



COURT FILE NUMBER 25-2703459

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT **SUPPLEMENT TO THE 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 AMENDED ("CCAA") AS PROPOSED MONITOR 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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Appendix "A" Third Extention Order dated May 12, 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**"). 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**").
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**").
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. A copy of the order issued by the Court on May 12, 2021 is attached as **Appendix "A"** (the "**Third Extension Order**").
8. On May 10, 2021, the third report of the Proposal Trustee (the "**Third Report**"), was filed in support of the May 19 application to the court for approval of, amongst other things, the proposed Alternative Transaction and corresponding RVO as defined in the Third Report.
9. This report is being prepared as a supplement to the Third Report (the "**Supplement to the Third Report**"). The Supplement to the Third Report is filed by the Proposal Trustee to address certain concerns raised by lien claimants with respect to the treatment of outstanding professional fees of the Proposal Trustee and its legal counsel and SBE's legal counsel.
10. 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, Third Report, and this Supplement to 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.
11. Capitalized terms not otherwise defined herein are defined in the Company's originating application materials and the First Report, Second Report and Third Report.

Purpose

12. The purpose of this Supplement to the Third Report is to provide this Honourable Court with additional information with respect to the treatment of outstanding professional fees of the Proposal Trustee, its legal counsel, and SBE's legal counsel.

Terms of Reference

13. In preparing this Supplement to the 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.
14. 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 Supplement to the Third Report.
15. Some of the information referred to in this Supplement to the 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.
16. The Proposal Trustee prepared this Supplement to the Third Report in its capacity as a court appointed officer in support of the motion described herein. The reader is cautioned that this Supplement to the Third Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.
17. All dollar amounts in this Supplement to the Third Report are in Canadian dollars, unless otherwise indicated.

Fees and disbursements of the Proposal Trustee

18. As at the date of this Supplement to the Third Report, the Proposal Trustee's fees and disbursements in relation to the administration of the NOI up to and including May 1, 2021 totalling \$92,064.52 (excluding GST) have been paid in full.
19. The Proposal Trustee has outstanding work-in-progress for the period May 1, 2021 to May 14, 2021 of approximately \$10,000 and estimates it will incur an additional \$10,000 to conclude these NOI proceedings and the CCAA Proceedings.
20. The Proposal Trustee's legal counsel's cumulative fees and disbursements on this matter totalling \$12,156.50 (excluding GST) to April 30, 2021 have been paid in full. Denton's estimated additional fees in the amount of approximately \$13,000 will be incurred to conclude these NOI proceedings and the CCAA Proceedings.

21. It is understood that the outstanding work-in-progress and estimated costs of the Proposal Trustee and its legal counsel will be settled through the Administrative Charge as outlined in paragraph 36 of the Third Report.

Fees and disbursements of the SBE's legal counsel

22. As at the date of this Supplement to the Third Report, the Proposal Trustee understands that the fees and disbursements of SBE's legal counsel not to exceed \$75,000 will also be settled through the Administrative Charge as outlined in paragraph 36 of the Third Report.

Distribution to creditors

23. The RVO, as summarized in paragraph 28 of the Third Report, contemplates that the cash component of the Purchase Price (as defined in the Third Report) totalling \$336,000, less the payment of any of the Proposal Trustee's and Proposed Monitor's, and their legal counsel's, professional fees under the Administration Charge, will be distributed in a claims process for creditors through the bankruptcy proceedings of ResidualCo. In addition, cash on hand in SBE will also be transferred to ResidualCo and distributed within such claims process. SBE has advised that, after accounting for payment of the fees and disbursements of SBE's legal counsel, SBE has approximately \$33,500 in cash on hand.
24. The distribution of available funds will be administered pursuant to the scheme of distribution contained in sections 136 to 147 of the *Bankruptcy and Insolvency Act*.
25. SBE has advised the Proposal Trustee that there are potential lien claims totalling approximately \$149,000 to be addressed in the ResidualCo bankruptcy. If the lien claims prove to be valid liens, those claims would be paid in full prior to any distributions to unsecured creditors.
26. The Trustee and its legal counsel will incur certain fees and expenses to administer the ResidualCo. bankruptcy; however, those fees and expenses will be of a quantum such that the recovery to known, existing and valid lien holders should not be impacted as it appears at the time of this First Supplement to the Third Report that there will be sufficient funds available to satisfy any existing, known and valid lien claimants after payment of professional fees under the Administration Charge.

Conclusions and Recommendations

- a) This Supplement to the Third Report is being filed in support of the May 19 application seeking the approval of, amongst other things, the proposed Alternative Transaction and corresponding RVO as defined in the Third Report.

* * *

All of which is respectfully submitted at Calgary, Alberta this 19th 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

Clerk's Stamp

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
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DATE ON WHICH ORDER WAS PRONOUNCED: May 12, 2021
LOCATION OF HEARING OR TRIAL: **Calgary, Alberta**
NAME OF MASTER/JUDGE WHO MADE THIS ORDER: **Justice K.M. Eidsvik**

UPON THE APPLICATION of Salt Bush Energy Ltd. (the "**Debtor**") by way of Electronic Without Notice Desk Application (the "**Desk Application**"); **AND UPON** having read the Affidavit of William H. Smith, Q.C., sworn on May 4, 2021, filed; **AND UPON** having read the Second Report of the Proposal Trustee, dated March 16, 2021, filed; **AND UPON** reading the written submissions of counsel to the Debtor;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of the Desk Application is hereby dispensed with pursuant to Rule 6.4 of the *Alberta Rules of Court*, Alta. Reg. 124/2010, as amended, and the Desk Application is properly returnable today.

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 21, 2021.

MISCELLANEOUS MATTERS

3. Service of this Order by email, facsimile, registered mail, courier or personal delivery to the persons listed service list prepared by the Debtor and maintained in these proceedings (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