

COURT FILE NUMBER 25-3052460  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT KADEN ENERGY LTD.  
DOCUMENT SECOND REPORT OF THE PROPOSAL  
TRUSTEE,  
BDO CANADA LIMITED  
MAY 9, 2024

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Clerk's Stamp



COM May 14, 2024

**SECOND REPORT OF THE PROPOSAL TRUSTEE  
BDO CANADA LIMITED  
MAY 9, 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 (the “**W. Siemens Affidavit**”).
3. On April 1, 2024, the Proposal Trustee filed its first report (the “**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;
  - 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. The purpose of this second report of the Proposal Trustee (the “**Second Report**”) is to provide the Court with information with respect to the following:
- a. the activities of the Proposal Trustee since the First Report;
  - b. a review of actual results relative to the cash flow statement initially prepared and filed in these proceedings, a copy which is attached to the First Report as Appendix A (the “**Initial Cash Flow Statement**”);
  - c. an updated cash flow statement for the period from May 6, 2024, to August 10, 2024 (the “**Updated Cash Flow Statement**”);
  - d. an update on the pre-filing amounts paid to certain critical suppliers and other vendors or creditors since the April 2014 Order, and additional pre-filing royalty payments the Company is also proposing to pay;
  - e. 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 July 4, 2024; and
  - f. the Proposal Trustee’s comments or recommendations in relation to the foregoing, as applicable.
7. All references to currency are in Canadian dollars unless otherwise noted. Any terms not defined herein, are as defined in the W. Siemens Affidavit, the First Report, and/or the Second W. Siemens Affidavit.

### **TERMS OF REFERENCE**

8. In preparing this Second 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**

9. Since the First 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 Initial Cash Flow Statement;
  - c. monitored and reviewed the payment of pre-filing amounts to critical suppliers and other vendors or creditors, pursuant to the April 2024 Order;
  - d. communicated with creditors of the Company regarding the status of the Company and these NOI proceedings;
  - e. held discussions with Management and the Company's legal counsel surrounding ongoing operations, financial performance, creditor issues and/or restructuring activities;
  - f. made inquiries of the Company on the status of its discussions and negotiations with the proposed lender and reviewed preliminary lending documentation from this proposed lender;
  - g. engaged, through legal counsel, Sayer Energy Advisors, to conduct a valuation of the Company's oil and gas interests, in anticipation of the Proposal Trustee commenting on the reasonableness of a proposal to be presented by the Company to its creditors;
  - h. initiated certain aspects of the Claims Procedure, to the extent possible, while awaiting the finalized creditor listing from Management, including posting advertisements for potential Unknown Claimants in the Daily Oil Bulletin and a local paper and preparing the notice documentation;
  - i. assisted the Company with the preparation of the Updated Cash Flow Statement and prepared the required statutory reports to accompany this cash flow statement;

- j. held discussions with the Company and the Company's legal counsel regarding the Company's second application to the Court, and prepared this Second Report; and
- k. completed other administrative matters in relation to this proceeding.

### **REVIEW OF ACTUAL RESULTS TO INITIAL CASH FLOW STATEMENT**

10. A variance analysis of the Company's actual receipts and disbursements over the period of March 11, 2024, to May 4, 2024, versus the corresponding period in the Initial Cash Flow Statement is set out in the following table.

For the Period of: 2024-03-11 to 2024-05-04	PROJECTED	ACTUAL	VARIANCE
<b>Receipts</b>			
Revenue	2,829,803	2,561,782	(268,020)
<b>Disbursements</b>			
Royalties	(154,274)	(156,101)	(1,827)
Court-approved pre-filing amounts	-	(457,291)	(457,291)
Operating costs	(967,518)	(1,044,907)	(77,388)
General and Administrative	(356,635)	(367,000)	(10,365)
GST	(67,183)	(40,836)	26,347
Restructuring	(50,000)	(92,027)	(42,027)
<b>Total Disbursements</b>	<b>(1,595,611)</b>	<b>(2,158,161)</b>	<b>(562,551)</b>
<b>Net cash inflow (outflow)</b>	<b>1,234,192</b>	<b>403,621</b>	<b>(830,571)</b>
Cash - beginning	185,813	183,051	(2,762)
Net change	1,234,192	403,621	(830,571)
Cash - closing	<b>1,420,005</b>	<b>586,672</b>	<b>(833,334)</b>

11. As shown above, actual cash as of May 4, 2024, was approximately \$587,000 as compared to initially projected of approximately \$1.4 million, resulting in an unfavourable variance in ending cash position of approximately \$833,000, which as discussed below, is primarily attributable to Court authorized pre-filing payments issued.
12. The Proposal Trustee provides the following comments on the variances in excess of \$50,000, which contributed to the total variance in actual cash flows to initially forecast over the reviewed period:
  - a. Revenue – the unfavourable variance in revenue collections is related to a delay in receiving approximately \$216,000 owing from one customer which is anticipated to be collected the week beginning May 6, 2024. Furthermore, certain creditors offset pre-filing amounts due to the Company with debts owed to them, in the total amount of approximately \$115,000. After adjusting for the impact of the two items, it would appear that revenues were approximately \$63,000 higher than forecast, which Management advises is due to slightly higher gas production and pricing than initially forecast;
  - b. Court approved pre-filing payments – this relates to the pre-filing amounts owed to critical suppliers and other vendors or creditors which were paid, as approved by the Court pursuant to the April 2024 Order. With respect to the pre-filing payment authorized to Pembina Gas Services Limited Partnership (“**Pembina**”) for February processing fees, the actual payment amounted to approximately \$167,000 (which net of working interest partner’s share, will equate to approximately \$130,000) versus the \$110,000 initial estimate. This line item also includes a critical pre-filing payment made to Bidell Gas Compression (“**Bidell**”) in the amount of \$21,615 which is addressed in the Second W. Siemens Affidavit and discussed further below; and
  - c. Operating costs – the unfavourable variance of approximately \$77,000 is attributable to timing differences in anticipated payment of certain expenditures with certain suppliers seeking earlier payment in the circumstances and higher variable costs due to higher production, offset by some positive variances in other operating costs.

**UPDATED CASH FLOW STATEMENT**

13. Management prepared the Updated Cash Flow Statement and Management's statutory report on the Updated Cash Flow Statement which is attached to the Second W. Siemens Affidavit as Exhibit B and is also attached hereto as **Appendix "A"**.
14. A table summarizing the Updated Cash Flow Statement is provided below:

For the Period of: 2024-05-05 to 2024-08-24	PROJECTED
<b>Receipts</b>	
Revenue	\$ 2,801,917
<b>Disbursements</b>	
Royalties	(404,630)
Operating costs (inc. cash on delivery)	(1,741,653)
Court approved pre-filing payments	(1,338)
General and Administrative	(502,141)
Restructuring	(200,000)
GST	(6,412)
Pembina facility improvement cost	-
<b>Total Disbursements</b>	<b>(2,856,174)</b>
<b>Net cash inflow (outflow)</b>	<b>(54,257)</b>
Cash - beginning	586,672
Net change	(54,257)
Cash - closing	<b>\$ 532,415</b>

15. The Updated Cash Flow Statement is based on Management's assumptions for the projected period. The Proposal Trustee provides the following commentary on certain material assumptions to the Updated Cash Flow Statement:



- a. Revenue –approximately \$216,000 owing from a customer, discussed earlier in the variance analysis discussion, is projected to be received during the week beginning May 6, 2024. The balance of revenue collections has been estimated based on projected production and pricing over the forecast period (receipt of revenue one month following production month), with revenues, and thus collections, anticipated to be materially and negatively impacted due to spring break up and a two-to-four-week pipeline and facility outage affecting production at several of the Company's properties over April and May;
- b. Royalties – included in projected royalties is additional pre-filing royalties which the Company is proposing that it pay as discussed later below. The balance of projected royalty payments is estimated based on projected revenues and agreed royalty rates;
- c. Operating costs – operating costs are projected based on historical figures for fixed expenses and projected production figures and projected prices for variable operating expenses, plus an estimate for potential cash on deliver payments to certain suppliers; and
- d. Pipeline and facility improvement capital cost – related to the pipeline and facility outage, the Company will be required to pay a portion of the improvement cost to the operator, Pembina, with the Company's share to be based on a pro-rata of Company volumes to total volumes processed at the plant and the total capital cost of the improvement to Pembina. Management advises that Kaden's percentage of production volumes represent approximately 3% and Pembina has estimated a total improvement cost of approximately \$10 million, such that Management is projecting that it will be required to pay approximately \$300,000 to the operator; however, Management is anticipating that payment would not occur until after the forecast period, and thus it has not been included the forecasted disbursements. It is noted that the timing and final determination of this capital cost payable by Kaden would impact actual cash flows.

16. The Proposal Trustee has reviewed the Updated Cash Flow Statement for reasonableness and prepared its statutory report which is attached as **Appendix “B”**.
17. 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 Updated 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 Updated Cash Flow Forecast.
18. 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 Updated Cash Flow Statement;
  - b. as of the date of this Second 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 Updated Cash Flow Statement, given the hypothetical assumptions; or
  - c. the Updated Cash Flow Statement does not reflect the probable and hypothetical assumptions.
19. Since the Updated 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 Updated Cash Flow Statement Forecast will be met or with respect to the accuracy of any financial information presented in the Updated Cash Flow Statement. The Updated 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**

20. The current Stay expires on May 20, 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 July 4, 2024 (the “**Extension**”).
21. The Proposal Trustee is satisfied that Management has been acting in good faith and with due diligence. Since the First Report, Management has:
- a. continued to manage operations of the Company and continued its efforts to stabilize the situation in light of the NOI filing;
  - b. responded to inquiries from creditors regarding the status of the NOI proceedings;
  - c. continued to hold discussions with a proposed lender to the Company and obtained initial lending documentation, which the Company has advised it is advancing to form the basis of a proposal to its creditors; and
  - d. cooperated with the Proposal Trustee in providing the necessary information to monitor the Company’s financial affairs, as required.
22. The Proposal Trustee is of the view that the Extension is warranted in the circumstances to allow the Company the opportunity to continue to work towards negotiating and finalizing alternative funding and formulating the terms of a proposal. 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.

**UPDATE ON CRITICAL SERVICE PROVIDERS AND SUPPLIERS**

23. Pursuant to the April 2024 Order, the Company was authorized to make pre-filing payments to certain critical suppliers and vendors or creditors. The pre-filing payments issued, or to be issued, are reflected in the actual results discussed earlier or the Updated Cash Flow Statement (as applicable).

Bidell

24. As addressed in the Second W. Siemens Affidavit and earlier in this report, the Company issued a pre-filing payment to Bidell in the amount of \$21,615 prior to obtaining the approval of the Proposal Trustee, which approval was required pursuant to the April 2024 Order.
25. Based on discussions with Management, the Proposal Trustee understands that on April 4, 2024, production went down on one of Kaden's sites due to an issue with a compressor unit rented from Bidell that required urgent repair. Bidell refused to attend the site to repair the unit unless payment of the pre-filing amount was made. Therefore, in order to ensure continued production, Kaden urgently paid the pre-filing amount and Bidell completed the repair. Since the repair, representatives have had multiple conversations with the Proposal Trustee to explain the urgency associated with the payment and the fact that going forward, Management will seek the Proposal Trustee's approval for any pre-filing payments urgently required in accordance with the terms of the April 2024 Order.
26. Based on the foregoing, the Proposal Trustee has since approved the payment of the pre-filing amount to Bidell.

Additional Pre-Filing Royalty Payments

27. While not specifically outlined in the proposed form of Order, the Proposal Trustee understands that the Company is proposing to pay additional pre-filing amounts to Royalty holders under their contracts, as further detailed in the Second W. Siemens Affidavit.
28. The Proposal Trustee has asked for copies of the royalty agreements and has obtained drafts but continues to await the executed copies of the royalty agreements, including a copy of a separate trust agreement which is referenced. Legal counsel to the Proposal Trustee conducted a preliminary review of the unexecuted royalty agreements, which review did not raise any material concerns regarding the validity of the royalties.
29. Further, the Proposal Trustee is advised by Management that the royalty holders have threatened litigation in the event the royalties are not paid and have asserted trust claims in respect of the proceeds received by the Company post-filing.

**UPDATE ON THE APPROVED CLAIMS PROCEDURE**

30. Pursuant to the April 2024 Order, the Claims Procedure was approved by the Court to facilitate an adjudication of creditor claims against the Company.
31. As addressed in the Company's application materials, the initiation of the Claims Procedure has been delayed due to the delay in Kaden receiving invoices related to the pre-filing period, required to finalize the creditor listing. The Proposal Trustee advises, however, that it has now received the updated and finalized creditor listing, which it is currently reviewing. Therefore, the Proposal Trustee anticipates it will be issuing the Claims Package within days of the date of this Second Report.
32. As indicated, 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. No Unknown Creditors have submitted a proof of claim to the Proposal Trustee to date.

**RECOMMENDATION**

33. 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 July 4, 2024. The Proposal Trustee is of the view that the Stay requested is necessary to provide the Company with additional time to formulate a viable proposal to its creditors.

All of which is respectfully submitted this 9<sup>th</sup> day of May 2024.

**BDO Canada Limited,**

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

Per:



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Breanne Scott, CPA, CIRP, LIT  
Vice President

# APPENDIX “A”

Kaden Energy Ltd.

Cash Flow Forecast

(Unaudited - prepared by management)

		Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22
	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 of	Week of
Week beginning:		6-May-24	13-May-24	20-May-24	27-May-24	3-Jun-24	10-Jun-24	17-Jun-24	24-Jun-24	1-Jul-24	8-Jul-24	15-Jul-24	22-Jul-24	29-Jul-24	5-Aug-24
<b>Receipts</b>															
Production revenues	1,9	215,727			943,728				550,775				1,091,688		
		<b>215,727</b>	-	-	<b>943,728</b>	-	-	-	<b>550,775</b>	-	-	-	<b>1,091,688</b>	-	-
<b>Disbursements</b>															
Royalties	3,8	(52,131)			(118,460)				(74,971)				(159,068)		
OPEX	4														
Cash on delivery payments	3,8	(20,000)	(20,000)	(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		(11,025)			(240,889)	(11,025)			(240,889)	(11,025)			(240,889)	(11,025)	
Oil Trucking					(52,123)				(36,058)				(69,541)		
Oil Variable					(47,939)				(30,592)				(59,889)		
Water Trucking/Disposal					(12,293)				(7,769)				(12,935)		
Variable Gas costs					(11,951)				(9,258)				(17,331)		
Natural Gas processing					(97,184)				(50,983)				(111,559)		
Sales gas transportation					(24,526)				(14,668)				(28,287)		
Critical vendors & employees	8	(1,338)													
G&A	5														
Salaries			(44,855)		(44,855)		(44,855)		(44,855)			(44,855)		(44,855)	
Benefits		(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Rent and parking		(4,500)													
Software, phone, internet					(12,000)				(12,000)				(12,000)		
Office supplies					(500)				(500)				(500)		
Reserve Report					-				-				-		
Audit & Tax					(32,500)				(32,500)				(32,500)		
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)				(1,737)		
Land Rentals			(1,500)												
GST	6	3,676				(17,092)				3,502			3,502		
Restructuring	7	(50,000)			(50,000)				(50,000)				(50,000)		
		(137,318)	(68,355)	(22,000)	(738,557)	(100,117)	(66,855)	(22,000)	(598,380)	(79,523)	(22,000)	(66,855)	(834,335)	(77,880)	(22,000)
<b>Net cash inflow (outflow)</b>		<b>78,409</b>	<b>(68,355)</b>	<b>(22,000)</b>	<b>205,171</b>	<b>(100,117)</b>	<b>(66,855)</b>	<b>(22,000)</b>	<b>(47,605)</b>	<b>(79,523)</b>	<b>(22,000)</b>	<b>(66,855)</b>	<b>257,353</b>	<b>(77,880)</b>	<b>(22,000)</b>
Cash - beginning		586,672	665,080	596,725	574,725	779,897	679,780	612,925	590,925	543,320	463,797	441,797	374,942	632,295	554,415
Net change		78,409	(68,355)	(22,000)	205,171	(100,117)	(66,855)	(22,000)	(47,605)	(79,523)	(22,000)	(66,855)	257,353	(77,880)	(22,000)
Cash - closing		<b>665,080</b>	<b>596,725</b>	<b>574,725</b>	<b>779,897</b>	<b>679,780</b>	<b>612,925</b>	<b>590,925</b>	<b>543,320</b>	<b>463,797</b>	<b>441,797</b>	<b>374,942</b>	<b>632,295</b>	<b>554,415</b>	<b>532,415</b>

Kaden Energy Ltd.

*Wes Siemens*

Per: Wes Siemens

Date: May 6, 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. April and May revenues related to the Kakwa area (to be collected in the subsequent month) will be impacted negatively due to a planned two to four week pipeline and gas facility outage by Pembina, in addition to Spring-Break up at Smoky. Kakwa is currently anticipated to be shut-down completely for approximately three weeks from the end of April and into May (as outlined by the plant operator) thus the projected revenues are adjusted for this.

April revenue was short by \$215,770, due to a billing issue with Cenovus, however, we are expecting to receive those funds the week of May 6.

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 prefilling 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

We intend on seeking Court approval for the expenditures of overriding royalties to be paid to Arc Resources and Kaden Energy Corp (Azumith Capital), for amounts owed related to the most current invoice (February 2024), however payment of such amounts will be subject to approval of the Court. The amount included in "Critical vendors & employees" relates to an additional amount to a critical supplier which is approved to be paid by the Court with the Proposal Trustee's approval, and this amount has been approved by the Proposal Trustee.

9

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 14th day of March 2024, consisting of a 14 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 6th day of March 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 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:

Note 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. April and May revenues related to the Kakwa area (to be collected in the subsequent month) will be impacted negatively due to a planned two to four week pipeline and gas facility outage by Pembina, in addition to Spring-Break up at Smoky. Kakwa is currently anticipated to be shut-down completely for approximately three weeks from the end of April and into May (as outlined by the plant operator) thus the projected revenues are adjusted for this.

April revenue was short by \$215,770, due to a billing issue with Cenovus, however, we are expecting to receive those funds the week of May 6.

Note 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.

Note 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

Note 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.

Note 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.

Note 6

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

Note 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.

Note 8

We intend on requesting Court approval for the expenditures of overriding royalties to be paid to Arc Resources and Kaden Energy Corp (Azumith Capital), for amounts owed related to the most current invoice (February 2024), however payment of such amounts will be subject to approval of the Court. The amount included in "Critical vendors & employees" relates to an additional amount to a critical supplier which is approved to be paid by the Court with the Proposal Trustee's approval, and this amount has been approved by the Proposal Trustee.

Note 9

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 6th day of March 2024.

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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 updated statement of projected cash flow of Kaden Energy Ltd., as of the 6th day of May 2024, consisting of a 14 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 8th day of May 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed  
Insolvency Trustee



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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 Updated 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:

Note 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. April and May revenues related to the Kakwa area (to be collected in the subsequent month) will be impacted negatively due to a planned two to four week pipeline and gas facility outage by Pembina, in addition to Spring-Break up at Smoky. Kakwa is currently anticipated to be shut-down completely for approximately three weeks from the end of April and into May (as outlined by the plant operator) thus the projected revenues are adjusted for this.

April revenue was short by \$215,770, due to a billing issue with Cenovus, however, we are expecting to receive those funds the week of May 6.

Note 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.

Note 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

Note 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.

Note 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.

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

Note 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.

Note 8 - We intend on requesting Court approval for the expenditures of overriding royalties to be paid to Arc Resources and Kaden Energy Corp (Azumith Capital), for amounts owed related to the most current invoice (February 2024), however payment of such amounts will be subject to approval of the Court. The amount included in "Critical vendors & employees" relates to an additional amount to a critical supplier which is approved to be paid by the Court with the Proposal Trustee's approval, and this amount has been approved by the Proposal Trustee.

Note 9 - 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 July 31.

Dated at the City of Calgary in the Province of Alberta, this 8th day of May 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed  
Insolvency Trustee



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