



COURT FILE NUMBER 25-2703459

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

DATED MARCH 16, 2021

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Counsel

Dentons Canada
Suite 1500, 850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: David Mann / Sam Gabor

Telephone: 403-268-7079 / 403-268-3048

Email: david.mann@dentons.com / sam.gabor@dentons.com

Receiver

Deloitte Restructuring Inc.
700, 850 – 2nd Street SW
Calgary, AB T2P 0R8

Attention: Robert J. Taylor

Telephone/Facsimile: 403-267-0501 / 403-718-3681

Email: bobtaylor@deloitte.ca / naomcgregor@deloitte.ca

Table of Contents

Introduction	1
Purpose	1
Terms of Reference	2
Activities of SBE since the First Report	2
Purchase of Point Loma Assets	2
SISP and Stalking Horse APA	3
Activities of Proposal Trustee since the First Report	4
Cash Flow	4
Variance Analysis	5
Conclusions and Recommendations	6

Appendices

Appendix "A" First Extension Order dated February 12, 2021

Appendix "B" Statement of Projected Cash Flow of the period March 8, 2021 to June 6, 2021

Appendix "C" Cash Flow Variance Analysis for the period January 24, 2021 to March 7, 2021

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**").
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 30 day stay of proceedings pursuant to section 69(1) of the BIA upon filing the NOI until February 12, 2021 (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. The First Extension Order and related court documents, together with the Notice to Creditors, the First Report, and this second report of the Proposal Trustee (the "**Second 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.
7. Capitalized terms not otherwise defined herein are defined in the Company's originating application materials and the First Report.

Purpose

8. 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 First Report;
 - b) The activities of the Proposal Trustee since the First Report;
 - c) The Company's application for a 45-day extension of the stay of proceedings from March 29, 2021 to and including May 13, 2021 (the "**Second Extension Period**"), as permitted under section 50.4(9) of the BIA;
 - d) The Company's updated weekly cash flow forecast on a consolidated basis for the period March 8, 2021 to June 6, 2021 (the "**Third Cash Flow Forecast**"); and

- e) The Company's reported actual receipts and disbursements for the period January 24, 2021 to March 7, 2021.

Terms of Reference

- 9. In preparing the Second 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.
- 10. The financial information of the Company 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 First 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 the Second Report.
- 11. Some of the information referred to in this Second 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.
- 12. The Proposal Trustee prepared the Second Report in its capacity as a court appointed officer in support of the motion described herein. The reader is cautioned that the Second Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.
- 13. All dollar amounts in this Second Report are in Canadian dollars, unless otherwise indicated.

Activities of SBE since the First Report

Purchase of Point Loma Assets

- 14. Subsequent to filing 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**").
- 15. Both the Company and Whitebark are of the view that Point Loma acquisition will increase the value of SBE's existing assets.
- 16. SBE and BDO continue to negotiate the terms and conditions of the Proposed Purchase Agreement.
- 17. As at the date of the Second Report the quantum of potential liabilities and cure costs has still 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 or financial position.

18. 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

19. The Company designed a two-phase process that is being facilitated by the Proposal Trustee over a nine-week period.

20. The first phase consists of a marketing and bid solicitation process ("**Phase I**") followed by a determination by the Proposal Trustee as to whether any qualified bids (as defined by the SISP) have been submitted. If there are any qualified bids at the conclusion of Phase I, the Proposal Trustee shall extend invitations to the qualified bids and the Stalking Horse Purchaser to attend an auction process (the "**Phase II Auction**").

21. Upon completion of the Phase II Auction, the Proposal Trustee will determine whether a superior offer has been received. The acceptance of the superior offer will be subject to this Honourable Court's approval on a subsequent application to the Court.

22. A draft timeline 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.

23. The SISP is currently in Phase I of the overall process. The Phase I Bid Deadline is beyond the expiration date of the Initial Stay Period. As such, the Proposed Trustee supports the Company's application to extend the Initial Stay Period in order to facilitate the SISP.

24. 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 sale to the Stalking Horse Purchaser will constitute as a non-arm's length transaction. The Proposed Trustee continues to view that the Stalking Horse APA is fair and reasonable in light of the expense and efforts to be undertaken by the Stalking Horse Purchaser in connection with the SISP and the Stalking Horse APA. A copy of the Stalking Horse APA is appended to the First Report.
25. As at the date of this Second Report, Notice of the SISP was published in the Globe and Mail, the Daily Oil Bulletin, and the BOE Report and a total of 32 information packages were provided to interested parties, of which six (6) interested parties have signed a confidentiality agreement to gain access to the SISP data room. No offers have been received to date.

Activities of Proposal Trustee since the First Report

26. The Proposal Trustee conducted the following activities since the First Report:
- a) Sent out the statutory notices within five days of the Company's NOI filing to creditors in accordance with section 50.4(6) of the BIA;
 - b) Established a website where all materials filed with the Court and all orders made by the Court are available to the public domain;
 - c) Implemented procedures to monitor the Company's cash flows and ongoing reporting of variances on a weekly basis;
 - d) Monitored the Company's cash flows and ongoing reporting of variances on a weekly basis;
 - e) Communicated with creditors, employees and counsel for matters in relation to the NOI proceeding;
 - f) Facilitated Phase I of the overall SISP, which included inter alia:
 - i. Coordinated and obtained non-disclosure agreements ("**NDAs**") from various interested parties;
 - ii. Gathered documents and prepared 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;
 - g) Corresponded with legal counsel on various matters relating to the NOI proceeding;
 - h) Prepared and finalized the First Report and the Second Report; and
 - i) Addressed any other additional matters from time to time.

Cash Flow

27. On March 8, 2021, the Proposal Trustee received the Third Cash Flow forecasts receipts and disbursements for the period ending June 6, 2021. A copy of the Third Cash Flow is attached hereto as **Appendix "B"**.
28. The Proposal Trustee has reviewed the Third Cash Flow Forecast and noted that the assumptions used for the Second Cash Flow are similar to the Third Cash Flow Forecast. Key differences between the Second Cash Flow and the Third Cash Flow Forecast are as follows:

- a) The Third Cash Flow extends the period up to the week ending June 6, 2021 to cover the proposed extension period plus the SISP period;
- b) Increased production volumes and pricing in natural gas and natural gas liquids; and
- c) Timing differences related to certain disbursements.

29. The highlights of the Third Cash Flow are summarized below:

- a) The Company forecasts net receipts of \$450,000 from oil and gas production; and
- b) The Company forecasts total disbursements of \$448,000, 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 \$31,000, 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 \$21,000, which includes property taxes, insurance, overhead costs and a contingency of \$45,000; and
 - v. Professional fees of \$120,000.

Variance Analysis

30. Below illustrates the variance between forecasted results from the Second Cash Flow and actual results for the weeks ending January 24, 2021 and March 7, 2021 (the "Variance Period"). A summary of the Variance Period is attached hereto as **Appendix "C"**.

\$'000	Total (7 weeks)		
	Forecast	Actual	Variance
Receipts			
Oil netback	176	198	22
Natural Gas netback	72	102	30
NGL netback	19	31	16
Total Netback revenues	267	330	67
Other revenues	-	28	24
Total receipts	267	358	91
Disbursements			
Operating expenses	(13)	(11)	2
Equipment rental	(70)	(61)	9
Corporate G&A	(136)	(97)	39
Other expenses	(28)	(12)	17
Professional fees	(202)	(93)	109
Total disbursements	(449)	(275)	175
Projected Cash Flow	(182)	84	266

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

- a) Higher than expected production volumes and increased gas prices resulted in gross revenues totalling approximately \$116,000 which is partially offset by higher than projected processing fees and royalties of approximately \$49,000, which are both permanent differences resulting in a net receipts variance of approximately \$67,000;
 - b) Higher than expected other revenues of approximately \$24,000, \$8,000 related to the sale of under-utilized equipment to a third party and approximately \$16,000 GST refunds. This is a permanent change;
 - c) Lower than projected Corporate G&A of \$39,000 related to a delay in payment to field consultants, which is a timing difference;
 - d) Lower than projected other expenses of \$17,000 reflects the unutilized contingency, which is a permanent variance; and
 - e) Lower than projected professional fees of \$109,000 with respect to the restructuring efforts of SBE, which is a permanent difference.
31. The Proposal Trustee reviewed the Third 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 Professionals' 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.
32. 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 Third Cash Flow Forecast. The Proposal Trustee also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Third Cash Flow Forecast.
33. Based on the review of the Third 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 Third Cash Flow Forecast;
 - b) As of the date of the Second 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 Third Cash Flow Forecast; or
 - c) Third Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Conclusions and Recommendations

34. Based on the Proposal Trustee's review of the Company's operations and restructuring efforts as of the date of the Second Report, the Proposal Trustee is of the view that pursuant to section 50.4(9) of the BIA:
- a) SBE appears to be acting in good faith and with due diligence;
 - b) SBE is cooperating with the Proposal Trustee and appears to be making efforts to present a viable proposal to their secured and unsecured creditors;

- c) SBE requires the Second Extension to develop its proposal; and
- d) The Proposal Trustee is of the view that SBE's creditors will not be materially prejudiced by the extension.

35. The Second Report has been prepared in support of the following relief, which is being sought by the Company:

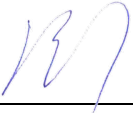
- a) The Second Extension.

* * *

All of which is respectfully submitted at Calgary, Alberta this 16th day of March 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
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: 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.

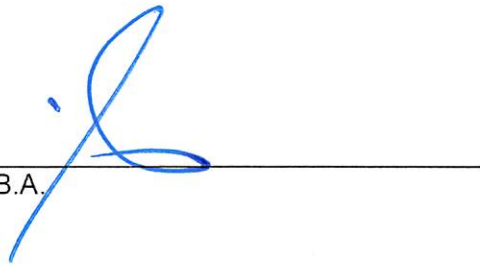
MISCELLANEOUS MATTERS

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"

Salt Bush Energy Ltd. ("SBE")
Statement of Projected Cash Flow
For the Period ending June 6, 2021
(\$CDN)

Week Ending	Notes	14-Mar-21 Forecast	21-Mar-21 Forecast	28-Mar-21 Forecast	4-Apr-21 Forecast	11-Apr-21 Forecast	18-Apr-21 Forecast	25-Apr-21 Forecast	2-May-21 Forecast	9-May-21 Forecast	16-May-21 Forecast	23-May-21 Forecast	30-May-21 Forecast	6-Jun-21 Forecast	Total Forecast
Cash Flow from Operating Activities															
Receipts															
Oil	1														
Gross (WCS pricing)				126,346					136,688				128,983		392,017
Less:															-
Processing Fees				(7,689)					(8,342)				(7,912)		(23,942)
OP + Water + Truck				(6,812)					(7,391)				(7,009)		(21,211)
Royalty					(22,399)					(24,227)				(22,853)	(69,479)
Oil - Netback revenues		-	-	111,846	(22,399)	-	-	-	120,955	(24,227)	-	-	114,062	(22,853)	277,384
Natural Gas	2														
Gross (Aeco 5A pricing)				84,492					91,673				86,942		263,107
Less:															-
Processing Fees				(23,750)					(27,330)				(29,653)		(80,732)
AECO/BP Fees				(7,836)					(8,502)				(8,063)		(24,402)
Royalty					(13,541)					(14,692)				(13,934)	(42,168)
Natural Gas - Netback revenues		-	-	52,905	(13,541)	-	-	-	55,842	(14,692)	-	-	49,226	(13,934)	115,805
NGL	3														
Gross (calculated pricing)				13,725					15,963				17,292	17,292	64,272
Less:															-
Processing Fees															-
Royalty					(2,347)					(2,541)				(2,401)	(7,290)
NGL - Netback revenues		-	-	13,725	(2,347)	-	-	-	15,963	(2,541)	-	-	17,292	14,891	56,982
Miscellaneous revenues															-
Total Receipts		-	-	178,476	(38,288)	-	-	-	192,760	(41,461)	-	-	180,580	(21,896)	450,171
Disbursements															
Operating expenses	4			(10,330)					(10,330)				(10,330)		(30,990)
Property taxes				(1,000)					(1,000)				(1,000)		(3,000)
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		(9,000)	-	(100,272)	-	(9,000)	-	-	(100,272)	-	(9,000)	-	(100,272)	-	(327,815)
Operating Cash Flow		(9,000)	-	78,205	(38,288)	(9,000)	-	-	92,488	(41,461)	(9,000)	-	80,308	(21,896)	122,355
Professional Fees															
Deloitte Restructuring Inc.	8		(10,000)				(10,000)				(10,000)				(30,000)
Deloitte's independent legal counsel			(5,000)				(5,000)				(5,000)				(15,000)
McCarthy LLP			(25,000)				(25,000)				(25,000)				(75,000)
Financing Activities															
Debtor-in-possession financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Change in Cash		(9,000)	(40,000)	78,205	(38,288)	(9,000)	(40,000)	-	92,488	(41,461)	(49,000)	-	80,308	(21,896)	2,355
Opening Cash Balance		97,947	88,947	48,947	127,151	88,864	79,864	39,864	39,864	132,352	90,891	41,891	41,891	122,198	97,947
Closing Cash Balance		88,947	48,947	127,151	88,864	79,864	39,864	39,864	132,352	90,891	41,891	41,891	122,198	100,302	100,302

Salt Bush Energy Ltd. ("SBE")
Statement of Projected Cash Flow
For the Period ending June 6, 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.

APPENDIX "C"

Salt Bush Energy Ltd. ("SBE")
Cash Flow Variance Analysis
For the Period ending March 7, 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			Total (7 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	-	-	-	124	122	(2)	(38)	(21)	18	-	-	-	-	-	-	124	125	2	(33)	(29)	5	176	198	22
Natural Gas netback	-	-	-	64	65	1	(11)	(12)	(1)	-	-	-	-	-	-	28	62	33	(9)	(13)	(4)	72	102	30
NGL netback	-	-	-	6	18	12	(3)	(3)	(1)	-	-	-	-	-	-	18	21	7	(2)	(5)	(3)	19	31	16
Total Netback revenues	-	-	-	194	205	11	(52)	(36)	16	-	-	-	-	-	-	170	208	42	(44)	(46)	(2)	267	330	67
Other revenues	-	8	8	-	-	-	-	3	-	-	15	15	-	-	-	-	1	-	-	-	-	-	28	24
Total receipts	-	8	8	194	205	11	(52)	(33)	16	-	15	15	-	-	-	170	209	42	(44)	(46)	(2)	267	358	91
Disbursements																								
Operating expenses	-	-	-	-	(3)	(3)	-	-	-	-	-	-	-	-	-	(3)	(1)	2	(10)	(7)	3	(13)	(11)	2
Equipment rental	-	-	-	-	(32)	(32)	-	-	-	-	-	-	-	-	-	(43)	-	43	(27)	(29)	(2)	(70)	(61)	9
Corporate G&A	-	(0)	(0)	(48)	(40)	8	-	-	-	(9)	(10)	(1)	-	-	-	(40)	(1)	39	(39)	(46)	(7)	(136)	(97)	39
Other expenses	-	-	-	-	(6)	(6)	-	-	-	-	-	-	-	-	-	(23)	-	23	(6)	(6)	-	(28)	(12)	17
Professional fees	-	-	-	-	-	-	(60)	-	60	-	-	-	(92)	(42)	50	(50)	(51)	(1)	-	-	-	(202)	(93)	109
Total disbursements	-	(0)	(0)	(48)	(81)	(33)	(60)	-	60	(9)	(10)	(1)	(92)	(42)	50	(159)	(53)	106	(82)	(88)	(6)	(449)	(275)	175
Projected Cash Flow	-	8	8	146	124	(22)	(112)	(33)	76	(9)	5	14	(92)	(42)	50	12	157	148	(126)	(134)	(8)	(182)	84	266