Parties:

- (a) the Court shall have issued and entered no later than October 22, 2024 an order in the NOI Proceedings in form and substance satisfactory to the Agent (the “**Interim Financing Order**”), satisfactory to the Agent, in its sole discretion, on notice to such parties as are acceptable to the Secured Parties, and which Order shall not have been amended, restated or modified without the consent of the Agent, and which shall: (i) approve this Interim Financing Term Sheet and the Interim Facility; (ii) grant the Secured Parties a super-priority charge (the “**Interim Lender Charge**”) in favour of the Agent for the benefit of itself and the other Secured Parties over all now owned or hereafter acquired property and assets, real and personal, tangible or intangible (collectively, the “**Property**”) of the Borrower securing all obligations, covenants and liabilities owing by the Borrower to the Secured Parties under this Interim Financing Term Sheet, including, without limitation, all principal, interest, indemnities and the Interim Financing Fees and Expenses (collectively, the “**Interim Financing Obligations**”), which shall have priority over all Liens other than the Permitted Priority Liens; and (iii) treat the Secured Parties as an unaffected creditor in the NOI Proceedings.
- (b) The Secured Parties shall have received the Agreed Budget.
- (c) The Interim Financing Security shall be satisfactory to the Agent, acting reasonably.
- (d) The Interim Financing Credit Documentation shall be satisfactory to the Agent, and shall

have been executed by the Borrower, as applicable, and the Agent as required.

The making of each Interim Advance by the Interim Lenders shall be further subject to the satisfaction of the following conditions precedent (collectively, the “**Funding Conditions**”) as determined by the Secured Parties:

- (e) The Interim Financing Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Secured Parties in a material manner, without the consent of the Agent and such Interim Financing Order shall have become a final order not subject to appeal.
- (f) The making of any Interim Advance shall not cause the aggregate amount of the outstanding Interim Advances to exceed the maximum amount secured under the Interim Lender Charge which ranks in priority to all other Liens other than the Permitted Priority Liens.
- (g) All Interim Financing Fees and Expenses for which invoices have been provided to the Borrower shall have been paid, or arrangements satisfactory to the Secured Parties shall have been made to pay such amounts.
- (h) The Borrower shall be in compliance with all orders issued in the NOI Proceedings (collectively, the “**Court Orders**”).
- (i) The Borrower shall have paid all statutory liens, trust and other priming government claims including, without limitation, source deductions, except, in each case, for any such amounts that are not yet due and payable or which are in dispute in which case appropriate reserves have been made.

- (j) All of the representations and warranties of the Borrower as set forth herein shall be true and accurate in all material respects.
- (k) No Default or Event of Default shall have occurred or, if applicable, shall occur as a result of the requested Interim Advance.
- (l) The SISP commenced in the NOI Proceedings remains in effect, and there is a reasonable possibility of one or more bids being received for the purchase of some or all of the Borrower's assets, and which bids are capable of receiving all necessary approvals, as determined by the Agent, acting reasonably;
- (m) The Lease Reinstatement has been obtained no later than November 1, 2024 and remains in effect;
- (n) The Secured Parties shall be satisfied that no Material Adverse Change shall have occurred after the date hereof.
- (o) The Secured Parties shall have valid and perfected super-priority Liens on the Collateral of the Borrower pursuant to the Interim Financing Order, and there shall be no Liens ranking in priority to the Interim Lender Charge other than the Permitted Priority Liens.
- (p) The Agent shall have received a written request for an Interim Advance from the Borrower, substantially in the form attached hereto as **Schedule C**, which shall be executed by a director or officer of the Borrower, and shall certify, *inter alia*, that (i) the requested Interim Advance is within the Maximum Amount and is consistent with the Agreed Budget, and (ii) the Borrower are in compliance with this Term Sheet and all Court Orders.
- (q) The Interim Financing Order shall be in full force and effect and shall not have been reversed, modified, amended or stayed in a

manner adverse to the interests of the Secured Parties.

- (r) The requested Interim Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than the amount shown on the Agreed Budget as at the date of such Interim Advance.

For greater certainty, the Secured Parties shall not be obligated to make any Interim Advance or otherwise make available funds pursuant to this Interim Financing Term Sheet unless and until all the foregoing applicable conditions have been satisfied and all the foregoing applicable documentation and confirmations have been obtained (for certainty, each of the same, as applicable, as a condition precedent to each Interim Advance), each in form and content satisfactory to the Agent in its sole discretion (unless specified otherwise), unless otherwise waived in writing by the Agent.

## 9. COSTS AND EXPENSES

The Borrower shall pay all of the fees, plus all reasonable and documented legal fees (on a solicitor and own client full indemnity basis), out-of-pocket disbursements and any reasonable costs of the Secured Parties in connection with or otherwise related to the Term Sheet, Interim Facility, the Interim Financing Security, or the NOI Proceedings, and for certainty, including without limitation the preparation and negotiation of all of this Interim Financing Term Sheet and Court filings in connection with the NOI Proceedings, any amendments thereto or analysis thereof or the assessment or enforcement of any rights and/or remedies of the Secured Parties thereunder or in connection with the NOI Proceedings (collectively, the “**Interim Financing Fees and Expenses**”). The Agent shall provide the Borrower with duly rendered invoices supporting all Interim Financing Fees and Expenses upon request.

For clarity, any costs, disbursements, or expenses (including legal fees) incurred by the Secured Parties arising out of any dispute between the Agent and the Interim Lenders in connection with the Interim Facility, the Interim Financing Security, or the NOI Proceedings will not be considered Interim Financing Fees and Expenses payable by the

Borrower, and such amounts will not form part of the obligations secured by the Interim Financing Security.

**10. INTERIM LENDER CHARGE**

All Interim Financing Obligations of the Borrower shall be secured by the Interim Lender Charge which shall be granted by the Court on terms and conditions satisfactory to the Secured Parties in their sole discretion. The Borrower shall not permit any Liens to charge or affect any of the Collateral, except for the Permitted Liens.

**11. DOCUMENTATION AND INTERIM FINANCING SECURITY:**

The Interim Financing Obligations shall be secured by

- (a) the Interim Lender Charge, which shall be granted by the Court on terms and conditions satisfactory to the Secured Parties in their sole discretion;
- (b) such other documents as the Agent (on behalf of the Interim Lenders) may request (which may include a fixed and floating charge debenture granted by the Borrower in favour of the Agent (on behalf of the Secured Parties) and a securities pledge agreement from the Borrower in favour of the Agent (on behalf of the Secured Parties); including those documents required in order to register or otherwise perfect the security interests comprising the Interim Lender Charge.

((a) and (b) collectively, the "**Interim Financing Security**").

Notwithstanding the foregoing and subject to the concluding sentence of this paragraph, no proceeds of any Interim Advance may be used to (a) investigate, object to or challenge in any way (i) any claims of the Secured Parties against the Borrower, or (ii) any past or current amounts owing by the Borrower to the Secured Parties, or the Borrower's dealings of any kind with the Secured Parties, or (b) investigate, object to or challenge in any way the validity or enforceability of the Liens in favour of the Secured Parties. Nothing in this paragraph shall restrict the Borrower or the Proposal Trustee, including the engagement by the Proposal Trustee of independent legal counsel, from conducting a claims process or other investigations as may be directed, if any, in accordance with any Court Order (and receiving their fees, costs and expenses therefor).

**12. PROPOSAL TRUSTEE**

The Proposal Trustee shall be authorized to have direct discussions with the Agent, on behalf of the Interim Lenders,

and the Agent shall be entitled to receive information from the Proposal Trustee and Sayer Energy Services in respect of the SISP as may be requested by the Agent from time to time.

**13. TERM AND MATURITY**

All of the Interim Financing Obligations are required to be paid in full, and the Borrower shall repay all of the Interim Financing Obligations in full, on the earlier of: (i) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (ii) the implementation of a proposal within the NOI Proceedings (a “**Proposal**”) which has been approved by the requisite majorities of the Borrower’s creditors and by an order entered by the Court; (iii) the termination of the NOI Proceedings for any reason; and (iv) November 30, 2024 (“**Maturity Date**”).

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility, including the Interim Financing Obligations, shall be repaid in full no later than the Maturity Date without the Secured Parties being required to make demand upon the Borrower or to give notice that the Interim Facility has expired and such obligations are due and payable.

The Interim Financing Obligations under this Interim Financing Term Sheet and the obligations under any other Interim Financing Credit Documentation shall not be fully and finally discharged, and the Interim Lending Charge shall not be released (by the Court sanctioning any Proposal or Court-ordered Sale, or otherwise) until all Interim Financing Obligations are satisfied in full, and only upon the permanent and indefeasible payment in cash to the Secured Parties of the Interim Financing Obligations.

**14. AGREED BUDGET AND REVISED BUDGETS**

The Borrower has delivered, and the Secured Parties have accepted in their sole discretion, on the date hereof a current weekly line-item budget covering the period until December 28, 2024 (together with all updates thereto approved by the Agent in its sole discretion, including the Revised Budget if approved by the Agent in its sole discretion, the “**Agreed Budget**”). The Agreed Budget sets forth expected receipts and the expected operating and other expenditures to be made during each calendar week and in the aggregate for the period of time covered by the Agreed Budget.

On Wednesday of each week by 6:00 p.m. (Calgary time), commencing on the first Wednesday following the initial Interim Advance under the Interim Facility, the Borrower



shall deliver to the Agent: (a) a report showing actual cash receipts and actual expenditures for each line item in the Agreed Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Agreed Budget for such line item during such one week period, and (b) a one week roll-forward of the Agreed Budget, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the initial Agreed Budget and subject to the approval of the Agent in its sole discretion (if so approved by the Agent, the "**Revised Budget**").

**15. AVAILABILITY  
UNDER INTERIM  
FACILITY**

Provided that the Funding Conditions are satisfied to the satisfaction of the Agent, each Interim Advance shall be made separately by the Interim Lenders to the Borrower within two (2) Business Days of delivery by the Borrower to the Agent of a written request for an Interim Advance, substantially in the form attached hereto as **Schedule C**.

Each Interim Advance shall be in a minimum aggregate amount that is no less than \$25,000, and in excess thereof in integral multiples of \$5,000, and no more than the maximum aggregate amount of \$250,000.

All proceeds of Interim Advances shall be deposited into the Deposit Account. The Deposit Account shall be subject to the Interim Lender Charge.

**16. EVIDENCE OF  
INDEBTEDNESS**

The Agent's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Secured Parties under the Interim Facility.

**17. VOLUNTARY  
PREPAYMENTS  
AND MANDATORY  
PREPAYMENTS**

(a) Provided the Proposal Trustee is satisfied that there are sufficient cash reserves in the Borrower's bank accounts to satisfy amounts secured by the Permitted Priority Liens and amounts anticipated on the date of the voluntary prepayment under the Agreed Budget in respect of which Interim Advances were made that have not yet been incurred or paid, the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the Interim Facility at any time prior to the Maturity Date with at least one (1) Business Day's prior written notice, and provided that any such prepayment is not less than \$10,000 and in excess thereof in integral multiples of \$5,000.

- (b) Unless otherwise consented to in writing by the Agent, and provided the Proposal Trustee is satisfied that the Borrower have sufficient cash reserves to satisfy amounts secured by the Permitted Priority Liens, the Interim Facility Obligations shall be promptly repaid upon (i) a sale of any of the Collateral out of the ordinary course of business and consented to in writing by the Agent, in an amount equal to the net cash proceeds of such sale (for greater certainty, net of reasonable transaction fees and expenses and applicable taxes in respect thereof), or (ii) the issuance of any shares, warrants or other equity interests or rights to acquire equity interests of the Borrower, in an amount equal to the net cash proceeds of such sale (for greater certainty, net of reasonable transaction fees and applicable taxes in respect thereof).

Any amounts prepaid may be not re-borrowed.

## **18. INTEREST RATE**

The Interim Advances shall bear interest at a rate per annum equal to 12.0% (twelve percent). Such interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Interim Facility, and shall be payable monthly in arrears on each Interest Payment Date for each Interim Advance for the period from and including the date upon which the Interim Lenders advance such Interim Advance to the Borrower to and including the day such Interim Advance is repaid or paid, as the case may be, to the Interim Lenders. All interest shall be computed on the basis of a 365-day year, provided that, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis for such determination. The principle of deemed reinvestment of interest does not apply to any interest calculation in any documents relating to the Interim Facility, and the rates of interest stipulated therein are intended to be nominal rates and not effective rates or yields.

Any amounts which are not paid when due and payable by the Borrower or in respect of any other documents related hereto shall accrue interest (after as well as before Maturity and judgment) on a daily basis up to and including the date of

actual payment from the due date, at a rate equal to 22% per annum, payable on demand by the Agent.

If any provision of this Interim Financing Term Sheet or any of the Interim Financing Credit Documentation would obligate the Borrower to make any payment to the Secured Parties of an amount that constitutes “interest”, as such term is defined in the *Criminal Code (Canada)* and referred to in this section as “**Criminal Code interest**”, during any one-year period after the date of the first Interim Advance in an amount or calculated at a rate which would result in the receipt by the Secured Parties of Criminal Code interest at a criminal rate (as defined in the *Criminal Code (Canada)* and referred to in this section as a “criminal rate”), then, notwithstanding such provision, that amount or rate during such one-year period shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not result in the receipt by the Secured Party during such one-year period of Criminal Code interest at a criminal rate, and the adjustment shall be effected, to the extent necessary, by reducing any fees and other amounts (if any) required to be paid to the Secured Party during such one-year period which would constitute Criminal Code interest.

**19. FEES**

An up-front commitment fee in the amount of \$5,000, which is deemed immediately earned by the Secured Parties, and is due and payable by the Borrower to the Agent for the ratable benefit of the Interim Lenders upon the making of the first Interim Advance.

**20. REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Secured Parties, which representations and warranties shall be deemed to be repeated at each request for an Interim Advance, and upon which the Secured Parties rely on entering into this Interim Financing Term Sheet, that:

- (a) Subject to the granting of the Interim Financing Order, the execution and delivery of, and transactions contemplated by, this Term Sheet and the other Interim Financing Credit Documentation:
  - (i) are within the powers of the Borrower;

- (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval of the Borrower;
  - (iii) have been duly executed and delivered by or on behalf of the Borrower;
  - (iv) constitute legal, valid and binding obligations of the Borrower; and
  - (v) do not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority.
- (b) The Collateral is free and clear of all Liens other than Permitted Liens and, upon the granting of the Interim Financing Order, the Collateral is subject to the Interim Lender Charge.
- (c) None of the reports, financial statements, certificates or other written information furnished by or on behalf of the Borrower to the Interim Lenders or their advisors in connection with the negotiation of this Term Sheet or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading; *provided that* to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, the Borrower represent only that they have acted in good faith and utilized assumptions believed by them to be reasonable at the time made.
- (d) The Borrower has, in respect of all prior fiscal periods (i) filed all tax returns, except in respect of any prior fiscal period for which the

due date for filing the applicable tax return has not yet occurred;

- (e) The activities of the Borrower have been conducted in material compliance with all Applicable Law unless otherwise disclosed to the Agent, subject to the provisions of the NOI and any Court Order, unless: (i) otherwise ordered by the Court, or (ii) the sanctions for non-compliance are stayed by a Court Order.
- (f) The Borrower has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, and other taxes, as applicable, and is not in arrears in respect of payment of these obligations.
- (g) All representations and warranties made by the Borrower in all other documentation are materially true and correct in all respects.
- (h) The Agreed Budget is reasonable and prepared in good faith. All material payments to shareholders, directors and senior executives of the Borrower and any related party, whether under contract or otherwise, including bonus payments, transaction payments, change of control payments, management fees, consulting or advisory fees or amounts payable in respect of reimbursement, to the extent known and contemplated for future payments, have been included in the Agreed Budget (which, for certainty, do not include payments to any senior executive of the Borrower related to salary deferral arrangements).
- (i) No Default or Event of Default has occurred and is continuing.
- (j) The Borrower has made full and complete disclosure in writing to the Secured Parties of (i) all litigation or other proceedings involving the Borrower (or any one or more of them) and (ii) all claims and/or threatened claims,

litigation or proceedings against the Borrower;

- (k) All material contracts to which the Borrower are a party are in full force and effect and are valid, binding and enforceable in accordance with their terms and no Borrower has any knowledge of any default that has occurred and is continuing thereunder (other than those defaults arising as a result of the commencement of the NOI Proceedings), unless otherwise disclosed to the Agent in writing.
- (l) Other than as previously disclosed in writing to the Agent, the Borrower has any defined benefit pension plans or similar plans.
- (m) The Borrower is and remains in compliance with the BIA, the Interim Financing Order, and all other Court Orders.
- (n) The Borrower is not liable for any indebtedness for borrowed money, except as disclosed in the NOI Proceedings.

## **21. AFFIRMATIVE COVENANTS**

The Borrower covenants and agrees to perform and do each of the following until the Interim Financing Obligations are permanently and indefeasibly repaid in full and the Interim Facility is terminated:

- (a)
  - (i) Allow the Secured Parties or their advisors, on reasonable written notice during regular business hours, and at any time after and during the continuance of an Event of Default, to enter on and inspect each of the Borrower's assets and properties; (ii) provide the Secured Parties or its advisors, on reasonable written notice and during normal business hours, full access to the books and records of the Borrower; and (iii) cause management of the Borrower to fully co-operate with the Secured Parties and the Proposal Trustee or their respective agents and advisors, as applicable.
- (b) Deliver to the Agent the following reporting packages: (i) documents referred to in Section

14 above, on the dates and times specified in Section 14; (ii) copies of all pleadings, motions, applications, judicial or financial information and other documents to be filed by or on behalf of the Borrower with the Court, in each case in a reasonable period of time prior to filing such documents with the Court to the extent practicable in the circumstances; all such court filings by the Borrower shall be in form and substance satisfactory to the Secured Parties and their counsel to the extent that any such filings affect or can reasonably be expected to affect the rights and interests of the Secured Parties; (iii) prompt notice of material events, including, without limitation, defaults, new material litigation or changes in status of ongoing material litigation, regulatory and other filings; (iv) other reasonable information requested by the Secured Parties from time to time, (v) prompt notice of any event that could reasonably be expected to result in a Material Adverse Change; (vi) Court-ordered Sale information, with such information to include a detailed list identifying prospective purchasers and, copies of unredacted documents of any kind relating to any Court-ordered Sale; and (vii) without limiting the foregoing, in a timely manner and prior to effecting or incurring such transaction or expense, the Borrower shall deliver to the Proposal Trustee and the Interim Lenders copies of any financial reporting which shows a material transaction or material expense, or a materially adverse financial position of the Borrower, which is not reflected in the Agreed Budget, and shall forthwith provide any reports or commentary received from the Proposal Trustee in respect of same.

- (c) Use the proceeds of the Interim Facility only for the purposes described in Section 6, and in a manner consistent with the restrictions set out herein.

- (d) Comply with the provisions of the Court orders made in the NOI Proceedings (collectively, the “**Court Orders**” and each a “**Court Order**”).
- (e) Operate within the Agreed Budget, except as may be otherwise agreed by the Agent in its sole discretion, in writing, in advance, from time to time.
- (f) Ensure that all Deposit Accounts require at least two authorizing signatories for transfers and withdrawals in excess of \$50,000.
- (g) Forthwith notify the Agent and the Proposal Trustee of the occurrence of any Default or Event of Default.
- (h) Comply with all Applicable Laws except to the extent not required to do so pursuant to the NOI Proceedings or any other Court Order.
- (i) Take all actions necessary or available to defend the Court Orders from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in writing in advance by the Agent, (x) in its sole discretion in respect of any appeal, reversal, modification, amendment stay or vacating relating to the Interim Facility or any other matter that adversely affects the Secured Parties and (y) acting reasonably in respect of any other appeal, reversal, modification, amendment, stay or vacating.
- (j) Promptly upon becoming aware thereof, provide details of the following to the Agent: any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against the Borrower, by or before any court, tribunal, Governmental Authority or regulatory body, which would be reasonably likely to result in, individually or in the aggregate, in a judgment in excess of \$50,000 or the equivalent amount thereof in any other currency.



- (k) Provide to the Agent regular and timely updates regarding the status of the NOI Proceedings including, without limitation, reports on the progress of any Proposal or Restructuring Option and any information which may otherwise be confidential, subject to same being maintained as confidential by the Secured Parties; provided however, in no event shall any information subject to privilege be required to be provided to the Secured Parties.
- (l) Preserve, renew and keep in full force its respective corporate existence and its respective existing material licenses, permits, approvals, etc. required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Agent in its sole discretion.
- (m) Take all reasonable steps to continue to maintain and preserve the value of the Collateral, and provide the Agent with regular and timely updates regarding any material changes to same.

**22. NEGATIVE  
COVENANTS**

The Borrower covenants and agrees not to do the following other than with the prior written consent of the Interim Lender:

- (a) Transfer, lease, or otherwise dispose of all or any part of its Property, except for Permitted Dispositions.
- (b) Make any investments or acquisitions of any kind, direct or indirect, in any business or otherwise other than as expressly provided for, or permitted to be incurred, in the Agreed Budget and the Court Orders.
- (c) Make any payments or distributions of any kind other than as may be permitted by a Court Order and that does not result in an Event of Default and is provided for in the Agreed Budget.
- (d) With respect to the Borrower, create or permit to exist indebtedness, liabilities or obligations

(including guarantees thereof or indemnities or other financial assistance in respect thereof) other than (i) existing (pre-filing) debt and disclosed to the Agent in writing, (ii) debt contemplated by this Interim Financing Term Sheet, (iii) post-filing trade payables or other post-filing unsecured obligations incurred in the ordinary course of business in accordance with the Agreed Budget and any Court Order, and (iv) indebtedness, liabilities or obligations expressly provided for, or permitted to be incurred, in the Agreed Budget and the Court Orders.

- (e) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person including without limitation any Governmental Authority.
- (f) Support or not oppose a motion by another Person to provide to any third party a Lien on the Collateral, other than the Permitted Liens.
- (g) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.
- (h) Cease (or threaten to cease) to carry on their business or activities as currently being conducted or modify or alter in any material manner the nature and type of their operations, business or the manner in which such business is conducted, including but not limited to terminating or otherwise acting in a manner that may terminate the NOI Proceedings, in the Agent's opinion acting reasonably.
- (i) Amend, replace or modify the Agreed Budget other than in accordance with the terms of this Term Sheet.
- (j) Apply for, or consent to, any Court Orders or any change or amendment to any Court Order

which affects the Secured Parties, without the prior consent of the Agent.

- (k) Enter into any contract or other agreement which involves potential expenditures in excess of \$50,000 or the equivalent amount thereof in any other currency without the prior written consent of the Agent, provided that the payment of such amount must be permitted by and will not constitute a default under the Agreed Budget or any Court Order.
- (l) Other than as provided for under the Agreed Budget, distributions between the Borrower or otherwise agreed to by the Agent, make (i) any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise); or (ii) a retirement, redemption, purchase or repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon).
- (m) (i) Enter into, renew, amend or modify any transaction or contractual relationship with any related party; or (ii) make any payment with respect to, or perform any obligation under, an agreement with a related party other than in accordance with the Agreed Budget.
- (n) Enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of the Borrower or any related party, or make any payment to any such Person in respect of any bonus, change of control payment or severance package of any kind whatsoever other than (i) as consented to by the Proposal Trustee and approved by the Court on prior notice to the Agent or (ii) as consented to by the Agent, acting reasonably.
- (o) Make any investments or acquisitions of any kind, direct or indirect, in any business or

otherwise other than as reflected in the Agreed Budget.

- (p) Other than the Proposal Trustee, its legal counsel and legal counsel to the Borrower, and the Agent engaged as of the date hereof, pay, incur any obligation to pay, or establish any retainer with respect to, the fees, expenses or disbursements of a legal, financial or other advisor of any party, unless such fees, expenses or disbursements, as applicable, are reviewed and approved in advance by the Proposal Trustee and the Agent.
- (q) Create or permit to exist any Liens on any of its properties or assets other than the Permitted Liens.
- (r) Make any payments or expenditures (including capital expenditures) other than in accordance with the Agreed Budget.
- (s) Seek, obtain, not oppose, or support (i) any Court Order or any amendment to a Court Order except with the prior written consent of the Agent, (x) in their sole discretion in respect of any Court Order or amendment thereto relating to the Interim Facility, or any other matter that adversely affects the Secured Parties and (y) acting reasonably in respect of any other Court Order or amendment thereto.
- (t) Amalgamate, consolidate with or merge into or sell all or substantially all of their assets to another entity, or change its corporate or capital structure (including its organizational documents) or enter into any agreement committing to such actions except in connection with a Plan which will result in the repayment in full of all of the Interim Facility Obligations, or for which the Agent otherwise consents.
- (u) Enter into any hedging agreement;
- (v) Enter into any material settlement agreement or agree to any material settlement

arrangements with any Governmental Entity or regulatory authority or in connection with any litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are threatened or pending against any one of them without the prior written consent of the Agent, or make any payments or repayments to customers, outside the ordinary course of business, other than those set out in the Agreed Budget.

(w)

**23. EVENTS OF  
DEFAULT**

The occurrence of any one or more of the following events without the Agent's written consent shall constitute an event of default ("**Event of Default**") under this Term Sheet:

- (a) the issuance of an order of the Court (including any Court Order) or any other court of competent jurisdiction:
  - (i) dismissing the NOI Proceedings, or lifting the stay in the NOI Proceedings to permit (A) the enforcement of any Lien against the Borrower, or a material portion of their respective property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official, or substituting the Proposal Trustee, or the making of a bankruptcy order against the Borrower or the appointment of a trustee in bankruptcy in respect of the Borrower; granting any Lien which is senior to or *pari passu* with the Interim Financing Security, other than the Permitted Priority Liens; or
  - (ii) staying, reversing, vacating or otherwise modifying any Court Order without the prior consent of the Agent in the sole discretion of the Agent in respect of any Court Order or amendment thereto relating to the

Interim Facility or any other matter that affects the Secured Parties;

- (b) the filing of any application or pleading by or against the Borrower, or any action by the Borrower, seeking or resulting in any of the matters set forth in paragraph (a) above, or failure of the Borrower to diligently oppose any Person that brings an application or motion for the relief set out in paragraph (a) above;
- (c) failure of any of the Borrower to comply with (i) any of the negative covenants in this Interim Financing Term Sheet, and to the extent such failure or default is capable of being remedied, such failure or default shall continue unremedied for a period of three (3) Business Days or (ii) any of the affirmative covenants in this Interim Financing Term Sheet, and to the extent such failure or default is capable of being remedied, such failure or default shall continue unremedied for a period of three (3) Business Days;
- (d) any Revised Budget is not delivered to the Agent when due;
- (e) (i) any Revised Budget (A) contemplates or forecasts an adverse change from the then-existing Agreed Budget, and such change(s) constitute a Material Adverse Change or (B) contemplates or forecasts a cash flow deficit in excess of 10% (or \$5,000 if 10% would equal an amount less than \$5,000 or equivalent amount thereof in any other currency) on a line item basis and on a cumulative basis since the beginning of the period covered by the then-existing Agreed Budget (each, an “**Updated Budget Default**”);
- (f) the occurrence of a Material Adverse Change;
- (g) any representation or warranty by the Borrower in this Interim Financing Term Sheet

is incorrect or misleading in any material respect;

- (h) the aggregate amount of the outstanding Interim Advances under the Interim Facility exceeds the Maximum Amount;
- (i) any material violation or breach of any Court Order;
- (j) The SISP commenced in the NOI Proceedings is terminated, or there is no reasonable possibility of one or more bids being received for the purchase of some or all of the Borrower's assets, and which bids are capable of receiving all necessary approvals, as determined by the Agent, acting reasonably;
- (k) any of the Borrower's assets or liabilities are designated as "orphans", or otherwise sent to, or become managed by, or become the responsibility of any Governmental Authority or its delegates;
- (l) any proceeding, motion or application is commenced or filed by the Borrower, or if commenced by another party, supported, not opposed, or otherwise consented to by the Borrower, (i) seeking the invalidation, subordination or other challenging of or is otherwise inconsistent with the terms of the Interim Facility, including without limitation the Interim Financing Security, this Term Sheet; (ii) challenging the validity, priority, perfection or enforceability of the Liens created pursuant to the Interim Lender Charge; (iii) unless the Plan, Restructuring Option or Court-ordered Sale provides for repayment in full of the Interim Facility Obligations, seeking the approval of any Plan, Restructuring Option or Court-ordered Sale which does not have the prior consent of the Agent; (iv) that could otherwise reasonably be expected to adversely affect the interests of the Secured Parties; or (v) in which the priority of the Liens created pursuant to the Interim Lender Charge is varied without the consent of the Agent, or any Plan

is sanctioned or any Court-ordered Sale is consummated by any of the Borrower that is not consistent with or contravenes any provision of this Interim Financing Term Sheet, in a manner that is materially adverse to the interests of the Secured Parties, as determined by the Agent, or would reasonably be expected to materially adversely affect the interests of the Secured Parties, including but not limited to any person seeking the appointment of a receiver, receiver-manager, monitor, or trustee in bankruptcy over the Borrower, each as determined by the Agent;

- (m) failure of the Borrower to pay any principal amount owing under this Interim Financing Term Sheet when due;
- (n) failure of the Borrower to pay (i) interest or any portion thereof owing under this Interim Financing Term Sheet when due;
- (o) the Borrower commences an action or takes any other proceeding to obtain any form of relief against the Secured Parties for any amount owed to them of any kind;
- (p) the expiry without further extension of the stay of proceedings provided for by the NOI Proceedings;
- (q) the Borrower ceases (or threatens to cease) to carry on business in the ordinary course, except where such cessation occurs in connection with a Proposal or Court-ordered Sale which otherwise satisfies the terms and conditions contained herein;
- (r) the denial or repudiation by the Borrower of the legality, validity, binding nature or enforceability of any portion of this Interim Financing Term Sheet.

## **24. REMEDIES**

Upon the occurrence of an Event of Default that is continuing and subject to the Court Orders, the Interim Lenders may, in their sole and absolute discretion, elect to terminate their respective commitments to make Interim Advances to the



Borrower hereunder and declare all Interim Financing Obligations in respect of this Interim Financing Term Sheet to be immediately due and payable and cease making any further Interim Advances.

In addition, upon the occurrence of an Event of Default that is continuing, the Agent may, in its sole discretion, and subject to any Court Order:

- (a) apply to a court for the appointment of a monitor, receiver, an interim receiver or a receiver and manager over the Borrower or the Collateral, to substitute the Proposal Trustee and/or enhance any powers of the Proposal Trustee, or for the appointment of a trustee in bankruptcy of the Borrower. The Borrower hereby consents and agrees to appointment of a monitor, receiver, interim receiver, receiver and manager, substitute Proposal Trustee, and/or trustee in bankruptcy over their business and Collateral, and covenant with the Secured Parties that the Borrower shall consent to, or alternatively shall not oppose, the granting of any orders for the appointment of such Court officers;
- (b) set-off or combine any amounts then owing by the Secured Parties (or any one or more of them) to the Borrower against the obligations of any of the Borrower to the Secured Parties hereunder;
- (c) apply to the Court for an order or orders, on terms satisfactory to the Proposal Trustee (or monitor or receiver) and the Agent, providing the Proposal Trustee (or monitor or receiver) with the power, in the name of and on behalf of the Borrower, to take all necessary steps in the NOI Proceedings or other Agent-approved Court proceedings;
- (d) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (British Columbia or Alberta) or any other Applicable Law relating to the enforcement of Liens by Secured Parties

against any types of property and for certainty including the Collateral; and

- (e) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under the, the Court Orders and Applicable Law.

The rights and remedies of the Secured Parties under this Interim Financing Term Sheet are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise, including under the BIA or CCAA.

**25. AMENDMENTS,  
WAIVERS, ETC.**

No amendment or waiver of any provisions of this Term Sheet or consent to any departure by the Borrower from any provision thereof is effective unless it is in writing and signed by the Agent (and in the case of amendments, the Borrower). Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

**26. COUNTERPARTS  
AND FACSIMILE  
SIGNATURES**

This Interim Financing 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 Interim Financing Term Sheet can be executed and delivered by any manner of direct electronic transmission including without limitation "pdf email" or "DocuSign", each of which shall be deemed to be an original hereof.

**27. CONFIDENTIALITY**

This Interim Financing Term Sheet is delivered on the condition that the Borrower and their affiliates shall not disclose such documents or the substance of the financing arrangements proposed therein to any person or entity outside of their respective organizations, except to those professional advisors who are in a confidential relationship with them and as required (i) in connection with any court filing in the NOI Proceedings, and (ii) under applicable securities laws, including all applicable TSX policies and regulations.

**28. FURTHER  
ASSURANCES**

Each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated hereby and thereby.

- 29. TIME IS OF THE ESSENCE** Time is of the essence in this Interim Financing Term Sheet and the Interim Facility and all transactions contemplated thereby.
- 30. ENTIRE AGREEMENT** This Term Sheet constitutes the entire agreement between the parties hereto pertaining to the matters therein set forth and supersede and replace any prior understandings or arrangements pertaining to the Interim Facility. There are no warranties, representations or agreements between the parties in connection with such matters except as specifically set forth herein or in the Interim Financing Loan Documentation.
- 31. SEVERABILITY** Each of the provisions contained in this Interim Financing 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.
- 32. GOVERNING LAW** This Term Sheet 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 prejudice to the ability of the Secured Parties to enforce this Term Sheet in any other proper jurisdiction, the Borrower irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta.
- 33. NOTICES** Any notice, request, consent, waiver or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or direct electronic transmission, including email, pdf email or “DocuSign” to such Person at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Proposal Trustee and its counsel. Any such notice shall be deemed to be given and received when received, unless received after 4:00 P.M. Mountain Time or on a day other than a Business Day, in which case such notice, request, consent, waiver or other communication shall be deemed to be received on the next following Business Day.

*[Signature page follows]*

**IN WITNESS WHEREOF** the parties hereto have executed this Interim Financing Term Sheet.

**BORROWER:**

Address:

**ERIKSON NATIONAL ENERGY INC.**

**c/o Bennett Jones LLP**

4500 Bankers Hall East

855 2nd Street SW

Calgary, Alberta T2P 4K7

Attention: Keely Cameron

Email: [cameronk@bennettjones.com](mailto:cameronk@bennettjones.com)

By: \_\_\_\_\_  
Authorized Signatory

Address: 2830 – 181 Bay Street  
Toronto, Ontario M5J 2T3

Attention: Operations  
Email: ops@thirdeyecapital.com

**AGENT:**

**THIRD EYE CAPITAL CORPORATION**

By: \_\_\_\_\_  
Name: Arif N. Bhalwani  
Title: Managing Director

**SCHEDULE A**  
**DEFINED TERMS**

“**Administration Charge**” means the administration charge on the Borrower’s Collateral in an aggregate amount not to exceed [**\$200,000**].

“**Agent**” has the meaning given thereto in Section 3.

“**Agreed Budget**” has the meaning given thereto in Section 14.

“**Business Day**” means a day, excluding Saturday and Sunday, on which banks are generally open for business in the Province of Alberta.

“**Canadian Dollars**” means the lawful currency of Canada.

“**CCAA**” means Companies' Creditors Arrangement Act, RSC 1985, c C-36, as may be amended.

“**CNRL Liens**” means any validly held Lien over, or valid interest in, any Collateral in favour of Canadian Natural Resources Limited;

“**Collateral**” means all present and future assets and property of the Borrower, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired;

“**Court**” has the meaning given thereto in the preamble.

“**Court Order**” and “**Court Orders**” have the meanings given thereto in Section 21(d).

“**Court-ordered Sale**” means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court.

“**Criminal Code interest**” has the meaning given thereto in Section 18.

“**Default**” means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

“**Deposit Account**” means the account(s) maintained by the Borrower to which payments and transfers under the Interim Financing Term Sheet are to be deposited, which are specified in writing by the Borrower to the Agent or such other account or accounts as the Borrower may from time to time designate by written notice to the Agent.

“**Environmental Liabilities**” means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of or related to any claim, investigation, proceeding or demand of any Governmental Authority against any of the Borrower including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any

applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by any of the Borrower, or any real or personal property that was previously owned, leased or occupied by any of the Borrower.

“**Event of Default**” has the meaning given thereto in Section 23.

“**Funding Conditions**” has the meaning given there in Section 8.

“**Governmental Authority**” means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof, including but not limited to the British Columbia Energy Regulator and/or its delegates.

“**Interest Payment Date**” means the first day of each month in respect of the immediately preceding month; provided that, in any case, on the Maturity Date or, if applicable, any earlier date on which the Interim Facility is fully cancelled or permanently reduced in full, shall be an Interest Payment Date with respect to all Interim Advances then outstanding under the Interim Facility.

“**Interim Advance**” and “**Interim Advances**” have the meanings given thereto in Section 8.

“**Interim Facility**” has the meaning given thereto in Section 8.

“**Interim Financing Credit Documentation**” means this Term Sheet, any other documentation in respect of the Interim Facility that is requested by the Agent (on behalf of the Secured Parties, which shall be in form and substance satisfactory to the Agent), including the Interim Financing Security.

“**Interim Financing Fees and Expenses**” has the meaning given thereto in Section 9.

“**Interim Financing Obligations**” has the meaning given thereto in Section 8.

“**Interim Lenders**” has the meaning given thereto in Section 2.

“**Interim Lender Charge**” has the meaning given thereto in Section 10.

“**Liens**” means all mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retention arrangements, liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation;

“**Material Adverse Change**” means any event, circumstance, occurrence or change which, individually or in the aggregate, results, or could reasonably be expected to result, in a material adverse change (and for certainty including a series of adverse effects, none of which is material in and of itself but which, cumulatively, result in a material adverse change) in:

- (a) the ability of the Borrower to timely and fully perform any obligation under this Interim Financing Term Sheet or any Court Order, or the ability of the Borrower to carry out a Plan, Court-ordered Sale in the NOI Proceedings, or Restructuring Option;
- (b) the validity or enforceability of any of the Interim Financing Security or the ranking of any of the Liens granted thereby or the material rights or remedies intended or purported to be granted to the Agent under or pursuant to such Interim Financing Security;
- (c) the rights and remedies of the Secured Parties under this Term Sheet;
- (d) the business, prospects, operations, assets, condition (financial or otherwise) or results of operations of the Borrower, on a consolidated basis, including without limitation a material adverse qualification (other than a “going concern” qualification resulting from the NOI Proceedings);
- (e) the appointment or pending appointment a receiver and manager, receiver, interim receiver or similar official, or substituting the Proposal Trustee, or the making of a bankruptcy order against the Borrower;
- (f) the ability of the Borrower to carry on its business as conducted as of the date of this Term Sheet; or
- (g) the Collateral.

“**Maturity Date**” has the meaning given thereto in Section 13.

“**Maximum Amount**” has the meaning attributed thereto in Section 7.

“**NOI Proceedings**” has the meaning given thereto in the preamble.

“**Lease Reinstatement**” means the reinstatement of the crown mineral leases which were held by the Borrower prior to their termination by the Government of British Columbia in a manner that provides for their ability to be transferred to a participant in the SISP.

“**Permitted Disposition**” means (i) assets sold, leased or disposed of during a fiscal year having an aggregate fair market value not exceeding \$5,000 (or the equivalent amount thereof in any other currency) for such fiscal year, and (ii) any other sale, lease or disposition expressly provided for, or permitted to be incurred, in the Agreed Budget and the Court Orders.

“**Permitted Liens**” means (i) the Interim Financing Security; (ii) any charges created under the Interim Financing Order, or other order of the Court in the NOI Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Secured Parties as confirmed in writing by the Agent; (iii) valid and perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising in the ordinary course of business, provided to pay all such amounts are paid as and when due; (v) the CNRL Liens; and (vi) the Permitted Priority Liens.



**“Permitted Priority Liens”** means: (a) the Administration Charge; (b) statutory super-priority Liens for unpaid employee source deductions to the extent they are given first priority over other Liens by Applicable Law; (c) duly perfected and enforceable Liens in respect of purchase-money security interests in the Borrower’s equipment (“equipment” being as defined under the provincial *Personal Property Security Act* as may be applicable to such equipment); (d) the CNRL Liens; and (e) such other Liens as may be agreed to in writing by the Agent. For greater certainty, except as expressly set forth herein, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, shall not be **“Permitted Priority Liens”**.

**“Person”** means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

**“Proposal”** has the meaning given thereto in Section 13.

**“Restructuring Option”** means any transaction involving the refinancing of the Borrower, a transaction involving the recapitalization of the Borrower, the sale of all or substantially all of the assets of the Borrower, or shares in the Borrower by its shareholders, or any other restructuring of the Borrower’s businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower.

**“Revised Budget”** has the meaning given thereto in Section 14.

**“SISP”** means the Sale and Investment Solicitation Process commenced by the Borrower, and approved by the Proposal Trustee, with the assistance of Sayer Energy Services engaged as the Borrower’s sales agent.

**“Updated Budget Default”** has the meaning given thereto in Section 23(e).

**SCHEDULE B**  
**FORM OF INTERIM FINANCING ORDER**

**(see attached)**

**SCHEDULE C**  
**REQUEST FOR ADVANCE**

**REQUEST FOR ADVANCE**

TO: The Agent

AND TO: The Proposal Trustee

DATE: \_\_\_\_\_, 20\_\_

Dear Sirs:

The undersigned refers to the interim financing term sheet dated as of October 15, 2024 (the “**Term Sheet**”) made among Erikson National Energy and (together the “**Borrower**”) and the Secured Parties.

Capitalized terms used in this Request for Advance have the same meanings herein as are ascribed thereto in the Term Sheet.

2. The Borrower hereby gives you notice pursuant to the Term Sheet that the undersigned requests an Interim Advance under the Interim Facility (the “**Interim Facility Advance**”) in the Term Sheet be deposited into the Deposit Account as follows:
  - (a) Amount of Interim Advance requested: \$ \_\_\_\_\_
  - (b) Requested funding date: \_\_\_\_\_
  - (c) Total principal amount currently outstanding (excluding this Interim Facility Advance): \$ \_\_\_\_\_
  - (d) Availability remaining under the Interim Facility (excluding this Interim Facility Advance): \$ \_\_\_\_\_
  
3. The undersigned, being \_\_\_\_\_ an officer of the Borrower, hereby certify to you for and on behalf of the Borrower (and not in his or her personal capacity) as follows:
  - (a) all of the representations and warranties contained in the Term Sheet and other Interim Financing Documentation are true and correct in all material respects in each case on and as of the date hereof and will be true and correct as of the date of the requested Interim Facility Advance as though made on and as of such date (unless expressly stated to be made as of a specified date);
  - (b) no Default or Event of Default has occurred and is continuing or shall result from the requested Interim Facility Advance;

- (c) the Interim Facility Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than the amount shown on the Agreed Budget as at the date of such Interim Facility Advance;
- (d) the Interim Facility Advance is consistent with the Agreed Budget; and
- (e) the Borrower is in compliance with the Term Sheet and the Court Orders.

The undersigned certifies that **[he/she]** is \_\_\_\_\_, of the Borrower, and that as such **[he/she]** is authorized to execute this certificate on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower (and not in his or her personal capacity) that the Borrower are entitled to receive the requested Interim Advance under the terms and conditions of the Term Sheet.

**BORROWER:**

**ERIKSON NATIONAL ENERGY INC.**

By: \_\_\_\_\_  
Authorized Signatory

# **APPENDIX C**

**[ATTACHED]**

**Erikson National Energy Inc.**  
**Cash Flow Forecast**  
**November 10, 2024 to January 25, 2025**

For the week ending, in CAD	Notes	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	
		16-Nov-24	23-Nov-24	30-Nov-24	07-Dec-24	14-Dec-24	21-Dec-24	28-Dec-24	04-Jan-25	11-Jan-25	18-Jan-25	25-Jan-25	
Opening cash balance		25,116	877	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,116
<b>Cash Receipts</b>													
Cash collections	<b>1</b>	-	29,503	-	-	-	-	-	-	-	-	-	29,503
		-	29,503	-	-	-	-	-	-	-	-	-	29,503
<b>Cash Disbursements</b>													
<u>Operating Expenses</u>													
Wages, salaries, and benefits	<b>2</b>	51,657	-	55,000	-	55,000	-	55,000	-	55,000	-	55,000	326,657
Utilities	<b>3</b>	735	-	-	14,541	-	-	-	14,541	-	-	-	29,817
Insurance	<b>4</b>	-	-	37,418	-	-	-	-	37,418	-	-	-	74,836
Transportation	<b>5</b>	1,200	450	450	4,450	450	450	450	4,450	450	450	450	13,700
Other operating expenses	<b>6</b>	7,357	20,650	6,950	20,650	6,650	20,650	6,650	20,950	6,650	20,650	6,650	144,457
Rent	<b>7</b>	-	-	-	604	-	-	-	-	-	-	-	604
		60,949	21,100	99,818	40,245	62,100	21,100	62,100	77,359	62,100	21,100	62,100	590,071
<u>Other Disbursements</u>													
Anticipated capital expenditures	<b>8</b>	75,346	82,007	-	-	-	-	-	-	-	-	-	157,353
Interest & principal	<b>9</b>	-	5,000	5,000	2,707	-	-	-	5,954	-	-	-	18,661
Total disbursements		136,295	108,107	104,818	42,952	62,100	21,100	62,100	83,313	62,100	21,100	62,100	766,085
<u>Professional Costs</u>	<b>10</b>												
Company counsel legal fees		-	-	-	-	50,000	-	-	-	50,000	-	-	100,000
Trustee and counsel fees		22,944	-	-	-	40,000	-	-	-	45,000	-	-	107,944
Total professional costs		22,944	-	-	-	90,000	-	-	-	95,000	-	-	207,944
<b>Net cash flow</b>		<b>(159,240)</b>	<b>(78,604)</b>	<b>(104,818)</b>	<b>(42,952)</b>	<b>(152,100)</b>	<b>(21,100)</b>	<b>(62,100)</b>	<b>(83,313)</b>	<b>(157,100)</b>	<b>(21,100)</b>	<b>(62,100)</b>	<b>(944,526)</b>
<b>Interim financing</b>													
Interim financing advances / (repayments)	<b>11</b>	135,000	102,727	104,818	42,952	152,100	21,100	62,100	83,313	157,100	21,100	62,100	944,409
<b>Closing cash balance</b>		<b>877</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>

Management of Erikson National Energy Inc. (the "Company") has prepared this forecasted cash-flow statement (the "Cash Flow Forecast") based on probable and hypothetical assumptions detailed in Notes 1 to 11. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal (NOI) filed by the Company on October 1, 2024. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company is prepared in accordance with the provisions of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash-flow Statement

Dated at the City of Calgary in the Province of Alberta, this 18th day of November 2024.

**Erikson National Energy Inc.**

Per:

*Mark Horrox*

Mark Horrox  
Director

**KSV Restructuring Inc.**

Per:

*Andrew Basi*

Andrew Basi, CPA, CA, CIRP, LIT  
Managing Director

**Erikson National Energy Inc.**  
**Notes to the Cash Flow Forecast**  
**November 10, 2024 to January 25, 2025**

**Note 1**

Reflects the return of a deposit paid by the Company to a vendor

**Note 2**

Expenses relating to on-site employees required to maintain site safety and emergency preparedness

**Note 3**

Includes hydro, telecommunications, IT services, and fees for the Company's accounting system

**Note 4**

Includes property insurance for the Company's oil and gas assets and automobile insurance for site vehicles

**Note 5**

Represents travel costs for on-site employees.

**Note 6**

Includes contractor expenses and camp costs for the Company's oil and gas assets and emergency answering service.

**Note 7**

Represents rent for the Company's Fort St. John office.

**Note 8**

Relates to the required scheduled maintenance of certain generators used by the Company

**Note 9**

Represents fees and interest related to the Company's interim financing facility

**Note 10**

Includes fees of the Proposal Trustee, its legal counsel, and the Company's legal counsel

**Note 11**

The Company intends to make an application to the Court on November 21, 2024 seeking an increase in the maximum amount of the interim financing facility from \$250,000 to \$950,000 to fund these NOI proceedings.

FORM 30

Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Erikson National Energy Inc.  
of the City of Calgary, in the Province of Alberta

The management of Erikson National Energy Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow of the Company, as of the 18th day of November 2024, consisting of a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 18<sup>th</sup> day of November 2024.

*Mark Horrox*

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Erikson National  
Energy Inc.  
Debtor

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Mark Horrox, Director

Name and title of signing officer



FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Erikson National Energy Inc.  
of the City of Calgary, in the Province of Alberta

Purpose:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Projection Notes:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Assumptions:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Dated at the City of Toronto in the Province of Ontario, this 18th day of November 2024.

*Mark Horroff*

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Erikson National Energy Inc.

**APPENDIX D**  
**[ATTACHED]**

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-3135903  
Estate No. 25-3135903

\_ FORM 29 \_  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal  
of Erikson National Energy Inc.  
of the City of Calgary, in the Province of Alberta

The attached statement of projected cash flow of Erikson National Energy Inc., as of the 18th day of November 2024, consisting of a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:  management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection 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, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 18th day of November 2024.

KSV Restructuring Inc. - Licensed Insolvency Trustee

Per:



Andrew Basi - Licensed Insolvency Trustee

1165, 324-8th Avenue S.W.

Calgary AB T2P 2Z2

Phone: (416) 932-6262 Fax: (416) 932-6266

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-3135903  
Estate No. 25-3135903

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal  
of Erikson National Energy Inc.  
of the City of Calgary, in the Province of Alberta

Purpose:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Projection Notes:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Assumptions:

a signed pdf copy of a weekly cash flow statement for the period ending January 25, 2025

Dated at the City of Calgary in the Province of Alberta, this 18th day of November 2024.

KSV Restructuring Inc. - Licensed Insolvency Trustee

Per:



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Andrew Basi - Licensed Insolvency Trustee  
1165, 324-8th Avenue S.W.  
Calgary AB T2P 2Z2  
Phone: (416) 932-6262 Fax: (416) 932-6266