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COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT KADEN ENERGY LTD.
DOCUMENT THIRD REPORT OF THE PROPOSAL TRUSTEE,
BDO CANADA LIMITED
JUNE 26, 2024



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**THIRD REPORT OF THE PROPOSAL TRUSTEE
BDO CANADA LIMITED
JUNE 26, 2024**

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INTRODUCTION

1. On March 6, 2024 (the “**Filing Date**”), Kaden Energy Ltd. (“**Kaden**” or the “**Company**”), an oil and gas producer based in Alberta, filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**Act**”). BDO Canada Limited consented to act as the proposal trustee (the “**Proposal Trustee**”) in the Kaden NOI proceedings.
2. On March 26, 2024, the Company filed application materials with the Court of King’s Bench of Alberta (the “**Court**”) in respect of its application to, among other things, extend the time within which to make a proposal, which was scheduled for April 2, 2024. The application materials included an Affidavit sworn by Wes Siemens, the President, and Chief Executive Officer of the Company, on May 26, 2024.
3. On April 1, 2024, the Proposal Trustee filed its first report providing its comments and recommendations (as applicable) in respect of the Company’s April 2, 2024 application.
4. On April 2, 2024, the Court granted an order (the “**April 2024 Order**”), approving, among other things:
 - a. an extension of time to make a proposal and the related stay of proceedings (the “**Stay**”) to May 20, 2024;
 - b. the payment of certain pre-filing amounts to critical suppliers and other vendors or creditors of the Company;
 - c. an Administration Charge and Directors’ Charge; and
 - d. a process for adjudicating creditor claims (the “**Claims Procedure**”).
5. On May 6, 2024, the Company served its application materials on the service list in respect of its application for a further extension of the Stay, scheduled to be heard on May 14, 2024. The application materials include a further Affidavit of Wes Siemens, sworn May 6, 2024 (the “**Second W. Siemens Affidavit**”).
6. On May 9, 2024, the Proposal Trustee filed its second report (the “**Second Report**”) providing its comments and recommendations (as applicable) in respect of the Company’s May 14, 2024, application.

7. On May 14, 2024, the Court granted an order (the “**May 2024 Order**”), approving, among other things, an extension of time to make a proposal and the Stay to July 4, 2024.
8. On June 18, 2024, the Company served its application materials on the service list (filed with the Court on June 19, 2024) in respect of its application for a further extension of the Stay, scheduled to be heard on June 28, 2024. The application materials include a further Affidavit of Wes Siemens, sworn June 18, 2024 (the “**Third W. Siemens Affidavit**”).
9. The Company’s application materials also reference a supplemental confidential affidavit of Wes Siemens. The Proposal Trustee understands that this confidential affidavit is in the process of being sworn and submitted to the Court and will include a copy of a term sheet with the proposed lender. As communicated to the Court in these proceedings, this proposed funding is intended to form the basis of the Company’s eventual proposal to creditors.
10. The purpose of this third report of the Proposal Trustee (the “**Third Report**”) is to provide the Court with information with respect to the following:
 - a. the activities of the Proposal Trustee since the Second Report;
 - b. a review of actual results relative to the cash flow statement prepared and filed with the Second Report as Appendix A (the “**Second Report Cash Flow Statement**”);
 - c. an updated cash flow statement for the period from June 17, 2024, to September 6, 2024, (the “**Third Report Cash Flow Statement**”);
 - d. the Company’s application to the Court seeking an order approving a further extension of the time to make a proposal and the related Stay, through to August 18, 2024; and
 - e. the Proposal Trustee’s comments or recommendations in relation to the foregoing, as applicable.
11. All references to currency are in Canadian dollars unless otherwise noted. Any terms not defined herein, are as defined in the Third W. Siemens Affidavit.

TERMS OF REFERENCE

12. In preparing this Third Report, the Proposal Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("**Management**"). The Proposal Trustee has not performed an audit, review, or other verification of such information. An examination of the cash flow forecast information as outlined in the CPA Canada Handbook has not been performed. Future-oriented financial information relied upon in this report is based on Management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be significant. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of such information.

ACTIVITIES OF THE PROPOSAL TRUSTEE

13. Since the Second Report, the Proposal Trustee has undertaken the following material activities:
- a. continued to post public documents in relation to these NOI proceedings to the established website as follows: <https://www.bdo.ca/kaden>;
 - b. monitored the Company's financial affairs and cash flows, including but not limited to conducting a weekly review of the Company's actual results relative to the same period in the Second Report Cash Flow Statement;
 - c. communicated with creditors of the Company regarding the status of the Company and these NOI proceedings;
 - d. held discussions with Management and the Company's legal counsel surrounding ongoing operations, financial performance, creditor issues and/or restructuring activities;
 - e. made inquiries of the Company and the Company's legal counsel on the status of its discussions and negotiations with the proposed lender;

- f. obtained, through legal counsel, a valuation of the Company's oil and gas interests from Sayer Energy Advisors (the "**Sayer Valuation**"), in anticipation of the Proposal Trustee commenting on the reasonableness of a proposal to be presented by the Company to its creditors. The Proposal Trustee has provided a copy of this appraisal to the Company's counsel on a confidential basis and discussed with counsel the nature of the Sayer Valuation and what the Proposal Trustee's expectations are with respect to any proposal presented;
- g. administered the Claims Procedure pursuant to the April 2024 Order (with an update on the Claims Procedure set out below);
- h. assisted the Company with the preparation of the Third Report Cash Flow Statement and prepared the required statutory reports to accompany this cash flow statement;
- i. held discussions with the Company and the Company's legal counsel regarding the Company's third application to the Court, and prepared this Third Report; and
- j. completed other administrative matters in relation to this proceeding.

REVIEW OF ACTUAL RESULTS TO SECOND REPORT CASH FLOW STATEMENT

14. A variance analysis of the Company's actual receipts and disbursements over the period from May 6, 2024, to June 16, 2024 to the forecast in the corresponding period in the Second Report Cash Flow Statement is set out in the following table.

Variance Analysis			
For the Period of:			
2024-05-06 to 2024-06-16	PROJECTED	ACTUAL	VARIANCE
Receipts			
Revenue	\$ 1,159,455	\$ 1,801,604	\$ 642,150
Disbursements			
Royalties	(170,591)	(205,326)	(34,735)
Operating costs	(630,292)	(823,544)	(193,252)
General and Administrative	(218,902)	(208,946)	9,956
GST	(13,416)	(59,383)	(45,967)
Restructuring	(100,000)	(40,086)	59,914
Total Disbursements	(1,133,201)	(1,337,284)	(204,083)
Net cash inflow (outflow)	26,253	464,320	438,066
Cash - beginning	586,672	586,672	-
Net change	26,253	464,320	438,066
Cash - closing	\$ 612,925	\$ 1,050,991	\$ 438,066

15. As shown in the foregoing table, the Company reported a positive net variance of approximately \$438,000 for the reviewed period. This is due to higher reported revenue from higher production and better prices than initially projected offset by higher expenses due to higher production.

THIRD REPORT CASH FLOW STATEMENT

16. Management prepared the Third Report Cash Flow Statement and executed Management's statutory report on the Third Report Cash Flow Statement, both of which is attached hereto as **Appendix "A"**.
17. The Third Report Cash Flow Statement extends over the proposed Stay period sought by the Company plus the additional time required to hold a meeting of creditors to vote on a proposal. As shown therein, the Company is projecting to have sufficient cash flow to fund operations over the forecast period and until a meeting of creditors.
18. The Proposal Trustee has reviewed the Third Report Cash Flow Statement for reasonableness and prepared its statutory report which is attached as **Appendix "B"**.
19. The Proposal Trustee's review consisted of inquiries, analytical procedures and discussions related to information and assumptions provided by Management. Since hypothetical assumptions need not be supported, the Proposal Trustee's analysis thereof was limited to evaluating whether they were consistent with the purpose of the Third Report Cash Flow Statement. The Proposal Trustee has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Third Report Cash Flow Statement.
20. Based on the Proposal Trustee's review, nothing has come to the Proposal Trustee's attention that causes it to believe that, in all material respects:
 - a. the hypothetical assumptions are not consistent with the purpose of the Third Report Cash Flow Statement;
 - b. as of the date of this Third Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of the Company, or do not provide a reasonable basis for the Third Report Cash Flow Statement, given the hypothetical assumptions; or

- c. the Third Report Cash Flow Statement does not reflect the probable and hypothetical assumptions.
21. Since the Third Report Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and such variations may be material. Accordingly, the Proposal Trustee expresses no assurance or representations as to whether the Third Report Cash Flow Statement will be met or with respect to the accuracy of any financial information presented in the Third Report Cash Flow Statement. The Third Report Cash Flow Statement has been prepared solely for the purpose of demonstrating the Company's ability to fund operations during the forecasted period and readers are cautioned that it might not be appropriate for other uses.

APPLICATION TO EXTEND TIME TO FILE PROPOSAL

22. The current Stay expires on July 4, 2024. The Company is making an application pursuant to section 50.4(9) of the Act for an extension of the time required to file its proposal through to August 18, 2024 (the "**Extension**").
23. The Proposal Trustee is of the view that Management has been acting in good faith and with due diligence based on the following:
 - a. Management has continued to manage operations of the Company and continued its efforts to stabilize those operations following the NOI filing;
 - b. the Company has finalized a term sheet with a proposed lender, dated June 26, 2024, to provide financing to the Company, with this financing to form the basis of a proposal which the Company intends to make to its creditors. The Company intends to attach the finalized term sheet with the proposed lender to a confidential affidavit, to be provided to the Court, subject to an application for a restricted course access order. The Proposal Trustee has not yet had an opportunity to review the term sheet in detail and consider it in the context of the proposal but will comment on this at a future Court application;

- c. the Company and the Company's counsel have discussed preliminary proposal terms with the Proposal Trustee, based on an anticipated deal being reached with the lender; and
 - d. Management has cooperated with the Proposal Trustee in providing the necessary financial information to monitor the Company's financial affairs.
24. Accordingly, the Proposal Trustee is of the view that the Extension is warranted in the circumstances to allow the Company to formulate and submit a proposal to its creditors. The Proposal Trustee believes that the Company will likely be able to make a viable proposal if the extension sought is granted. Further, the Proposal Trustee does not believe that any creditors will be materially prejudiced by the Extension.
25. Based on the Filing Date, the six-month period permitted in these proposal proceedings will expire on or about August 18, 2024. The Company has indicated that it believes it will have sufficient time to present a proposal to its creditors prior to the expiry of the proceedings.

UPDATE ON THE APPROVED CLAIMS PROCEDURE

26. Pursuant to the April 2024 Order, the Claims Procedure was approved by the Court to facilitate an adjudication of creditor claims against the Company.
27. As outlined in the Second Report, the Claims Procedure, based on a reverse claims process model, was postponed due to the delay in Kaden receiving invoices related to the pre-filing period, required to finalize the known creditor listing.
28. As further outlined in the Second Report, the Proposal Trustee posted advertisements for any potential Unknown Claimants in both the Daily Oil Bulletin and local paper, as required pursuant to the April 2024 Order. As of the date of this Third Report, no Unknown Creditors have submitted a proof of claim to the Proposal Trustee.
29. On May 14, 2024, the Proposal Trustee initiated the Claims Procedure to the Known Claimants, resulting in a Claims Bar Date of May 24, 2024. To date, the majority of the claims have been resolved or accepted and the steps necessary to complete the claims process are substantially complete.

RECOMMENDATION

30. As outlined herein, the Proposal Trustee is supportive of the request for an extension of time to file a proposal, and the related Stay, up to and including August 18, 2024. The Proposal Trustee is of the view that the Stay requested is necessary to provide the Company with additional time to formulate and submit a viable proposal to its creditors.

All of which is respectfully submitted this 26th day of June 2024.

BDO Canada Limited,

In its capacity as the Proposal Trustee of Kaden Energy Ltd.
and not in its personal capacity

Per:



Breanne Scott, CPA, CIRP, LIT
Vice President

APPENDIX “A”

Kaden Energy Ltd.
Cash Flow Statement
(Unaudited - prepared by management)

		Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26
	Notes	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of
Week beginning:		17-Jun-24	24-Jun-24	1-Jul-24	8-Jul-24	15-Jul-24	22-Jul-24	29-Jul-24	5-Aug-24	12-Aug-24	19-Aug-24	26-Aug-24	2-Sep-24
Receipts													
Production revenues	1,8		550,775				1,091,688					1,063,592	
		-	550,775	-	-	-	1,091,688	-	-	-	-	1,063,592	-
Disbursements													
Royalties	3		(74,971)				(159,068)					(165,419)	
OPEX	4												
Cash on delivery payments		(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Fixed costs			(240,889)	(11,025)			(240,889)	(11,025)				(234,545)	(11,025)
Oil Trucking			(36,058)				(69,541)					(71,250)	
Oil Variable			(30,592)				(59,889)					(62,098)	
Water Trucking/Disposal			(7,769)				(12,935)					(13,006)	
Variable Gas costs			(9,258)				(17,331)					(17,911)	
Natural Gas processing			(50,983)				(111,559)					(111,554)	
Sales gas transportation			(14,668)				(28,287)					(31,239)	
Critical vendors & employees													
G&A	5												
Salaries			(44,855)			(44,855)		(44,855)		(40,000)		(40,000)	
Benefits		(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(1,500)	(1,500)	(1,500)	(1,500)
Rent and parking													
Software, phone, internet			(12,000)				(12,000)					(12,000)	
Office supplies			(500)				(500)					(500)	
Reserve Report			-				-					-	
Audit & Tax			-				(5,000)					-	
Other consultant expenses			(16,500)				(16,500)					(16,500)	
Legal			(1,500)				(1,500)					(1,500)	
Safety			(1,600)				(1,600)					(1,600)	
Travel			-				-					-	
Bank Fees & Other			(1,737)				(1,737)					(1,000)	
Land Rentals						(1,500)				(5,300)			
GST	6			1,877			1,877					(18,943)	
Restructuring	7			(50,000)			(50,000)					(50,000)	
		(22,000)	(565,880)	(81,148)	(22,000)	(68,355)	(808,460)	(77,880)	(22,000)	(66,800)	(21,500)	(870,565)	(32,525)
Net cash inflow (outflow)		(22,000)	(15,105)	(81,148)	(22,000)	(68,355)	283,228	(77,880)	(22,000)	(66,800)	(21,500)	193,027	(32,525)
Cash - beginning		1,050,991	1,028,991	1,013,886	932,738	910,738	842,383	1,125,611	1,047,731	1,025,731	958,931	937,431	1,130,458
Net change		(22,000)	(15,105)	(81,148)	(22,000)	(68,355)	283,228	(77,880)	(22,000)	(66,800)	(21,500)	193,027	(32,525)
Cash - closing		1,028,991	1,013,886	932,738	910,738	842,383	1,125,611	1,047,731	1,025,731	958,931	937,431	1,130,458	1,097,933

Kaden Energy Ltd.

Wes Siemens

Per: Wes Siemens, President & CEO
Date: June 25, 2024

Notes regarding assumptions:

- 1 Revenue projections are derived from our production estimates (using reserve reports and our forecast for production based on outages) and using strip pricing provided by Contango Marketing (Kaden's marketing party) to estimate revenue. It is then assumed that revenue related collections to be received the following month. Revenue is based on the following production forecast per month: May = 532 boe/d; Jun = 1,069 boe/d; Jul = 1,005 boe/d. May production is lower due to the majority of production being shut-in at Kakwa for 20 days as the Pembina gas facility Kaden uses was down for a turnaround. Smoky May production was also lower due to spring break up limiting the ability to truck oil. Production is forecasted to be back to normal in Jun & Jul.
- 2 As a result of the NOI filing, there is a "stay of proceedings" such that no amounts for goods and services provided to the Company prior to the date of the NOI will be paid at this time, except those approved by way of Court order.
- 3 Royalties are estimated based on historical percentages (rates which vary by month depending on the royalty agreement and production/revenue by location) and projected revenue over the forecast period.
- 4 Monthly operating costs are calculated based on historical per "BOE" calculations and projected production figures, adjusted for outages and down periods noted, assumed to be paid in the following month. We are also assuming a weekly \$20,000 amount will be paid to pre-pay for critical services for recent invoices.
- 5 Assume G&A is settled in the month occurred, except for payroll which is semi-monthly. Approximate historical G&A is \$135,000 per month, plus amounts estimated to be paid in relation to an accounting audit which is currently underway.
- 6 GST is calculated based on net revenues and expenses post NOI, payable (or collectible) the following month.
- 7 Assuming additional costs to be incurred related to restructuring, including the professional fees to the Proposal Trustee and the company's legal counsel, at a rate of \$50,000 per month.
- 8 As noted in note 1, Pembina is completing a plant turnaround starting the end of April and into May. As is required by the Operator of the plant (Pembina), the costs of the turnaround will be passed on a pro-rata basis to the users of the plant. The plant is used by Arc Resources and Kaden Energy. Based on the volumes processed, Kaden has used approximately 3% of the plant over the last year and is therefore expecting to be required to pay a gross \$300,000 charge (\$240,000 net) relating to the turnaround. This is assuming a preliminary \$10,000,000 turnaround cost as estimated by the operator and communicated previously by them. We are expecting that this payment will become due subsequent to the forecast period.

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

- 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)

The Management of Kaden Energy Ltd., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 25 day of June 2024, consisting of a 12 week cash flow forecast.

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 insolvent person 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 Calgary in the Province of Alberta, this 25th day of June 2024.

Wes Siemens

Kaden Energy Ltd.
Debtor

Name and title of signing officer

Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

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)

Purpose:

The purpose of the Third Report Cash Flow Statement is to demonstrate the Company's projected ability to fund its operations over the forecast period.

Projection Notes:

Please refer to the assumptions below.

Assumptions:

1 Revenue projections are derived from our production estimates (using reserve reports and our forecast for production based on outages) and using strip pricing provided by Contango Marketing (Kaden's marketing party) to estimate revenue. It is then assumed that revenue related collections to be received the following month. Revenue is based on the following production forecast per month: May = 532 boe/d; Jun = 1,069 boe/d; Jul = 1,005 boe/d. May production is lower due to the majority of production being shut-in at Kakwa for 20 days as the Pembina gas facility Kaden uses was down for a turnaround. Smoky May production was also lower due to spring break up limiting the ability to truck oil. Production is forecasted to be back to normal in Jun & Jul.

2 As a result of the NOI filing, there is a "stay of proceedings" such that no amounts for goods and services provided to the Company prior to the date of the NOI will be paid at this time, except those approved by way of Court order. The forecast, however, includes payment for goods and services provided to and authorized by the Company following the date of the NOI, which have been forecast herein based on the assumptions noted below.

3 Royalties are estimated based on historical percentages (rates which vary by month depending on the royalty agreement and production/revenue by location) and projected revenue over the forecast period, except for additional pre-filing royalties which are addressed in Note 8.

4 "Monthly operating costs are calculated based on historical per"BOE" calculations and projected production figures, adjusted for outages and down periods noted, assumed to be paid in the following month. We are also assuming a weekly \$20,000 amount will be paid to pre-pay for critical services for recent invoices.

5 Assume G&A is settled in the month occurred, except for payroll which is semi-monthly. Approximate historical G&A is \$135,000 per month, plus amounts estimated to be paid in relation to an accounting audit which is currently underway.

6 GST is calculated based on net revenues and expenses post NOI, payable (or collectible) the following month.

7 Assuming additional costs to be incurred related to restructuring, including the professional fees to the Proposal Trustee and the company's legal counsel, at a rate of \$50,000 per month.

8 As noted in note 1, Pembina is completing a plant turnaround starting the end of April and into May. As is required by the Operator of the plant (Pembina), the costs of the turnaround will be passed on a pro-rata basis to the users of the plant. The plant is used by Arc Resources and Kaden Energy. Based on the volumes processed, Kaden has used approximately 3% of the plant over the last year and is therefore expecting to be required to pay a gross \$300,000 charge (\$240,000 net) relating to the turnaround. This is assuming a preliminary \$10,000,000 turnaround cost as estimated by the operator and communicated previously by them. We are expecting that this payment will become due subsequent to the forecast period.

Dated at the City of Calgary in the Province of Alberta, this 25th day of June 2024.

Kaden Energy Ltd.

APPENDIX “B”

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

-- FORM 29 --

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

The attached statement of projected cash flow of Kaden Energy Ltd., as of the 25th day of June 2024, consisting of a 12 week cash flow forecast, 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 26th day of June 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed
Insolvency Trustee



110 5800 2 St SW.
Calgary AB T2H 0H2
Phone: (403) 777-9999

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

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

Purpose:

The purpose of the Third Report Cash Flow Statement is to demonstrate the Company's projected ability to fund its operations over the forecast period.

Projection Notes:

Please refer to the assumptions below.

Assumptions:

1 Revenue projections are derived from our production estimates (using reserve reports and our forecast for production based on outages) and using strip pricing provided by Contango Marketing (Kaden's marketing party) to estimate revenue. It is then assumed that revenue related collections to be received the following month. Revenue is based on the following production forecast per month: May = 532 boe/d; Jun = 1,069 boe/d; Jul = 1,005 boe/d. May production is lower due to the majority of production being shut-in at Kakwa for 20 days as the Pembina gas facility Kaden uses was down for a turnaround. Smoky May production was also lower due to spring break up limiting the ability to truck oil. Production is forecasted to be back to normal in Jun & Jul.

2 As a result of the NOI filing, there is a "stay of proceedings" such that no amounts for goods and services provided to the Company prior to the date of the NOI will be paid at this time, except those approved by way of Court order. The forecast, however, includes payment for goods and services provided to and authorized by the Company following the date of the NOI, which have been forecast herein based on the assumptions noted below.

3 Royalties are estimated based on historical percentages (rates which vary by month depending on the royalty agreement and production/revenue by location) and projected revenue over the forecast period, except for additional pre-filing royalties which are addressed in Note 8.

4 "Monthly operating costs are calculated based on historical per ""BOE"" calculations and projected production figures, adjusted for outages and down periods noted, assumed to be paid in the following month. We are also assuming a weekly \$20,000 amount will be paid to pre-pay for critical services for recent invoices.

5 Assume G&A is settled in the month occurred, except for payroll which is semi-monthly. Approximate historical G&A is \$135,000 per month, plus amounts estimated to be paid in relation to an accounting audit which is currently underway.

6 GST is calculated based on net revenues and expenses post NOI, payable (or collectible) the following month.

7 Assuming additional costs to be incurred related to restructuring, including the professional fees to the Proposal Trustee and the company's legal counsel, at a rate of \$50,000 per month.

8 As noted in note 1, Pembina is completing a plant turnaround starting the end of April and into May. As is required by the Operator of the plant (Pembina), the costs of the turnaround will be passed on a pro-rata basis to the users of the plant. The plant is used by Arc Resources and Kaden Energy. Based on the volumes processed, Kaden has used approximately 3% of the plant over the last year and is therefore expecting to be required to pay a gross \$300,000 charge (\$240,000 net) relating to the turnaround. This is assuming a preliminary \$10,000,000 turnaround cost as estimated by the operator and communicated previously by them. We are expecting that this payment will become due subsequent to the forecast period.

Dated at the City of Calgary in the Province of Alberta, this 26th day of June 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed
Insolvency Trustee



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