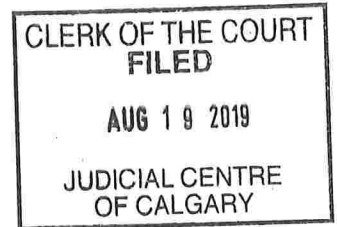


COURT FILE NUMBER BK NO: 25-2523592
COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY
PROCEEDING IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
OAN RESOURCES LTD.



DOCUMENT

**AFFIDAVIT IN SUPPORT OF
SECOND EXTENSION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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File No. 445340.000001

AFFIDAVIT OF DAVID FRICKER

(Sworn August 19, 2019)

I, **DAVID FRICKER**, of the City of Calgary, in the Province of Alberta, businessman, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President and a Director of OAN Resources Ltd. ("OAN") and as such, I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, in which case I verily believe the same to be true.
2. I previously swore an Affidavit in these proceedings on June 28, 2019 (the "First Affidavit"). Unless otherwise indicated, capitalized terms used herein have the meanings ascribed to them in my First Affidavit.

Background

3. OAN is a privately held company, with its registered office in Calgary, Alberta. OAN carries on business as a producer and/or operator of oil and gas assets in the Panny River Area in Northern Alberta.

4. As detailed in my First Affidavit, OAN's primary secured creditors are debentureholders (the "**Debentureholders**") totaling \$ 3,300,000 (plus interest accruing thereon).
5. On June 14, 2019, OAN filed a Notice of Intention to Make a Proposal (an "**NOI**") under Section 50.4 of the *Bankruptcy and Insolvency Act* ("**BIA**"). OAN engaged Hardie & Kelly Inc. as trustee under the proposal to be made to creditors (the "**Proposal Trustee**").
6. On July 8, 2019, OAN applied to the Court for an extension of the period for the filing of a proposal (the "**Proposal**") under the *BIA*, which was to expire on July 14, 2019. Prior to making that application, OAN had undertaken various activities and investigations aimed at presenting a viable Proposal to its creditors, as set out at paragraph 10 of my First Affidavit. However, OAN required additional time to prepare and file its Proposal.
7. By an Order pronounced by the Honourable Madam Justice B.E.C. Romaine, on July 8, 2019, the Court granted OAN a 45-day extension of the period for the filing of a Proposal to August 28, 2019 (the "**Initial Extension**").

Activities Since the Initial Extension

8. Since being granted the Initial Extension, OAN has continued to diligently, and in good faith, pursue activities aimed at preparing and issuing a viable Proposal. These further activities include:
 - a) OAN, with its professional advisors and the Proposal Trustee, conducted a detailed and thorough analysis of its financial position and liquidity, including by preparing various cash flow models;
 - b) OAN met with its professional advisors and the Proposal Trustee to analyze in detail possible ways in which a viable Proposal could be structured;
 - c) As a result of OAN's aforesaid efforts, OAN determined reluctantly that, despite its best efforts, it would not have the financial ability to make a viable Proposal unless OAN was able to secure third party funding;
 - d) Accordingly, OAN reached out to certain of the Debentureholders to canvass the possibility of securing additional funds from them to make a viable Proposal possible;

- e) I am informed by Mr. John Wright (“**Wright**”), a major Debentureholder, that the Debentureholders then immediately retained legal counsel and commenced their own investigation into the appropriate remedies available to the Debentureholders; and finally,
 - f) In or around the same time, the Debentureholders advanced additional funding to enable the Proposal Trustee to engage an appraiser to independently value OAN’s assets. The Proposal Trustee engaged Sayer Energy Advisors (“**Sayer**”), a leading oil and gas advisory firm based in Calgary, Alberta, to appraise OAN’s assets. Sayer issued its report to the Proposal Trustee on August 16, 2019, on a confidential basis (the “**Sayer Report**”).
9. I have been informed by Wright that the Debentureholders require additional time in order to assess whether they would commit to funding a viable Proposal. While the Debentureholders are entitled to apply for a receiver to be appointed over the property and undertaking of OAN, I am informed by Wright that the Debentureholders are considering a restructuring of OAN, which would avoid a bankruptcy, should further investigation and analysis prove such a restructuring to be feasible. Specifically, I understand from Wright that the Debentureholders require time to make an assessment of the value of OAN’s assets, consider the claims of lien claimants and other stakeholders, and are awaiting professional advice regarding the impact of a restructuring on OAN’s tax pools. Should such funding be forthcoming from the Debentureholders, it is OAN’s intention to make a viable Proposal, which would include an offer to compromise the claims of lien claimants as well as a distribution of funds to the remaining unsecured creditors of OAN.
10. I am informed by OAN’s legal counsel that, in the absence of an extension to the period for the filing of a Proposal, OAN will be deemed to have made assignment into bankruptcy and I expect that the Debentureholders will apply for the appointment of a receiver. I do verily believe that in such event there will be no money available for the unsecured creditors, the total of which claims is approximately \$ 2,786,680.42, as I noted in my First Affidavit.
11. I am therefore concerned that a deemed assignment into bankruptcy of OAN, before it can complete its consultations and negotiations with the Debentureholders will prejudice OAN’s creditors.
12. In addition to the activities detailed at paragraph 8 above, since the Initial Extension, OAN has also:
- a) Continuously updated its cash flow statements, and OAN’s most recent cash flow statement is attached hereto as Exhibit “A”;

- b) Notified and responded to queries of various creditors, and other stakeholders, regarding the impact of the NOI; and
 - c) Continued to carry on its business.
13. Should the Debentureholders confirm that they will fund a viable Proposal, OAN will diligently proceed to finalize and file a viable Proposal, and will thereafter schedule a meeting of creditors to consider the Proposal in accordance with the *BIA*.

OAN's Application

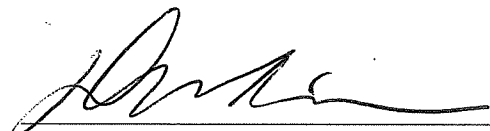
14. The current stay of proceedings expires on August 28, 2019. In order to continue to work towards the formulation and filing of a viable Proposal, OAN requests a second extension of the period for the filing of a Proposal of 45 days, to October 12, 2019.
15. I understand that the Proposal Trustee supports OAN's application for a second extension. Moreover, for the reasons given above, I do verily believe that no creditors would be materially prejudiced if a second extension is granted to OAN.
16. I am also informed through the Debentureholders' legal counsel that the Debentureholders support OAN's application for a second extension.
17. I understand from the Proposal Trustee that the information concerning OAN in the Sayer Report is commercially sensitive, for the reasons which the Proposal Trustee will address in its Second Report, which could prejudice OAN's financial restructuring if it was widely disseminated.
18. I make this Affidavit in support of the Application of OAN for an extension of the period for filing a Proposal, and related relief, and for no improper purpose.

SWORN BEFORE ME at the City of)
 Calgary, in the Province of Alberta, this)
19th day of August 2019.)

_____)
 _____)

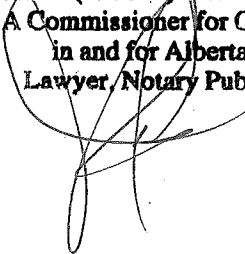
A Commissioner for Oaths in and for
 Alberta

JOHN (JACK) MASLEN
 A Commissioner for Oaths
 in and for Alberta
 Lawyer, Notary Public


 _____)
 DAVID FRICKER

This is Exhibit "A" referred to
in the Affidavit of David Fricker
Sworn before me this 19 day of August, 2019

JOHN (JACK) MASLEN
A Commissioner for Oaths
in and for Alberta
Lawyer, Notary Public

A handwritten signature in black ink, appearing to read "John (Jack) Maslen", is written over the printed name and title of the Commissioner for Oaths.

OAN Resources Ltd.
Cash Flow forecast
(Unaudited - prepared by management)

Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11
	12-Aug-19	19-Aug-19	26-Aug-19	2-Sep-19	9-Sep-19	16-Sep-19	23-Sep-19	30-Sep-19	7-Oct-19	14-Oct-19	21-Oct-19
Receipts											
Production revenues	-	-	70,882	-	-	-	80,434	-	-	-	77,311
			70,882	-	-	-	80,434	-	-	-	77,311
Disbursements											
Royalties (Fairfax GORR and Gunnar NPI)			(353)	(1,691)				(1,490)			(1,765)
OPEX			(44,427)								
Payments to Critical Suppliers for pre-filing debt											
Current Expenses											
Effluent Transportation and Handling			(11,008)				(43,000)				(38,547)
Field Operators		(3,990)	(15,250)				(9,000)				(6,500)
Repairs and Maintenance	(1,802)		(350)				(350)				(350)
Micromotion Sales Meter	(18,284)		(32)				(32)				(32)
Surface and Mineral Lease Rentals							(1,344)				(200)
Fuel and Lubricants		(853)	(200)				(200)				(200)
G&A											
Management Consulting			(15,540)				(15,540)				
Rent and parking				(5,373)				(5,373)			
Software, phone, internet	(706)			(5,051)				(2,681)			(2,681)
Office supplies	(818)										
Other consultant expenses			(266)								(266)
Bank Fees			(20)	(175)				(175)			(20)
Restructuring	(32,555)	(16,428)	(17,500)		(6,000)						
	(53,965)	(21,281)	(104,547)	(12,290)	(6,000)		(106,089)	(9,720)			(52,362)
Net cash inflow (outflow)	(53,966)	(21,281)	(34,064)	(12,290)	(6,000)		(25,634)	(9,720)			24,949
Cash - beginning	163,827	109,861	88,580	54,516	42,226	36,226	36,226	10,592	872	872	872
Cash - closing	109,861	88,580	54,516	42,226	36,226	36,226	10,592	872	872	872	25,921

OAN Resources Ltd.

Per:

16-Aug-19

Notes regarding assumptions:

- 1 Net oil sales revenues from sales of crude oil. Revenue from prior month is received on the 25th day of the current month. Amount of revenue has been estimated based on:
 Pricing is based on forecast price information provided by Macquarie, which markets and sells the Company's oil
 Production is forecast net of crown royalties taken in kind, by analyzing historical production for wells currently operating and applying appropriate decline factors for each well, which is an industry accepted and common means of production forecasting.
- 2 Gross Overriding Royalty (GORR) to Fairfax Energy and Gunnar Resources
- 3 Reflects remaining pre-filing amounts owing to Critical Suppliers as designated in Court Order dated July 8, 2019.
- 4 Processed oil and effluent which passes through batteries, pipelines, and processing facilities are charged on a fixed rate per m3 of fluid. This is invoiced by way of Joint Interest Billing 60-90 days after it is incurred
- 5 Crinson Oil & Gas provide contract field operations services for daily well monitoring and servicing, which is invoiced by way of Joint Interest Billing 60-90 days after it is incurred. Each well and facility is charged a fixed rate per month
- 6 Estimated monthly cost for wellsite based on industry averages. It is assumed that this will be required to be paid on a COD basis
- 7 Average monthly cost for use of data services to monitor micromotion sales meter. Located at the 16-24 lease. It is assumed that this will be required to be paid on a COD basis
- 8 Week 1 reflects post-filing portion of annual invoice for Mineral Leases, payable to the Government of Alberta and Administration Fees, payable to Alberta Energy Regulator
- 9 Estimated cost for fuel and lubricant supplies, based on industry averages. It is assumed that this will be required to be paid on a COD basis
- 10 Certain management salaries are reduced throughout the period in order to ensure funds are available to meet cash flow obligations. This plan has been agreed to by members of the management team.
- 11 Monthly rent for office based on contractual amount.
- 12 Monthly charges for accounting software, Cloud and Back-up service, internet and phone, including 24 hour phone service
- 13 Office supplies purchased on an as needed basis and paid COD
- 14 Bi-monthly payments to consultants for regulatory filings and production accounting services
- 15 Automatic bank debits based on historical costs
- 16 Anticipated payments to legal counsel and Proposal Trustee related to proposal proceedings. Amounts reflect cash cost projections and allows for utilization of refiners at end of process.