



COURT FILE NUMBER 25-2703459

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT **THIRD REPORT OF THE PROPOSAL TRUSTEE IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SALT BUSH ENERGY LTD.**

AND IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMMENDED ("CCAA") AS PROPOSED MONTIOR OF SALT BUSH ENERGY LTD. UNDER THE CCAA

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Table of Contents

Introduction	1
Purpose	1
Terms of Reference	2
Activities of SBE since the Second Report	2
Purchase of Point Loma Assets	2
SISP and Stalking Horse APA	3
Activities of Proposal Trustee since the Second Report	4
Proposed Alternative Transaction	5
Qualifications to act as Monitor	6
Interim Financing Facility	6
The Charges	7
Cash Flow	7
Variance Analysis	8
Fees and disbursements of the Proposal Trustee	9
Conclusions and Recommendations	9

Appendices

- Appendix "A" First Extention Order dated February 12, 2021
- Appendix "B" Second Extention Order dated March 26, 2021
- Appendix "C" Quit Claim Agreement dated March 31, 2021
- Appendix "D" Statement of Projected Cash Flow of the period May 2, 2021 to August 1, 2021
- Appendix "E" Cash Flow Variance Analysis for the period January 24, 2021 to August 1, 2021
- Appendix "F" Summary of Proposal Trustee's Fees
- Appendix "G" Summary of Proposal Trustee's Legal Counsel's Fees

Introduction

1. On January 13, 2021 (the "**Date of Filing**") Salt Bush Energy Ltd. ("**SBE**" or the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* (the "**BIA**"). Deloitte Restructuring Inc. ("**Deloitte**") consented to act as proposal trustee under the NOI (the "**Proposal Trustee**").
2. SBE is a private corporation incorporated in the Province of Alberta on April 5, 2017 and is the wholly owned subsidiary of Whitebark Energy Ltd. ("**Whitebark**"). SBE is a small Canadian resource company engaged in the production and development of oil and natural gas assets primarily in the Wizard Lake Oilfield in the province of Alberta.
3. On January 22, 2021 the statement of projected consolidated cash flow for the 13-week period ending April 18, 2021 (the "**First Cash Flow**") was filed for the Company. On February 2, 2021, the Proposal Trustee received an updated cash flow for the 13-week period ending May 2, 2021 (the "**Second Cash Flow**"). On March 8, 2021, the Proposal Trustee received an updated cash flow for the 13-week period ending June 6, 2021 (the "**Third Cash Flow**").
4. The Company is required to file a proposal within the initial stay period or within any further extension of that period granted by the Court of Queen's Bench of Alberta (the "**Court**"). The Company was initially granted a 30 day stay of proceedings until February 12, 2021 pursuant to section 69(1) of the BIA upon filing the NOI (the "**Initial Stay Period**").
5. On February 4, 2021, the first report of the Proposal Trustee (the "**First Report**") was filed in support of the February 12, 2021 application to the Court for a 45 day extension to the stay of proceedings pursuant to section 50.4(9) of the BIA, extending the Initial Stay Period from February 12, 2021 up to and including March 29, 2021 (the "**First Extension Period**") and the approval of the proposed SISP and the Stalking Horse APA with Ironbark Energy Ltd. (the "**Stalking Horse Purchaser**"). A copy of the order issued by the Court on February 12, 2021 is attached as **Appendix "A"** (the "**First Extension Order**").
6. On March 16, 2021, the second report of the Proposal Trustee (the "**Second Report**") was filed in support of the March 26, 2021 application to the Court for a 45 day extension to the stay of proceedings pursuant to section 50.4(9) of the BIA, extending the Initial Stay Period from March 29, 2021 up to and including May 13, 2021 (the "**Second Extension Period**"). A copy of the order issued by the Court on March 26, 2021 is attached as **Appendix "B"** (the "**Second Extension Order**").
7. The Proposal Trustee understands that an extension application was made and granted to extend the Initial Stay Period from May 13, 2021 up to and including May 21, 2021. The Company and Proposal Trustee are awaiting the filed copy of the order from the Court.
8. The First Extension Order, Second Extension Order and Third Extension Order and related court documents, together with the Notice to Creditors, the First Report, Second Report, and this third report of the Proposal Trustee (the "**Third Report**") have been posted on the Proposal Trustee's website (the "**Proposal Trustee's Website**") at www.insolvencies.deloitte.ca/en-ca/Pages/Salt-Bush-Energy-Ltd.
9. Capitalized terms not otherwise defined herein are defined in the Company's originating application materials and the First Report and Second Report.

Purpose

10. The purpose of this Second Report is to provide this Honourable Court with information on the following matters:
 - a) The activities of the Company since the Second Report;

- b) The activities of the Proposal Trustee since the Second Report including the administration of the Sales and Investment Solicitation Process ("**SISP**");
- c) The conversion of these NOI proceeding to a CCAA Proceeding, as defined later in this Third Report, under Part III of the BIA in order to expedite the restructuring process initiated by the Company;
- d) Deloitte's qualifications to act as monitor under the CCAA;
- e) The Company's updated weekly cash flow forecast on a consolidated basis for the period May 3, 2021 to July 25, 2021 (the "**Fourth Cash Flow Forecast**");
- f) The Company's reported actual receipts and disbursements for the period January 24, 2021 to May 2, 2021; and
- g) The details of the fees and disbursements of the Proposal Trustee and its counsel.

Terms of Reference

- 11. In preparing this Third Report, the Proposal Trustee has relied on unaudited financial information, the books and records of the Company and discussions with the Company's employees, interested parties, and stakeholders.
- 12. The Company's financial information has not been audited, reviewed or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Third Report may not disclose all significant matters about the Company. Additionally, none of the Proposal Trustee's procedures were intended to disclose defalcations or other irregularities. If the Proposal Trustee were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have to come to the Proposal Trustee's attention. Accordingly, the Proposal Trustee does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this Third Report.
- 13. Some of the information referred to in this Third Report consists of forecasts and projections, which were prepared based on management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the projected results. The reader is cautioned that the actual results will likely vary from forecasts or projections, even if the assumptions materialize, and the variations could be significant.
- 14. The Proposal Trustee prepared this Third Report in its capacity as a court appointed officer in support of the motion described herein. The reader is cautioned that this Third Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.
- 15. All dollar amounts in this Third Report are in Canadian dollars, unless otherwise indicated.

Activities of SBE since the Second Report

Purchase of Point Loma Assets

- 16. Subsequent to the Date of Filing, the Company entered into negotiations of the proposed purchase agreement with BDO Canada Limited ("**BDO**"), who is the Court-appointed receiver of Point Loma Resources Ltd. ("**Point Loma**"), to acquire certain Point Loma assets in the Wizard Lake Oilfield, increasing the Company's ownership percentage in those assets by way of the quit claim agreement (the "**Proposed**

Purchase Agreement”). The Proposed Purchase Agreement attached hereto as **Appendix “C”** was dually executed on March 31, 2021.

17. Both the Company and Whitebark are of the view that Point Loma acquisition pursuant to the Proposed Purchase Agreement will increase the future value of SBE’s existing assets.
18. As at the date of this Third Report the quantum of potential liabilities and cure costs has yet to be confirmed; however, the Proposal Trustee understands that SBE would facilitate the payment of any such costs incurred at the time of closing the Point Loma acquisition which is not expected to materially impact SBE’s cash flow or financial position.
19. The Proposal Trustee notes that it is required to report to the Official Receiver, the creditors and the Court any material adverse change in the Company’s cash flow or financial position. In the event the Proposed Purchase Agreement causes such a change, the Proposal Trustee will report thereon to the Official Receiver, the Court, and the creditors.

SISP and Stalking Horse APA

20. The SISP contemplated a two-phase process that was conducted by the Proposal Trustee over a nine-week period.
21. The first phase consisted of a marketing and bid solicitation process (“**Phase I**”) to be followed by a determination by the Proposal Trustee as to whether any qualified bids (as defined by the SISP) were submitted to the Proposal Trustee. If there were any qualified bids received by the Proposal Trustee at the conclusion of Phase I, the Proposal Trustee was to extend invitations to the qualified bidders and the Stalking Horse Purchaser to attend an auction process (the “**Phase II Auction**”).
22. The timeline established for the SISP is summarized below:

Phase/ Event	Estimated Timing	Description of Activities
SISP Order	February 12, 2021	Court grants an Order approving the SISP.
SISP Commencement Date	February 15, 2021	Notice of the SISP will be published in the Globe and Mail and / or other agreed upon publications.
Phase I	To last for a period of 60 days following the SISP Commencement Date	Solicitation of either the: (i) Definitive Restructuring Agreement, (ii) Definitive Asset Stalking horse APA, or (iii) Definitive Hybrid Agreement as defined in the SISP (collectively the “ Definitive Agreements ”) to invest in the Companies or to purchase the Companies’ assets.
Phase I Bid Deadline	April 16, 2021	Definitive Agreements must be submitted by the specified deadline.
Assessment of Definitive Agreements	Within 3 business days of the Phase I Bid Deadline	Definitive Agreements will be considered in regard to the requirements of the SISP and qualified bidders will be advanced to Phase II Auction.
Phase II Auction	To be held between April 21 and April 28, 2021	Qualified bidders will participate the Phase II Auction as contemplated in the SISP.

Closing of any successful bid / proposal	May 17, 2021	To occur on the agreed upon date subject to Court approval of a BIA Proposal or an asset purchase agreement.
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23. As described in the First Report, the Stalking Horse Purchaser is a wholly owned Canadian subsidiary of Whitebark and is thus related to the Company. The Proposal Trustee also noted in the First Report that: i) the proposed break fee of \$75,000 (the "**Break Fee Charge**") was fair and reasonable in the circumstances given the efforts undertaken by the Stalking Horse Purchaser; and ii) the Trustee supported the SISP as it would allow SBE to evaluate opportunities for a potential restructuring and the SISP was to be carried out in a timely manner. A copy of the Stalking Horse APA was appended to the First Report.
24. The Phase I Deadline expired on April 16, 2021 and a summary of Phase I is noted below:
- a) A notice of the SISP was published in the Globe and Mail, the Daily Oil Bulletin, and the BOE report on February 15, 2021;
 - b) A total of 36 information packages were provided to interested parties;
 - c) Nine (9) interested parties signed a confidentiality agreement to gain access to the SISP data room maintained by the Proposal Trustee. The Proposal Trustee responded to due diligence requests from the potential purchasers and their advisors with the assistance of SBE; and
 - d) No qualified bids were received by the Proposal Trustee. Accordingly, the SISP terminated on April 16, 2021 and accordingly the Stalking Horse Purchaser is the successful bidder.

Activities of Proposal Trustee since the Second Report

25. The Proposal Trustee conducted the following activities since the Second Report:
- a) Maintained a website where all materials filed with the Court and all orders made by the Court are available to the public;
 - b) Monitored the Company's cash flows and ongoing reporting of variances on a weekly basis;
 - c) Communicated with creditors, employees and counsel for matters in relation to the NOI proceeding;
 - d) Facilitated Phase I of the overall SISP, which included inter alia:
 - i. Coordinated and obtained non-disclosure agreements ("**NDAs**") from various interested parties;
 - ii. Maintained a data site for interested parties of the SISP;
 - iii. Provided interested parties access to the data site; and
 - iv. Responded to various questions regarding the SISP;
 - e) Corresponded with the Proposal Trustee's legal counsel on various matters relating to the NOI proceeding;
 - f) Communicated with the Alberta Energy Regulator (the "**AER**") in respect of the Alternative Transaction (discussed later in this report);

- g) Prepared and finalized this Third Report; and
- h) Addressed other additional matters as they arose from time to time.

Proposed Alternative Transaction

26. On February 12, 2021, this Honourable Court approved the Stalking Horse APA which contemplated the purchase of all SBE assets for a purchase price of \$2 million comprising cash of \$336,000, outstanding cure costs, administrative charges (as defined in the APA) and SBE's parent company foregoing any distributions it is entitled to receive in any SBE restructuring.
27. The Stalking Horse Purchaser has requested the Company and the Proposal Trustee consider an alternative transaction structure that; (i) minimizes costs associated with closing of the transaction and the transfer of the SBE assets to the Stalking Horse Purchaser; and (ii) preserves beneficial tax characteristics associated with the shares of the Company (the "**Alternative Transaction**").
28. The Alternative Transaction structure proposed by the Stalking Horse Purchaser is in the form of a reverse vesting order ("**RVO**") to facilitate closing of the transaction with the Stalking Horse Purchaser. Pursuant to the RVO, SBE's liabilities are vested out to a new corporate entity 2345141 Alberta Inc. ("**ResidualCo**") while the assets are maintained in the existing corporate entity. The economic result for SBE's creditors is the same under either transaction and the recovery to SBE's creditors will not be impacted. It should be noted that all environmental oil and gas end of life obligations or other environmental liabilities associated with oil and gas production will not be transferred from SBE to ResidualCo. As summary of the RVO is as follows:
 - a) The NOI proceedings will be continued as proceeding under the *Companies Creditor Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**"), with the Proposal Trustee appointed as the monitor of SBE (the "**Proposed Monitor**");
 - b) The Stalking Horse Bid will be approved as the highest and best offer under the SISP but will not proceed on the terms originally proposed, and instead, as part of its application for an Initial Order under the CCAA, SBE will seek the RVO. Pursuant to the RVO and Initial Order:
 - i. The Stalking Horse Purchaser or its representative will be added as an applicant in the CCAA Proceedings;
 - ii. The liabilities of SBE will be transferred to ResidualCo, by way of reverse vesting, while SBE will retain its assets free and clear of all claims and encumbrances other than the environmental liabilities as noted in paragraph 27 (collectively the "**Claims**");
 - iii. The consideration contemplated in the Stalking Horse Bid as amended (collectively the "**Purchase Price**") will be paid on the same terms set out therein, including the satisfaction of amounts outstanding under the Administration Charge (if any), the payment of the cash component and the delivery to the Proposed Monitor and SBE of a direction that all dividends or distributions that Whitebark would be entitled to shall be paid for the benefit of the unsecured creditors of SBE;
 - iv. All Claims will have the same value, classification, and priority, as against the Purchase Price held by the Stalking Horse Purchaser, as they would have against the Purchase Price held by SBE as if the Stalking Horse Bid were effected under a sale and vesting order, and such Claims will be forever barred and extinguished as against SBE;
 - c) The Proposed Monitor's certificate certifying that the transaction contemplated in the RVO has been completed will be filed immediately following the granting of the RVO, and upon such filing,

the CCAA Proceedings will terminate (it being contemplated that all items required for closing will be delivered into escrow to be released upon filing the Proposed Monitor's Certificate),

- d) Following the filing of the Proposed Monitor's certificate, ResidualCo will be authorized and directed to immediately assign itself into bankruptcy and a bankruptcy will initiate, wherein a claims process will be administered for the \$336,000 in cash as part of the purchase price of SBE's assets.
29. The Initial Order further modifies the Monitor's notice requirements to creditors under the CCAA to permit the Monitor to serve the filings, notices and other materials in respect of the CCAA Proceedings at the same time as the filings, notices and other materials in respect of ResidualCo's bankruptcy proceedings in order to reduce administrative costs and avoid creditor confusion. The Initial Order further waives the need for the Monitor to file the requisite newspaper notices following the Initial Order given that the CCAA Proceedings are contemplated to only last a single day.
 30. The RVO further contemplates that a potential levy payable to the Office of the Superintendent of Bankruptcy under the NOI Proceedings or CCAA Proceedings will not be payable as the \$336,000 in cash as part of the purchase price of SBE's assets will be distributed to creditors in the bankruptcy proceedings of ResidualCo. The Proposal Trustee considers this appropriate as distribution to creditors will occur within the bankruptcy of ResidualCo.
 31. The Alternative Transaction allows for the Stalking Horse APA to be completed more efficiently but on the same economic terms. Moreover, it:
 - a) Allows SBE to continue operations in the normal course while preserving certain beneficial tax attributes;
 - b) Avoids the need to seek regulatory approval of the transfer of the various licenses with the AER. The Proposal Trustee is advised by the AER that it is not taking a position on the Alternative Transaction; and
 - c) Minimizes transactional costs associated with the closing of the Stalking Horse APA and the transfer of assets to the Stalking Horse Bidder.

Qualifications to act as Monitor

32. Deloitte is a licensed insolvency trustee within the meaning of section 2(1) of the BIA. In addition, Deloitte is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.
33. Deloitte has consented to act as monitor should the Court grant the Applicants' request for relief in the CCAA Proceedings.
34. The Proposed Monitor has retained Dentons Canada LLP ("**Dentons**") to act as its independent legal counsel (the "**Monitor's Counsel**"). Dentons has also been acting as counsel to Deloitte in its capacity as Proposal Trustee in the NOI proceedings.

Interim Financing Facility

35. The Interim Financing Facility, as defined in the First Report and granted in the NOI Proceedings is contemplated to be continued under the proposed CCAA Proceedings to allow SBE to continue operating during the CCAA Proceedings.

The Charges

36. The Administration Charge of \$150,000, the Interim Financing Charge of \$150,000, and the Break Fee Charge of \$75,000 (collectively the "**Charges**") as defined in the First Report granted in the NOI proceedings is contemplated to be continued under the proposed CCAA Proceedings to ensure that the fees and expenses of the administrative professionals are protected and will allow SBE to continue to operate during the CCAA Proceedings. The Administration Charge will further attach to ResidualCo's assets.
37. The Interim Financing Charge will form a second charge over SBE'S assets, undertaking and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof, ranking behind the Administrative Charge.
38. The Break Fee Charge will form a third charge over SBE'S assets, undertaking and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof, ranking behind the Administrative Charge and the Interim Financing Charge.

Cash Flow

39. On April 28, 2021, the Proposal Trustee received the Fourth Cash Flow forecasts receipts and disbursements for the period ending August 1, 2021. A copy of the Fourth Cash Flow is attached hereto as **Appendix "D"**.
40. The Proposal Trustee has reviewed the Fourth Cash Flow Forecast and noted that the assumptions used for the Third Cash Flow are similar to the Fourth Cash Flow Forecast. Key differences between the Third Cash Flow and the Fourth Cash Flow Forecast are as follows:
 - a) The Fourth Cash Flow extends the period up to the week ending August 1, 2021 to cover the proposed CCAA period;
 - b) Increased production volumes and pricing in natural gas and natural gas liquids; and
 - c) Timing differences related to certain disbursements.
41. The highlights of the Fourth Cash Flow are summarized below:
 - a) The Company forecasts net receipts of \$258,000 from oil and gas production; and
 - b) The Company forecasts total disbursements of \$526,000, which consists of the following:
 - i. Corporate G&A of \$102,000 including consulting fees and office rent. SBE currently contracts approximately eight (8) consultants, which includes both head office and field staff. SBE does not have any employees;
 - ii. Operating costs of \$41,000, which includes disposal water trucking, regular equipment maintenance, safety and environmental, small tools and equipment, and supplies used in day to day operations;
 - iii. Equipment rental of \$129,000;
 - iv. Other expenses of \$48,000, which includes property taxes, insurance, overhead costs, and a contingency of \$45,000; and
 - v. Professional fees of \$162,000.

Variance Analysis

42. Below illustrates the variance between forecasted results from the Third Cash Flow and actual results for the weeks ending January 24, 2021 and May 2, 2021 (the "Variance Period"). A summary of the Variance Period is attached hereto as **Appendix "E"**.

Week Ending Week	Total (15 weeks)		
	Forecast	Actual	Variance
<i>\$'000</i>			
Receipts			
Oil netback	280	404	124
Natural Gas netback	154	186	32
NGL netback	44	82	42
Other revenues	-	43	43
Total receipts	478	715	242
Disbursements			
Operating expenses	(34)	(46)	(12)
Equipment rental	(156)	(152)	4
Corporate G&A	(213)	(180)	33
Other expenses	(71)	(28)	37
Professional fees	(308)	(93)	215
Total disbursements	(782)	(499)	277
Projected Cash Flow	(304)	216	519

43. Key differences to the Variance Period are generally due to the following:

- Higher than expected production volumes and increased gas prices resulted in gross revenues totalling approximately \$199,000 which is partially offset by higher than projected processing fees and royalties of approximately \$1,000, which are both permanent differences resulting in a net receipts variance of approximately \$198,000;
- Higher than expected other revenues of approximately \$43,000, \$8,000 related to the sale of under-utilized equipment to a third party and approximately \$35,000 in GST refunds. This is a permanent change;
- Lower than projected Corporate G&A of \$33,000 related to a delay in payment to field consultants, which is a timing difference;
- Lower than projected other expenses of \$37,000 reflects the unutilized contingency, which is a permanent variance; and
- Lower than projected professional fees of \$215,000 with respect to the restructuring efforts of SBE, which is a permanent difference.

44. The Proposal Trustee reviewed the Fourth Cash Flow Forecast to the standard required by section 50.4(2) of the BIA. Section 50.4(2) requires the Proposal Trustee to review the debtor's cash flow statement as to its reasonableness and to file a report with the Office of Superintendent of Bankruptcy on the Proposal Trustee's findings. The Canadian Association of Insolvency and Restructuring Professional's Standards of Professional Practice include a standard for proposal trustees fulfilling their statutory responsibilities under the BIA in respect of a Proposal Trustee's report on the cash flow forecast.

45. The Proposal Trustee's review consists of inquiries, analytical procedures and discussions with management and employees of SBE. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedure with respect to them were limited to evaluating whether they were consistent with the purpose of the Fourth Cash Flow Forecast. The Proposal Trustee also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Fourth Cash Flow Forecast.

46. Based on the review of the Fourth Cash Flow Forecast, 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 Fourth Cash Flow Forecast;
 - b) As of the date of the Third Report, the probable assumptions developed by management are not suitably supported and consistent with plans of the Company or do not provide a reasonable basis for the Fourth Cash Flow Forecast; or
 - c) Fourth Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Fees and disbursements of the Proposal Trustee

47. The Proposal Trustee and its legal counsel, Dentons, have maintained detailed records of the professional time and costs incurred since the Date of Filing. Pursuant to the First Extension Order, the Court granted an administration charge of \$150,000 to secure the fees and disbursements of the proposal Trustee, its counsel, and SBE's counsel.
48. The Receiver's fees and disbursements in relation to the administration of the NOI up to and including May 10, 2021 total approximately \$97,000 (excluding GST). A summary of the fees and disbursements is attached hereto as **Appendix "F"**. The Proposal Trustee estimates it will incur an additional \$15,000 to conclude these NOI proceedings and the CCAA Proceedings.
49. The Proposal Trustee's legal counsel's cumulative fees and disbursements on this matter total approximately \$12,200 (excluding GST) to April 30, 2021. The accounts of the Proposal Trustee's legal counsel are calculated based on hours spent at rates established by each professional based on their qualifications and experience. A summary of the fees and disbursements is attached hereto as **Appendix "G"**. Denton's estimated additional fees in the amount of approximately \$13,000 will be incurred to conclude these NOI proceedings and the CCAA Proceedings.
50. In the Proposal Trustee's opinion, the services rendered in respect of these fees and disbursements have been duly rendered in response to required and necessary duties of the Proposal Trustee hereunder and are fair and reasonable in the circumstances. The Proposal Trustee kindly requests that this Honourable Court approve its fees and disbursements and those of its legal counsel, or otherwise set a date for approval of such fees and disbursements and the discharge of the Proposal Trustee.
51. The CCAA proceedings are contemplated to commence and terminate within a single day, however, the Proposal Trustee may have some additional costs with respect to the administration of the estate of the Company prior to an anticipated bankruptcy of ResidualCo. At this time such costs are not anticipated to be extensive. The Proposal Trustee kindly requests that this Honourable Court dispense with the Proposed Monitor's need to approve any of its and its legal counsel's further fees and disbursements following the date of the Initial Order under the CCAA to avoid additional costs to the estate of SBE to seek such approvals.

Conclusions and Recommendations

52. Based on the Proposal Trustee's review of the Company's operations and restructuring efforts as of the date of this Third Report, the Proposal Trustee is of the view that SBE continues to act in good faith and with due diligence and is cooperating with the Proposal Trustee.
53. Based on the foregoing, the Proposal Trustee/Proposed Monitor respectfully recommends that this Honourable Court issue and order, *inter alia*:
- a) Converting SBE's NOI proceedings to CCAA Proceedings;

- b) Approving the continuation under the proposed CCAA Proceedings of the Charges over SBE's assets in favour of the administrative professionals, which charges were granted in the NOI proceedings;
- c) Approving the proposed Alternative Transaction and corresponding RVO;
- d) Approving the activities of the Proposal Trustee from the date of the Second Report to the date of this Third Report; and
- e) Approving the fees and disbursements of the Proposal Trustee and its legal counsel as set out in this Third Report;
- f) Approving the Proposal Trustees request to dispense with the approval of the Proposal Trustee and its legal counsel's further fees and disbursements in its capacity as Monitor and legal counsel to the Monitor.

* * *

All of which is respectfully submitted at Calgary, Alberta this 10th day of May 2021.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as Trustee under the proposal of
Salt Bush Energy Ltd.,
and not in its personal or corporate capacity

Per:



Bob Taylor, FCPA, FCA, CIRP, LIT
Senior Vice-President

APPENDIX "A"

COURT FILE NUMBER 25-2703459

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY
AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS
AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF SALT BUSH ENERGY LTD.

DOCUMENT **ORDER**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

McCARTHY TÉTRAULT LLP
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DATE ON WHICH ORDER WAS PRONOUNCED: February 12, 2021

LOCATION OF HEARING OR TRIAL: Calgary, Alberta

NAME OF MASTER/JUDGE WHO MADE THIS ORDER: Justice D.B. Nixon

UPON THE APPLICATION of Salt Bush Energy Ltd. (the "**Debtor**"), **AND UPON** having read the Affidavit of David Messina, sworn on February 3, 2021 (the "**Messina Affidavit**"), filed; **AND UPON** having read the First Report of the Proposal Trustee (the "**First Report**"), dated February 4, 2021, filed; **AND UPON** having read the Affidavit of Service of Katie Doran (the "**Service Affidavit**"), to be filed; **AND UPON** hearing counsel to the Debtor, and counsel present for other parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the corresponding Application and the Messina Affidavit is abridged to the date parties were served, the Application is properly returnable today, service of the Application, the Messina Affidavit, and the First Report on the service list prepared by the Debtor and maintained in these proceedings (the "**Service List**"), in the manner described in the Affidavit of Service, is validated, good, and sufficient, and no other persons are entitled to service of the Messina Affidavit or the Application.

DEFINED TERMS

2. Any and all capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Sale and Investment Solicitation Procedures attached as Exhibit "**C**" to the Messina Affidavit (the "**SISP**").

FILING EXTENSION

3. The period of time within which the Debtor is required to file a proposal to its creditors, under section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**"), shall be and is hereby extended up to and including March 29, 2021.

SISP AND STALKING HORSE APA APPROVAL

4. The Debtor and the Proposal Trustee are hereby authorized and empowered, *nunc pro tunc*, to implement the SISP and to proceed, carry out, and implement any corresponding sales, marketing, or tendering processes, including any and all actions related thereto, substantially in accordance with the proposed SISP, and, furthermore, the Debtor is hereby authorized to enter into any resulting agreement(s) or transaction(s) (collectively, the "**SISP Agreements**") which may arise in connection thereto, as the Debtor and the Proposal Trustee determine are necessary or advisable in connection with or in order to complete any or all of the various steps, as contemplated by the SISP.

5. The Debtor is hereby authorized and empowered to enter into, execute, and deliver the Asset Purchase Agreement, dated February 2, 2021 (the "**Stalking Horse APA**"), between the Debtor, as vendor, and Ironbark Energy Ltd. (the "**Stalking Horse Purchaser**"), as purchaser, as

attached as Exhibit "D" to the Messina Affidavit, *nunc pro tunc*, as part of and in the manner contemplated by the SISP.

6. Nothing herein shall act as authorization or approval of the transfer or vesting of any or all of the Debtor's property, assets, or undertakings under any SISP Agreements, the Stalking Horse APA, or otherwise. Such transfer and vesting shall be dealt with and subject to further Order of this Honourable Court.

INTERIM FINANCING

7. The Debtor is hereby authorized and empowered to obtain and borrow under a credit facility from Whitebark Energy Ltd. (in this capacity, the "Interim Lender") in order to finance the continuation of the Debtor's business and the preservation of the Debtor's property, provided that borrowings under such credit facility shall not exceed \$150,000 unless permitted by further Order of this Court.

8. Such credit facility shall be on the terms and subject to the conditions set forth in the draft term sheet between the Debtor and the Interim Lender (the "Term Sheet"), as attached as Exhibit "E" to the Messina Affidavit.

9. The Debtor 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 Commitment Letter or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Debtor is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Term Sheet and the Definitive Documents as and when the same may become due and are to be performed, notwithstanding any other provision of this Order.

10. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "Interim Lender's Charge") on the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). The Interim Lender's Charge shall not secure an obligation that exists before this Order is made. The Interim Lender's Charge shall have the priority set out in paragraphs 17 and 19 hereof.

11. Notwithstanding any other provision of this Order or the BIA:
- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge or any Definitive Documents;
 - (b) upon the occurrence of an event of default under any of the Definitive Documents, the Interim Lender may: (i) immediately terminate the Term Sheet and cancel all commitments thereunder, and shall have no obligation to make any further Advances; (ii) declare that all or part of the advances under and pursuant to the Term Sheet, together with accrued interest, and any or all other amounts accrued or outstanding under the Term Sheet be immediately due and payable, whereupon they shall become immediately due and payable; and (iii) upon seeking an order of the Court on five (5) days prior notice, the Interim Lender may enforce, without further notice, demand or delay, all of its rights and remedies against the Debtor and its Property including, without limitation, by way of appointment of a receiver or receiver and manager; and,
 - (c) the foregoing rights and remedies of the Interim lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Debtor or the Property.
12. The Interim Lender, in such capacity, shall be treated as unaffected in any proposal filed by the Debtor under the BIA, with respect to any advances made under the Definitive Documents.

ADMINISTRATION CHARGE

13. The Proposal Trustee, counsel to the Proposal Trustee, if any, and counsel to the Debtor shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements related to these proceedings), in each case at their standard rates and charges (or pursuant to any alternative or fixed fee agreement between the Debtor and such persons), by the Debtor as part of the cost of these proceedings. The Debtor is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor on a periodic basis and, in addition, the Debtor is hereby authorized *nunc pro tunc* to pay to the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Debtor retainers to

be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

14. The Proposal Trustee and its legal counsel shall pass their accounts from time to time.

15. The Proposal Trustee, counsel to the Proposal Trustee, if any, and the Debtor'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 are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for their professional fees and disbursements incurred at the normal rates and charges of the Proposal Trustee and such counsel (or pursuant to any alternative or fixed fee agreement between the Debtor and such persons), both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 17 and 19 hereof.

BREAK FEE CHARGE

16. The Stalking Horse Purchaser, as security for any and all amounts owing under the Break Fee and the Expense Reimbursement (each as defined in the Stalking Horse APA) incurred both before and after the granting of this Order, shall be entitled to the benefits of and is hereby granted a charge (the "**Break Fee Charge**") on the Property, which charge shall not exceed an aggregate amount of \$75,000 as security for the Break Fee and the Expense Reimbursement (each as defined in the Stalking Horse APA). The Break Fee Charge shall have the priority set out in paragraphs 17 and 19 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

17. 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 \$150,000);

Second – Interim Lender's Charge (up to the maximum amount of \$150,000); and,

Third - Break Fee Charge (up to the maximum amount of \$75,000).

18. The filing, registration or perfection of the Administration Charge, the Interim Lender's Charge, or the Break Fee 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 filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

19. Each of the Administration Charge, the Interim Lender's Charge, and the Break Fee Charge (each as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour 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**"), provided, however, and for further clarity, nothing in this Order shall cause the overriding royalty interest in the Property under the Royalty Agreement (Wizard Lake) made as of August 9, 2019, between Point Loma Resources Ltd. and Source Rock Royalties Ltd. (the "**Source Rock Royalty**"), or right to payment conferred by the Source Rock Royalty, to rank subordinate to the Administration Charge, Interim Lender's Charge, and the Break Fee Charge.

20. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge, the Interim Lender's Charge, or the Break Fee Charge unless the Debtor also obtains the prior written consent of the Proposal Trustee, the Interim Lender, and the beneficiaries of the Administration Charge and the Break Fee Charge, or further order of this Court.

21. The Administration Charge, the Term Sheet, the Definitive Documents, the Interim Lender's Charge, and the Break Fee Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the Interim Lender 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 other 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 Debtor, 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, including the Term Sheet or the Definitive Documents, 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 Chargees 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, the Debtor entering into the Term Sheet, or the execution, delivery or performance of the Definitive Documents; and
 - (iii) the payments made by the Applicant pursuant to this Order, including the Term sheet or the Definitive Documents, 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.

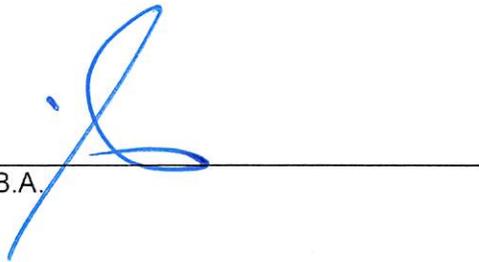
MISCELLANEOUS MATTERS

22. The Debtor and the Proposal Trustee may from time to time apply to this Court to amend, vary, or seek advice, directions, or the approval of any transactions, in connection with the SISP or the discharge of their powers and duties thereunder.

23. Service of this Order by email, facsimile, registered mail, courier or personal delivery to the persons listed on the Service List shall constitute good and sufficient service of this Order,

and no persons other than those listed on the Service List are entitled to be served with a copy of this Order.

J.C.Q.B.A.



APPENDIX "B"

COURT FILE NUMBER B201 703459
25-2703459
COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY



40536

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SALT BUSH ENERGY LTD.

ENTERED

DOCUMENT

ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

McCARTHY TÉTRAULT LLP
Barristers & Solicitors
Sean Collins / Nathan Stewart
Suite 4000, 421 - 7 Avenue S.W.
Calgary, AB T2P 4K9
Phone: 403-260-3531 / 3534
Fax: 403-260-3501
Email: scollins@mccarthy.ca / nstewart@mccarthy.ca

DATE ON WHICH ORDER WAS PRONOUNCED: March 26, 2021
LOCATION OF HEARING OR TRIAL: Edmonton, Alberta
NAME OF MASTER/JUDGE WHO MADE THIS ORDER: Justice D.R. Mah

UPON THE APPLICATION of Salt Bush Energy Ltd. (the "**Debtor**"), **AND UPON** having read the Affidavit of David Messina, sworn on February 3, 2021, and the Affidavit of Charles Morgan, sworn on March 15, 2021 (the "**Morgan Affidavit**"), filed; **AND UPON** having read the First Report of the Proposal Trustee, dated February 4, 2021, and the Second Report of the Proposal Trustee, dated March 16, 2021 (the "**Second Report**"), filed; **AND UPON** having read the Affidavit of Service of Katie Doran, sworn on March 22, 2021 (the "**Service Affidavit**"), filed; **AND UPON** hearing counsel to the Debtor, and counsel present for other parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the corresponding Application, the Second Report, and the Morgan Affidavit is abridged to the date parties were served, the Application is properly returnable today, service of the Application, the Second Report, and the Morgan Affidavit on the service list prepared by the Debtor and maintained in these proceedings (the “**Service List**”), in the manner described in the Affidavit of Service, is validated, good, and sufficient, and no other persons are entitled to service of the Morgan Affidavit, the Second Report, or the Application.

FILING EXTENSION

2. The period of time within which the Debtor is required to file a proposal to its creditors, under section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, shall be and is hereby extended up to and including May 13, 2021.

MISCELLANEOUS MATTERS

3. Service of this Order by email, facsimile, registered mail, courier or personal delivery to the persons listed on the Service List shall constitute good and sufficient service of this Order, and no persons other than those listed on the Service List are entitled to be served with a copy of this Order.



Justice of the Court of Queen's Bench of Alberta

APPENDIX "C"

QUITCLAIM, SURRENDER AND ASSIGNMENT OF INTEREST AGREEMENT

THIS AGREEMENT made as of the 31 day of March, 2021,

BETWEEN:

POINT LOMA RESOURCES LTD. ("**Point Loma**") by and through its court-appointed receiver **BDO Canada Limited**, solely in its capacity as court-appointed receiver of the assets, properties and undertakings of Point Loma Resources Ltd. and not in its personal capacity (the "**Grantor**")

- and-

SALT BUSH ENERGY LTD., a body corporate registered to carry on business in the Province of Alberta and having an office in the City of Calgary, in the Province of Alberta (the "**Grantee**")

WHEREAS pursuant to a Court Order dated June 8, 2020 the Grantor has been appointed the receiver and manager of the property, assets and undertaking of Point Loma, with the powers set out therein;

AND WHEREAS the Grantor has agreed to quitclaim, surrender, assign and convey the Assets to the Grantee and the Grantee has agreed to receive the Assets from the Grantor;

AND WHEREAS the Grantor and Grantee are parties to a letter agreement dated January 20, 2021 attached hereto as Schedule "B" (the "**Letter Agreement**") wherein certain facts were stated and agreed upon by the parties.

NOW THEREFORE the parties agree as follows:

1. **DEFINITIONS**

"Assets" means all of the Grantor's right, title, estate and interest in the Petroleum and Natural Gas Rights, the Miscellaneous Interests, the Title and Operating Documents and the Tangibles.

"Effective Date" means June 8, 2020.

"Lands" means the entire interest of Grantor as of the Effective Date in and to the lands and rights located within the Whitemap Area.

"Leases" means the leases, subleases, reservations, permits, licenses or other documents of title set forth relating to the Lands and any renewals or extensions thereof or further leases issued pursuant thereto insofar as they relate to the Lands.

"Letter Agreement" has the meaning set forth in the recitals hereto.

"Liabilities" means collectively, all present and future debts, liabilities, and obligations of Point Loma to any person, whether direct, indirect, contingent or otherwise, matured or not, whether voluntarily or involuntarily incurred, whether due or not due, and whether absolute, contingent, liquidated, or unliquidated, whether incurred by Point Loma alone or jointly with any corporation, person, or persons, or otherwise howsoever, to the extent relating to the operation or ownership of the Assets and includes, for greater certainty, any environmental and abandonment liabilities relating to the ownership or operation of the Assets.

"Miscellaneous Interests" means all of the right, title, interest and estate of the Grantor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights and the Tangibles), to the extent relating to the Petroleum and Natural Gas Rights, the Tangibles and to which the Grantor is entitled at the Effective Date.

"Petroleum & Natural Gas Rights" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Grantor in and to the Lands and the Leases, including without limitation, the Wells.

"Point Loma Retained Interests" means collectively (i) any obligations arising pursuant to loan agreements, guarantees, general security agreements, derivatives contracts or any other contracts or agreements relating to borrowed money, unless such contracts, payments or other agreements are required to effect the transfer of the Assets; and (ii) any benefits arising pursuant to any of the foregoing.

"Tangibles" means collectively, (i) all of the right, title, interest and estate of the Grantor in any facilities related to the Assets; and (ii) all right, title, interest and estate of the Grantor and whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to the tangible depreciable property and assets located within, upon, to the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable petroleum substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Petroleum and Natural Gas Rights, and including those assets listed.

"Title and Operating Documents" means all agreements, contracts, instruments and other documents that govern the ownership, operation or use of the Assets or relate to encumbrances including (i) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created, (ii) permits, licenses, approvals, orders and authorizations, (iii) operating agreements, pooling agreements, unit agreements, production allocation agreements, trust declarations, participation agreements, joint venture agreements, purchase and sale agreements, asset exchange agreements, farm-in agreements, farm-out agreements and royalty agreements, (iv) agreements that create or relate to surface interests, including surface rights documentation and road use agreements, (v) agreements for the construction, ownership and/or operation of the Tangibles and the Wells, (vi) trust declarations and other documents and instruments that evidence the Grantor's interests in the Assets, (vii) trust declarations pursuant to which the Grantor hold interests in the Lands in trust for other Persons, (viii) service agreements for the

treating, gathering, storage, transportation or processing of petroleum substances or other substances, the injection or subsurface disposal of other substances, the use of well bores of the operation of any Tangibles or Wells by a third party, and (ix) agreements for the sale of petroleum substances that are terminable on 31 days' notice or less without early termination penalty or other cost.

"Wells" means all producing, shut in, abandoned, suspended, capped, water source, service, observation, delineation, injection and disposal wells located on the or within the Lands or any lands pooled or unitized therewith, whether or not completed, together with all well licenses relating thereto.

"Whitemap Area" means the Wizard Lake Area in the Province of Alberta outlined in the plat attached hereto at Schedule "A".

2. **QUITCLAIM, SURRENDER AND ASSIGNMENT**

- a) The Grantor hereby quitclaims, surrenders, assigns and sets over unto the Grantee, on an "as is, where is" basis and without representation or warranty, and the Grantee hereby acquires and accepts directly from the Grantor, effective as of the Effective Date, Grantor's interest in and to the Assets.
- b) In consideration for the sum of Ten Dollars (**\$10.00**) and other good and valuable consideration, including the mutual covenants and release set out hereinafter, the sufficiency of which is hereby acknowledged by the Grantor and the Grantee, effective as of the Effective Date, without any interim or final adjustments, the Grantor does hereby assign, transfer, convey, remise, release, relinquish and forever quitclaim unto the Grantee, its successors and assigns, all of its right, title, estate and interest, if any, in the Assets.

3. **ASSUMPTION**

- a) The Grantee shall both:
 - (i) assume, be liable for; and, in addition,
 - (ii) indemnify, defend and save the Grantor harmless from and against, any and all costs, expenses, claims, liabilities or obligations of any nature or kind with respect to or pertaining to the Assets or arising pursuant to the Title and Operating Documents (all in place and stead of the Grantor) and any third party claims relating to the Assets including without limitation any outstanding royalty payments, whether arising or accruing before, on or after the Effective Date, including without limitation, those liabilities and obligations set forth and described in the Letter Agreement,

provided, however, that notwithstanding anything to the contrary in this Agreement, the Grantee shall only assume or be liable for the Liabilities and shall only be required to indemnify defend and save the Grantor harmless from and against any costs, expenses, claims, liabilities or obligations of any nature or kind with respect to or pertaining to the Liabilities.

- b) The Grantee shall not assume or be liable for, and shall not be required to indemnify, defend and save the Grantor harmless from and against any costs, expenses, claims, liabilities or obligations of any nature or kind with respect to or pertaining to the Point Loma Retained Interests.
- c) The Grantee shall both:
 - (i) assume, be liable for; and, in addition,
 - (ii) indemnify, defend and save the Grantor harmless from and against, any and all environmental liabilities and obligations respecting the Assets (whether arising or accruing before, on or after the Effective Date) including, without limitation, any responsibility for environmental clean-up, abandonment remediation and reclamation and restoration.

4. WHITEMAP AREA

The parties acknowledge and agree that it is their intention that the Assets shall include the entire interest which the Grantor or any of its affiliates owns in and to all Petroleum & Natural Gas Rights, Title and Operating Documents, Tangibles, and the Miscellaneous Interests relating thereto (as those terms are herein defined), which fall within the Whitemap Area, but shall exclude the Point Loma Retained Interests.

5. FURTHER ASSURANCES

- a) The parties shall at all times do such further acts and execute and deliver all further documents as may be reasonably required in order to fully perform and carry out the terms of this Agreement.
- b) All such documents and assurances executed and delivered pursuant to this Agreement are subordinate to the provisions of this Agreement and the provisions of this Agreement shall govern and prevail in the event of any conflict between the provisions of this Agreement and any such document or assurance.

6. GOVERNING LAW AND SUBORDINATE DOCUMENTS

- a) This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in all respects, be treated as a contract made in the Province of Alberta. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Alberta.
- b) The covenants and indemnities set forth in this Agreement shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying the Assets to the Grantee and the covenants and indemnities shall not merge in such assignments, conveyances, transfers and other documents.
- c) This Agreement and the Letter Agreement, taken together, shall supersede and replace any and all prior agreements between the parties hereto relating to the

sale and purchase of the Assets and may be amended only by written instrument signed by all parties hereto.

7. NOTICES

- a) All notices and other communications given in connection with this Agreement shall be in writing and may be given by delivering them or by sending them by facsimile to the parties at the following addresses:

BDO Canada Limited.
Suite 110, 5800 – 2nd Street SW
Calgary AB
T2P 0H2

Salt Bush Energy Ltd.
600, 815 – 8th Avenue SW
Calgary AB
T2P 2P2

Attention: Marc Kelly

Attention: Land Department

- b) Any notice shall:
- (i) if delivered, be deemed to have been given or made at the time of delivery; or
 - (ii) if sent by facsimile, be deemed to have been given or made on the business day following the day on which it was sent.
- c) Either of the parties hereto may from time to time change its address for service herein by giving written notice to the other party hereto.

8. ENUREMENT

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

9. RELEASE

Subject only to the terms of this Agreement, the Grantee and Grantor hereby remise, release and forever discharge each other of and from any and all manner of actions, causes of action, suits, contracts, debts, dues, sums of money, general damages, special damages, costs, claims and demands of every nature and kind at law, in equity, or under any statute which either of them or any of their successors and assigns, had, have or may in the future have, for any cause, matter or thing, with respect to any facts or matters which existed, or now exist, relating to the Assets.

10. COUNTERPART EXECUTION

This Agreement may be executed in counterparts and all executed and delivered counterparts together shall constitute a fully executed agreement. Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by any Party.

[Signature Page Follows]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written

BDO CANADA LIMITED in its capacity as Receiver of Point Loma Resources Ltd.

Per: 
Name: Marc Kelly
Title: Senior Vice President

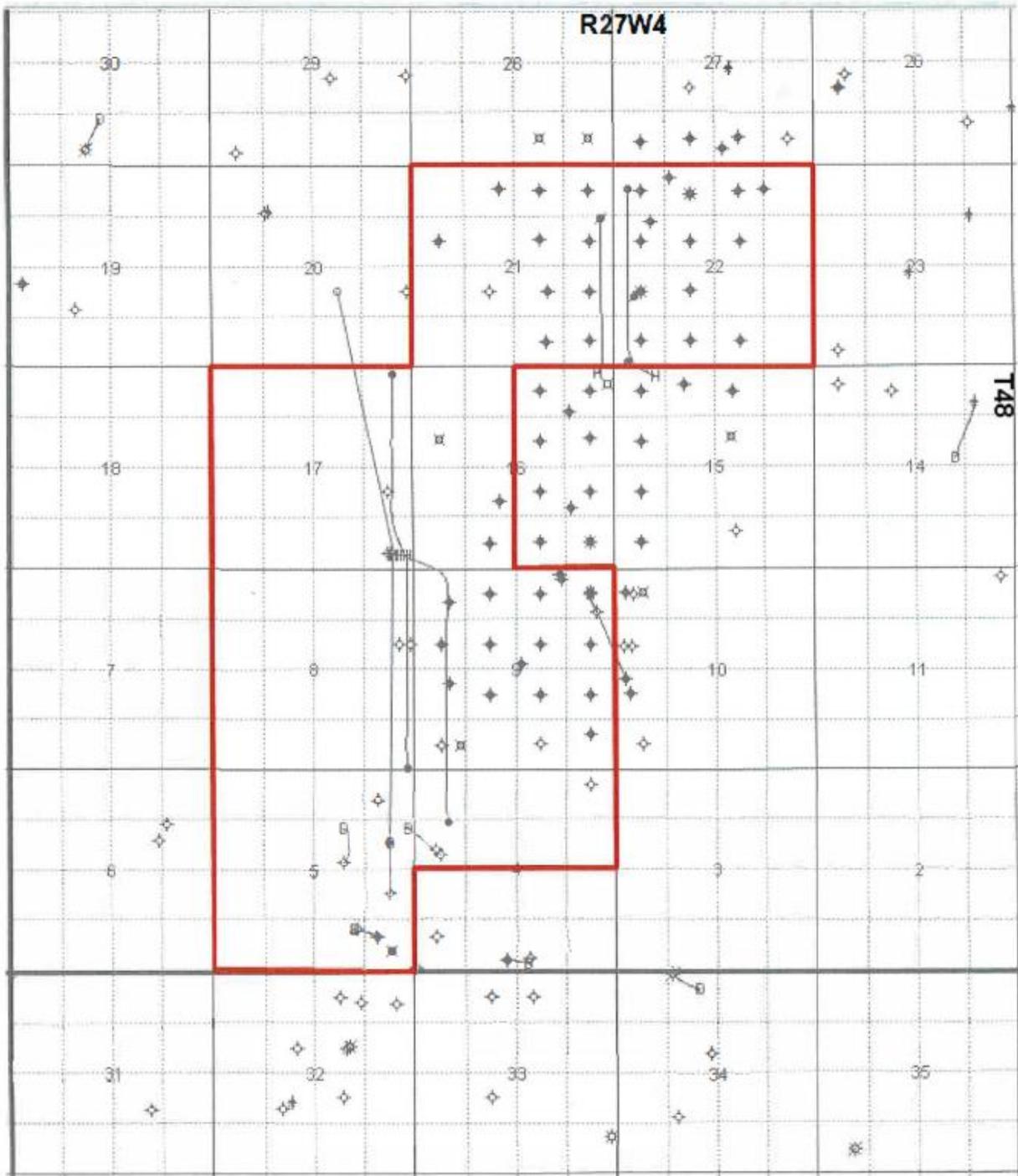
SALT BUSH ENERGY LTD.

Per: 
Name: Charles W Morgan
Title: Director

Schedule "A"

Assets

Wizard Lake Area Whitemap



Schedule "B"

Letter Agreement



Bennett Jones

Bennett Jones LLP

4500 Bankers Hall East, 855 - 2nd Street SW

Calgary, Alberta, Canada T2P 4K7

Tel: 403.298.3100 Fax: 403.265.7219

Ken T. Lenz, Q.C.
Partner
Direct Line: 403.298.3317
e-mail: lenzk@bennettjones.com
Our File No.: 68775.4

January 20, 2021

Via Email

Mr. David Messina
Salt Bush Energy Ltd.
2800, 350 - 7th Avenue S.W.
Calgary, AB T2P 3N9

Dear Mr. Messina:

Re: Point Loma Resources Inc.

We are counsel for BDO Canada Limited in its capacity as Receiver of Point Loma Resources Inc. ("**Point Loma**").

We understand that Salt Bush Energy Ltd. ("**SBE**") is interested in acquiring all Assets within the boundary set out in Schedule "A" to this letter (the "**Assets**") for \$10.00 and other good and valuable consideration. While the Receiver continues to have the concerns set out in my letter of October 21, 2020, the Receiver is prepared to quit claim the Assets to SBE for \$10.00, subject to the following:

- The Effective Date of the transfer will be June 8, 2020, the date the Receiver was appointed.
- SBE acquires all of Point Loma's interest in the Assets, without regard to any calculations of the nature and extent of the interest of Point Loma.
- For certainty, no further input or responses from the Receiver will be required for any contractual elections or obligations which arose after June 8, 2020 and without restricting the generality of the foregoing, including the following:
 - The AMI election notice received November 30, 2020 under Farmout & Option Agreement dated May 29, 2019, for the acquisition/participation in the farmin of TWP50 Resources Ltd.
 - Any outstanding Independent Operations Notices,
 - The unexecuted draft Production Allocation Unit Agreement for the 103/12-04-048-27W4 HZ well,
- The Receiver will release any claim to Point Loma having an interest in the replacement PrairieSky leases acquired by SBE.

January 20, 2021

Page 2

- SBE will confirm that no further amount is owed by Point Loma to SBE and will release Point Loma from any claims it has, had, or may in the future have, whatsoever.
- SBE will pay all outstanding royalty payments including outstanding Crown royalties and outstanding overriding royalties due to Source Rock under the Royalty Agreement dated August 9, 2019
- SBE assumes the Assets on an "as is, where is, if is" basis and assumes all associated liabilities and cure costs.

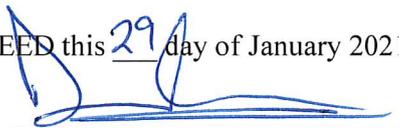
It is intended that this letter will form a binding agreement, which will be formalized with more detail in a Quit Claim Agreement to be prepared by the Receiver's counsel. Should SBE be in agreement with the above noted terms, please sign a copy of this letter and return it to the undersigned.

Yours truly,

Ken Lenz

Ken T. Lenz

AGREED this 29 day of January 2021



Salt Bush Energy Ltd.

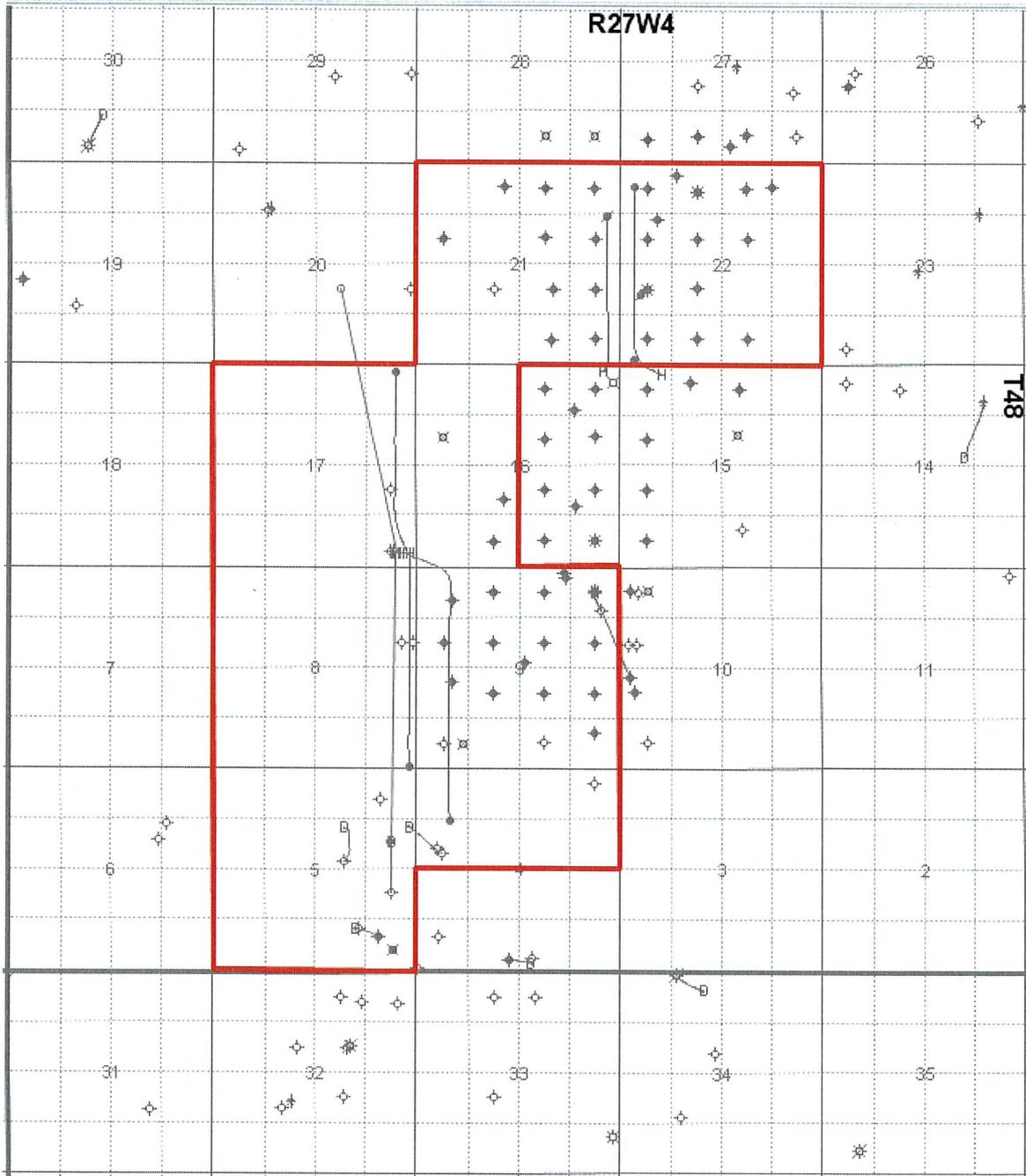
KTL/dmk
cc: Client



Bennett Jones ^{5v1}

Schedule A

Wizard Lake Area Whitemap



APPENDIX "D"

Salt Bush Energy Ltd. ("SBE")
Statement of Projected Cash Flow
For the Period ending August 1, 2021
(\$CDN)

Week Ending	Notes	9-May-21 Forecast	16-May-21 Forecast	23-May-21 Forecast	30-May-21 Forecast	6-Jun-21 Forecast	13-Jun-21 Forecast	20-Jun-21 Forecast	27-Jun-21 Forecast	4-Jul-21 Forecast	11-Jul-21 Forecast	18-Jul-21 Forecast	25-Jul-21 Forecast	1-Aug-21 Forecast	Total Forecast
Cash Flow from Operating Activities															
Receipts															
Oil	1														
Gross (WCS pricing)					128,983				128,154					120,631	377,767
Less:															-
Processing Fees					(7,912)				(8,012)					(7,598)	(23,522)
OP + Water + Truck					(7,009)				(7,098)					(6,732)	(20,839)
Royalty		(24,227)			(100,000)	(22,853)			(48,000)	(22,675)					(217,755)
Oil - Netback revenues		(24,227)	-	-	14,062	(22,853)	-	-	65,045	(22,675)	-	-	-	106,301	115,652
Natural Gas	2														
Gross (Aeco 5A pricing)					86,942				84,657					80,288	251,886
Less:															-
Processing Fees					(29,653)				(28,122)					(28,478)	(86,253)
AECO/BP Fees					(8,063)				(8,166)					(7,744)	(23,973)
Royalty		(14,692)				(13,934)				(13,501)					(42,128)
Natural Gas - Netback revenues		(14,692)	-	-	49,226	(13,934)	-	-	48,369	(13,501)	-	-	-	44,065	99,533
NGL	3														
Gross (calculated pricing)					17,292				16,354					16,359	50,006
Less:															-
Processing Fees															-
Royalty		(2,541)				(2,401)				(2,390)					(7,333)
NGL - Netback revenues		(2,541)	-	-	17,292	(2,401)	-	-	16,354	(2,390)	-	-	-	16,359	42,673
Miscellaneous revenues															-
Total Receipts		(41,461)	-	-	80,580	(39,188)	-	-	129,768	(38,566)	-	-	-	166,725	257,858
Disbursements															
Operating expenses	4	(10,000)			(10,330)				(10,330)					(10,330)	(40,990)
Property taxes								(30,000)							(30,000)
Equipment rental	5				(43,065)				(43,065)					(43,065)	(129,195)
Insurance					(5,877)				(5,877)					(5,877)	(17,630)
Corporate G&A	6		(9,000)		(25,000)		(9,000)		(25,000)	-	(9,000)	-		(25,000)	(102,000)
Contingency	7				(15,000)				(15,000)					(15,000)	(45,000)
Total Disbursements		(10,000)	(9,000)	-	(99,272)	-	(9,000)	(30,000)	(99,272)	-	(9,000)	-	-	(99,272)	(364,815)
Operating Cash Flow		(51,461)	(9,000)	-	(18,692)	(39,188)	(9,000)	(30,000)	30,496	(38,566)	(9,000)	-	-	67,454	(106,958)
Professional Fees															
Deloitte Restructuring Inc.	8		(54,667)			(10,000)									(64,667)
Deloitte's independent legal counsel			(12,000)			(5,000)									(17,000)
McCarthy LLP			(50,000)			(30,000)									(80,000)
Financing Activities															
Debtor-in-possession financing	9	-	-	-	-	59,684	9,000	30,000	-	8,070	9,000	-	-	-	115,754
Total Net Change in Cash		(51,461)	(125,667)	-	(18,692)	(24,505)	-	-	30,496	(30,496)	-	-	-	67,454	(152,871)
Opening Cash Balance		230,324	178,863	53,197	53,197	34,505	10,000	10,000	10,000	40,496	10,000	10,000	10,000	10,000	230,324
Closing Cash Balance		178,863	53,197	53,197	34,505	10,000	10,000	10,000	40,496	10,000	10,000	10,000	10,000	77,454	77,454

Salt Bush Energy Ltd. ("SBE")
Statement of Projected Cash Flow
For the Period ending August 1, 2021
(\$CDN)

Notes and assumptions:

- 1 Oil revenues, based on well performance metrics and Western Canada Select ("WCS") pricing, are collected approximately two months in arrears. The corresponding direct costs including processing fees, trucking costs, and royalties are paid one week following the collection of gross revenues.
- 2 Natural gas revenues, based on oil to gas ratio and AECO 5A pricing, are collected approximately two months in arrears. Corresponding direct costs comprises AECO fees, processing fees, and royalties. Processing fees are settled in kind for gas product. Excess volumes are sold to a third party by SBE.
- 3 Natural gas liquids revenues are based on production volumes of natural gas and are collected approximately two months in arrears. Corresponding direct costs including processing fees and royalties are paid one week following the collection of gross revenues.
- 4 Operating expenses comprise disposal water trucking, regular equipment maintenance, safety and environmental, small tools and equipment, and supplies used in day to day operations. The operating expenses include GST where applicable.
- 5 SBE leases certain equipment, including tanks, generators, pumpjack and compressors, from third parties.
- 6 Corporate G&A comprises consulting services for two (2) field staff, six (6) head office staff, and office rent. The Corporate G&A includes GST where applicable.
- 7 A contingency of \$15,000 per month has been projected for any unforeseen or extraordinary expenses that may arise while operating in the normal course.
- 8 Professional fees (including GST) are an estimate and will vary depending on the complexities encountered during the Company's restructuring.
- 9 SBE will require financing to continue operations over the cash flow period. Required financing is estimated to total approximately \$115,000 over the cash flow period. Whitebark Energy Inc., the parent company to SBE, has agreed to provide such financing in support of SBE's restructuring efforts. The terms and conditions of the additional finances are to be determined in due course.

APPENDIX "E"

Salt Bush Energy Ltd. ("SBE")
Variance Analysis
For the Period ending May 2, 2021
(\$CDN)

Week Ending Week	24-Jan-21 1			31-Jan-21 2			7-Feb-21 3			14-Feb-21 4			21-Feb-21 5			28-Feb-21 6			7-Mar-21 7			14-Mar-21 8		
\$'000	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance
Receipts																								
Oil netback	-	-	-	124	122	(2)	(38)	(21)	18	-	-	-	-	-	-	124	125	2	(33)	(29)	5	-	-	-
Natural Gas netback	-	-	-	64	65	1	(11)	(12)	(1)	-	-	-	-	-	-	28	62	33	(9)	(13)	(4)	-	-	-
NGL netback	-	-	-	6	18	12	(3)	(3)	(1)	-	-	-	-	-	-	18	21	7	(2)	(5)	(3)	-	-	-
Other revenues	-	8	8	-	-	-	-	3	3	-	15	15	-	-	-	-	1	1	-	-	-	-	15	15
Total receipts	-	8	8	194	205	11	(52)	(33)	19	-	15	15	-	-	-	170	209	44	(44)	(46)	(2)	-	15	15
Disbursements																								
Operating expenses	-	-	-	-	(3)	(3)	-	-	-	-	-	-	-	-	-	(3)	(1)	2	(10)	(7)	3	-	(5)	(5)
Equipment rental	-	-	-	-	(32)	(32)	-	-	-	-	-	-	-	-	-	(43)	-	43	(27)	(29)	(2)	-	(5)	(5)
Corporate G&A	-	(0)	(0)	(48)	(40)	8	-	-	-	(9)	(10)	(1)	-	-	-	(40)	(1)	39	(39)	(46)	(7)	(9)	(12)	(3)
Other expenses	-	-	-	-	(6)	(6)	-	-	-	-	-	-	-	-	-	(23)	-	23	(6)	(6)	-	-	-	-
Professional fees	-	-	-	-	-	-	(60)	-	60	-	-	-	-	-	-	(50)	(51)	(1)	-	-	-	-	-	-
Total disbursements	-	(0)	(0)	(48)	(81)	(33)	(60)	-	60	(9)	(10)	(1)	(92)	(42)	50	(159)	(53)	106	(82)	(88)	(6)	(9)	(21)	(12)
Projected Cash Flow	-	8	8	146	124	(22)	(112)	(33)	79	(9)	5	14	(92)	(42)	50	12	157	149	(126)	(134)	(8)	(9)	(6)	3

Week Ending Week	21-Mar-21 9			28-Mar-21 10			4-Apr-21 11			11-Apr-21 12			18-Apr-21 13			25-Apr-21 14			2-May-21 15			Total (15 weeks)		
\$'000	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance
Receipts																								
Oil netback	-	-	-	112	134	22	(22)	-	22	(22)	(21)	1	-	-	-	(42)	-	42	79	93	14	280	404	124
Natural Gas netback	-	-	-	53	67	14	(14)	-	14	(14)	(14)	(1)	-	-	-	-	-	-	56	32	(24)	154	186	32
NGL netback	-	-	-	14	28	14	(2)	-	2	(2)	(4)	(2)	-	-	-	-	-	-	16	27	11	44	82	42
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43	43
Total receipts	-	-	-	178	229	50	(38)	-	38	(38)	(39)	(1)	-	-	-	(42)	-	42	151	152	2	478	715	242
Disbursements																								
Operating expenses	-	-	-	(10)	(13)	(3)	-	-	-	-	(3)	(3)	-	-	-	-	-	-	(10)	(14)	(4)	(34)	(46)	(12)
Equipment rental	-	-	-	(43)	(45)	(2)	-	-	-	-	-	-	-	-	-	-	-	-	(43)	(42)	1	(156)	(152)	4
Corporate G&A	-	-	-	(25)	(29)	(4)	-	-	-	(9)	(1)	8	(9)	(10)	(1)	-	(0)	(0)	(25)	(31)	(6)	(213)	(180)	33
Other expenses	-	(0)	-	(22)	-	16	-	(6)	(6)	-	-	-	-	-	-	-	-	-	(21)	(10)	11	(71)	(28)	37
Professional fees	(40)	-	40	-	-	-	-	-	-	(33)	-	33	-	-	-	(33)	-	33	-	-	-	(308)	(93)	215
Total disbursements	(40)	(0)	40	(100)	(86)	8	-	(6)	(6)	(42)	(4)	38	(9)	(10)	(1)	(33)	(0)	33	(99)	(97)	3	(782)	(499)	277
Projected Cash Flow	(40)	(0)	40	78	142	58	(38)	(6)	32	(80)	(43)	37	(9)	(10)	(1)	(75)	(0)	75	51	56	4	(304)	216	519

APPENDIX "F"

Salt Bush Energy Ltd.
Summary of Proposal Trustee's Fees
As at May 5, 2021

Invoice	Date	Fees	Disbursements	GST	Total
Invoice 8001619766	18-Feb-21	40,097.50	243.02	2,017.03	42,357.55
Work-in-progress	5-May-21	44,935.00	7128.45	2,603.17	54,666.62
		85,032.50	7,371.47	4,620.20	97,024.17

APPENDIX "G"

Salt Bush Energy Ltd.
Summary of Proposal Trustee's Legal Counsel's Fees
As at April 16, 2021

Invoice	Date	Fees	Disbursements	GST	Total
Work-in-progress	30-Apr-21	12,200.00		610.00	12,810.00
		12,200.00	-	610.00	12,810.00