

COURT FILE NUMBER 25-3052460
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT KADEN ENERGY LTD.
DOCUMENT FIRST REPORT OF THE PROPOSAL TRUSTEE,
BDO CANADA LIMITED
APRIL 1, 2024

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**FIRST REPORT OF THE PROPOSAL TRUSTEE
BDO CANADA LIMITED
APRIL 1, 2024**

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INTRODUCTION

1. On March 6, 2024 (the “**Filing Date**”), Kaden Energy Ltd. (“**Kaden**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**Act**”). BDO Canada Limited consented to act as the proposal trustee (the “**Proposal Trustee**”).
2. On March 26, 2024, the Company filed application materials with the Court of King’s Bench of Alberta (the “**Court**”) in respect of its application scheduled for April 2, 2024, including an Affidavit of Wes Siemens, sworn March 26, 2024 (the “**W. Siemens Affidavit**”).
3. The purpose of this first report of the Proposal Trustee (the “**First Report**”) is to provide the Court with information with respect to the following:
 - a. background on the Company and these proceedings;
 - b. the activities of the Proposal Trustee since the Filing Date;
 - c. the Company’s financial performance since the Filing Date;
 - d. the Company’s application to the Court seeking an order, approving:
 - i. an extension of the time to make a proposal and the related stay of proceedings (the “**Stay**”) through to May 20, 2024;
 - ii. the payment of certain pre-filing amounts to specific Critical Suppliers and other creditors outlined in the W. Siemens Affidavit;
 - iii. an Administration Charge and Director’s Charge (both defined herein); and
 - iv. a Claims Procedure (defined herein); and
 - e. the Proposal Trustee’s comments and/or recommendations in relation to the foregoing, as applicable.
4. All references to currency are in Canadian dollars unless otherwise noted. Any terms not defined herein, are as defined in the W. Siemens Affidavit.

TERMS OF REFERENCE

5. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("**Management**"). The Proposal Trustee has not performed an audit, review, or other verification of such information. An examination of the cash flow forecast information as outlined in the CPA Canada Handbook has not been performed. Future-oriented financial information relied upon in this report is based on Management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be significant. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of such information.

COMPANY BACKGROUND

6. Kaden is a private, junior oil and gas company focused on acquiring and developing light tight oil in northwest Alberta, incorporated in 2015 pursuant to the laws of the Province of Alberta. Kaden has a total of five (5) employees, inclusive of Management, plus various additional contractors in the field that assist in its oil and gas operations.
7. The Proposal Trustee understands that the Company has experienced significant financial challenges due to the recent and material decline in Alberta natural gas prices. While Management had made efforts to restructure the Company in light of this, including reducing expenditures where possible and attempting to source alternative financing, the current state of affairs ultimately led to the Company's NOI filing.

ACTIVITIES OF THE PROPOSAL TRUSTEE

8. Since the Filing Date, the Proposal Trustee has undertaken the following material activities:
 - a. issued the statutory notice (the "**NOI Notice**") to the known creditors of the Company at the Filing Date as provided by Management, pursuant to section 50.4(1) of the Act;
 - b. established a website where public documents in relation to this proceeding have been and will be posted. This website is as follows:
<https://www.bdo.ca/kaden>

- c. assisted the Company with the preparation of the required cash flow statement and filed the statutory documentation with the Office of the Superintendent of Bankruptcy on March 15, 2024, which included:
 - i. the Cash Flow Statement as prescribed by section 50.4(2)(a) of the Act covering the period of March 11, 2024, to June 7, 2024 (the “**Cash Flow Statement**”), a copy of which is attached as **Appendix “A”**;
 - ii. the *Trustee’s Report on Cash Flow Statement* as prescribed by section 50.4(2)(b) of the Act, a copy of which is attached as **Appendix “B”**; and
 - iii. the *Report on Cash Flow Statement by the Person Making the Proposal* as prescribed by section 50.4(2)(c) of the Act, a copy of which is attached as **Appendix “C”**;
- d. prepared and implemented an ongoing monitoring program and monitored the Company’s financial affairs and cash flows since the Filing Date. A review of the Company’s actual financial results to date relative to the Cash Flow Statement is summarized herein;
- e. communicated with creditors of the Company regarding the status of the Company and these proceedings, and assisted Management in its communication plan with creditors and other stakeholders;
- f. held ongoing discussions with Management and the Company’s legal counsel surrounding ongoing operations, financial performance, and/or restructuring activities;
- g. held a preliminary discussion with the proposed lender of the Company to discuss the lender’s plans to fund the Company’s business and a proposal to creditors;
- h. held preliminary discussions with the Company and the Company’s counsel with respect to the potential structure of a proposal to creditors;
- i. held discussions with the Company and the Company’s legal counsel regarding the Company’s application to the Court, and prepared this First Report;

- j. engaged Fasken Martineau DuMoulin LLP (“**Fasken**”) as legal counsel to the Proposal Trustee, and consulted with Fasken in relation to various activities within the proceedings; and
- k. completed other administrative matters in relation to this proceeding.

FINANCIAL PERFORMANCE

9. As shown in the Cash Flow Statement, and as is typical with oil and gas companies, the Company’s cash collections generated from oil and gas revenue earned in the month preceding is received on or around the 25th day of the following month. As a result, disbursements related to payables or prior months’ expenditures are issued shortly after receipt of these funds.
10. A variance analysis of the Company’s actual receipts and disbursements over the period of March 11, 2024, to March 23, 2024 (the initial two week period), versus the corresponding period in the Cash Flow Statement is set out in the following table:

For the Period of: 2024-03-11 to 2024-03-23	PROJECTED	ACTUAL	VARIANCE
Receipts			
Interest on investments	\$ -	\$ 2,924	\$ (2,924)
Total Receipts	\$ -	\$ 2,924	\$ (2,924)
Disbursements			
OPEX			
Cash on delivery payments	(90,000)	(54,393)	(35,607)
G&A			
Salaries	(44,855)	(41,140)	(3,715)
Benefits	(4,000)	(5,904)	1,904
Rent and parking	-	(3,921)	3,921
Bank Fees & Other	-	(1,173)	1,173
Land Rentals	(3,541)	(3,541)	-
Total Disbursements	\$ (142,396)	\$ (110,072)	\$ (32,324)
Net cash inflow (outflow)	\$ (142,396)	\$ (107,148)	\$ (35,248)
Cash - beginning	185,813	185,813	-
Net change	(142,396)	(107,148)	(35,248)
Cash - closing	\$ 43,417	\$ 78,665	\$ (35,248)

11. Included in the actual disbursements is certain pre-filing salaries owed to employees of the Company, as well as a payment of \$1,315 in relation to a pre-filing cheque that was cashed inadvertently following the Filing Date (before a stop payment was issued by the Company).

12. While not included in the above table or comparative period given the timing of this First Report, on March 25, 2024, the Company received a total of \$1,310,645 in relation to its oil and gas revenues generated for the month of February, which is approximately \$202,620 less than initially projected for during this same week; this negative variance in revenue collections is primarily attributable to an offset claim made by an oil and gas marketer of the Company in respect of a pre-filing liability owed to the party.
13. Further, during the week of March 24 to March 30, 2024, the Company issued pre-filing payments to the Alberta Department of Energy (the “**Crown**”) in respect of royalties and rentals in the amounts of \$44,483 and \$3,541, respectively. As outlined later, the Company is seeking the Court’s approval of these pre-filing payments.
14. As of the date of this First Report, the Company has cash of approximately \$1,228,524.

APPLICATION TO EXTEND TIME TO FILE PROPOSAL

15. The current stay of proceedings expires on April 5, 2024. The Company is making an application pursuant to section 50.4(9) of the Act for an extension of the time required to file its proposal through to May 20, 2024 (the “**Extension**”).
16. The Proposal Trustee is satisfied that Management has been acting with due diligence and in good faith and has been working towards ultimately presenting a proposal to its creditors. Since the Filing Date, Management has:
 - a. worked to stabilize ongoing operations, in light of the proceedings;
 - b. responded to inquiries from creditors regarding the status of the proceedings;
 - c. held discussions with a proposed lender to the Company, which the Company intends will contribute to a proposal to its creditors;
 - d. held preliminary discussions with the Company’s legal counsel and the Proposal Trustee with respect to the potential structure of a proposal; and
 - e. cooperated with the Proposal Trustee in providing the necessary information to monitor the Company’s financial affairs, as required.

17. The Proposal Trustee is of the view that the Extension is warranted in the circumstances to allow the Company the opportunity to continue to work towards obtaining alternative financing and the formulation of the terms of a proposal, based on the following:
- a. Management has been acting in good faith and with due diligence;
 - b. it is anticipated that the Company will be able to put forward a viable proposal to its creditors for consideration; and
 - c. the Proposal Trustee does not believe that any creditors will be materially prejudiced by the Extension.

APPLICATION FOR CRITICAL SERVICE PROVIDERS AND SUPPLIERS

18. The Company is seeking the Court's approval of certain pre-filing payments to creditors of the Company, including amounts owed to employees, Critical Suppliers (as defined in the W. Siemens Affidavit), the Crown, Kaden Royalty Corp. ("**KRC**"), Arc Resources Ltd. ("**Arc**") and the Canada Revenue Agency ("**CRA**") (collectively, the "**Company Proposed Pre-Filing Payments**"). The W. Siemens Affidavit also addresses two creditors that may have offset rights in the proceedings.
19. Management has prepared a summary of the Company Proposed Pre-Filing Payments (excluding amounts to employees), which is attached to this First Report as **Appendix "D"**. The Proposal Trustee provides additional information and its comments with respect to the Company Proposed Pre-Filing Payments below.

Employees

20. The employees of the Company are viewed as critical to ongoing operations of the Company and ultimately a restructuring for the benefit of all stakeholders. Certain amounts owed to employees are also required to be paid as a precondition of Court approval of any proposal. As outlined earlier herein, these amounts have already been paid by the Company and were reflected in the Cash Flow Statement.

Critical Suppliers

21. The Critical Suppliers include contract operators and other goods and service providers that the Company views as critical to ongoing operations. Based on further discussions with Management, the Company is proposing to pay only certain amounts owed to these parties, primarily relating to critical goods and services provided to the Company in February 2024 (and associated with revenues collected on March 25, 2024).
22. The specific amounts that the Company is proposing to be paid to these Critical Suppliers are included in Appendix D.
23. The Proposal Trustee has discussed the nature of the Critical Suppliers with the Company, or in some cases, counsel for the Company, and based on these discussions, understands the parties listed as Critical Suppliers in Appendix D:
 - a. each provide goods or services critical to the operation of the Company's business; and/or
 - b. in some cases, provide goods or services that cannot be replaced or in other cases, where replaceable, would cause unnecessary business interruption, delays, and increased cost to the Company, thereby putting the Company and its operations at risk in these proceedings.

The Crown

24. The Company is seeking the Court's approval of the pre-filing amounts owed to the Crown royalties and rentals related to prior to the Filing Date, a portion which have already paid by the Company the week ending March 30, 2024, as outlined earlier.
25. The Proposal Trustee notes that these amounts may be included in a different class within a proposal and/or would need to be paid upon the sale the oil and gas properties.

Royalty Payments

26. The Company is proposing to pay royalties to KRC and Arc of \$47,665 and \$5,792, respectively, relating to royalties due pursuant to the royalty contracts and January production.
27. While these amounts may be stayed during these proceedings, the Proposal Trustee understands that due to the nature of the payments, these amounts may be included in a different class within a proposal and, similar to the Crown payments, may be paid upon the sale of the oil and gas properties.
28. With respect to KRC, the Proposal Trustee notes its understanding that this is not a related party to the Company. Management advises that Kaden was initially owned by Azimuth Capital Management (“**Azimuth**”), and Azimuth setup KRC as an entity to receive the overriding royalty with no affiliation to Kaden.

The CRA

29. The Company is seeking the Court’s approval of payment for any GST owing or relating to the period prior to the Filing Date.

Impact on the Cash Flow Statement

30. The total aggregate of Company Proposed Pre-Filing Payments that the Company seeking to be authorized to pay, subject to Court approval, is approximately \$605,000.
31. Management, with the assistance of the Proposal Trustee, has also prepared a revised cash flow statement for the period of March 24, 2024 to June 7, 2024, which reflects Management’s changes to the initial Cash Flow Statement, including the Company Proposed Pre-Filing Payments (the “**Revised Cash Flow Statement**”). The Revised Cash Flow Statement is attached as Appendix “E”.
32. Based on the Revised Cash Flow Statement, the Company is projecting sufficient cash flow from operations to be able to fund ongoing operations and pay the Company Proposed Pre-Filing Payments in the event that the Court approves this relief.

APPLICATION FOR AN ADMINISTRATION CHARGE

33. The Company requires the assistance of its legal counsel, the Proposal Trustee, and its legal counsel, to prepare and implement a proposal. Without this assistance, it would be highly unlikely the Company would be able to successfully restructure its affairs. Consequently, the Company is making an application to this Honourable Court seeking a priority charge over the assets of Kaden to a maximum of \$250,000 (the “**Administration Charge**”) pursuant to section 64.2 of the Act in respect of the fees and disbursements of the Company’s legal counsel, the Proposal Trustee and the Proposal Trustee’s legal counsel, ranking ahead of all other creditors.
34. An administration charge is a common mechanism utilized to protect the professional costs associated with a company’s efforts to successfully restructure. The Proposal Trustee believes the requested amount of the Administration Charge is reasonable and appropriate in the Company’s circumstances, considering the size of the Company, the nature of the business and industry in which it operates and the anticipated complexity of any proposal to be made.
35. Considering the foregoing, the Proposal Trustee submits that such relief is appropriate and does not unduly or materially prejudice any creditors.

APPLICATION FOR A DIRECTORS’ CHARGE

36. The Company requires the ongoing assistance of its directors and officers (“**D&O**”) to continue operations of the Company and ultimately to formulate a proposal to its creditors. Consequently, the Company is making an application to this Honourable Court seeking a priority charge over the assets of Kaden to a maximum of \$100,000 (the “**Directors’ Charge**”) pursuant to section 64.1 of the Act in respect of the potential post-filing D&O obligations related to carrying out these activities, ranking ahead of all other creditors.

37. A Directors' Charge is a common mechanism utilized to protect the directors and officers of a Company during a restructuring. The Proposal Trustee believes the requested amount of the Directors' Charge is reasonable and appropriate in the Company's circumstances, noting that total payroll and goods and service tax liabilities for one month approximate \$75,000 to \$100,000. The Proposal Trustee also understands that the Company has a D&O insurance policy. As a result, any claim under the Directors' Charge is only permitted to the extent that the exposure is not covered by the Company's D&O insurance policy. The Proposal Trustee also notes that the Directors' Charge proposed does not protect directors or officers against obligations incurred as a result of their gross negligence or wilful misconduct.
38. Considering the foregoing, and in particular the exceptions for gross negligence, wilful misconduct or claims covered by insurance, the Proposal Trustee submits that such relief is appropriate and does not unduly or materially prejudice any creditors.

APPLICATION FOR A CLAIMS PROCESS

39. Based on the Company's books and records at the Filing Date, the Company owes its creditors approximately \$12 million, comprising mostly of unsecured creditors.
40. To expediate the adjudication of creditor claims and determine the actual quantum and classification of creditor claims in the within proceedings, for the ultimate purposes of preparing a proposal, the Company, with the assistance of its counsel and in consultation with the Proposal Trustee, has developed a proposed claims procedure (collectively the "**Claims Procedure**").
41. The Claims Procedure, which is viewed as a "negative claims process", is more fully set out in the proposed form of order appended to the Company's Application, however, its key terms are summarized below. Capitalized terms not defined in this section have the meaning given to them in the Claims Procedure:
- a. the Company, in consultation with the Proposal Trustee, will determine the quantum of Known Claimants based on the Company's books and records;

- b. as soon as reasonably practical following the granting of the proposed Claims Process Order, the Proposal Trustee will issue a Claims Package to each of the Known Claimants;
 - c. if a Known Claimant agrees with the amount and classification of its claim, as listed in the Claims Package, nothing further is required and their claim, as set out in the Claims Package, will be deemed a Proven Claim;
 - d. if a Known Claimant disagrees with the amount and classification of its claim as set out in the Claims Package, the creditor must deliver a Notice of Dispute to the Applicant, care of the Proposal Trustee, by no later than the Claims Bar Date;
 - e. the Claims Bar Date for Known Claimants is 14 days following the date of the Claims Package;
 - f. after receiving a Notice of Dispute, if the Company, the Proposal Trustee, and the claimant cannot agree on the amount or classification of the claim in question, the Proposal Trustee must issue a Notice of Revision or Disallowance. Any claimant that intends on disputing the Notice of Revision or Disallowance must then file an application with the Court for the Court's determination of the claim, no later than 14 days from the date of the Notice of Revision or Disallowance; and
 - g. Unknown Claimants who do not initially receive the Claims Package are notified of the Claims Process through publications placed by the Proposal Trustee in the Daily Oil Bulletin and a local newspaper, as well as on the Proposal Trustee's website in accordance with the Claims Procedure. Unknown Claimants have an Unknown Claims Bar Date of no later than:
 - a) April 19, 2024; and
 - b) within 10 days of receipt of the Claims Package (whichever date is later).
42. The Proposal Trustee is supportive of the Claims Procedure and believes it is reasonable in the circumstances, due to the following key reasons:
- a. the Company's books and records generally appear in good order based on the Trustee's review to date, noting also that minimal creditors of the Company have contacted the Proposal Trustee to indicate they are owed a different amount from that listed in the NOI Notice. As a result, reliance on

the Company's books and records to quantify creditor claims appears supportable in the circumstances;

- b. only creditors that disagree with the quantum or classification of their claim according to the Company's books and records and as set out in the Proposal Trustee's claim materials, are required to take any further steps to prove their claim for voting and distribution purposes. This "negative claims process" will lessen the administrative burden on creditors to fill out proofs of claim forms as typically required in NOI/proposal proceedings, and will assist in minimizing professional costs and improve the efficiency in adjudicating creditor claims by the Proposal Trustee;
- c. the notice, Notice of Dispute and instruction letter that make up the claims package set out in the schedules to the proposed Claims Procedure (the "**Claims Package**") are similar to those typically provided by BDO Canada Limited in connection with claims procedures administered pursuant to the Act;
- d. the Claims Procedure requires the Proposal Trustee to send a Claims Package to known creditors, as soon as reasonably practical (the "**Mailing Date**"). The Proposal Trustee intends on sending this by email distribution or by courier or registered mail for tracking purposes. In addition, the Proposal Trustee will post a notice regarding the Claims Process on its website and in the Daily Oil Bulletin and a local newspaper. The Proposal Trustee views this as appropriate, and notes that it is compliant or similar with creditor notification requirements set out in the Act;
- e. the Claims Procedure provides for a claims bar date of 14 days following the date of the Claims Package, which is a greater length of time than is typically afforded to creditors wishing to vote on a proposal under the Act. The Act requires only that the proposal trustee send notice of the meeting of creditors (including proof of claim documents) at least 10 days prior to the meeting of creditors, which is required to be held within 21 days of the filing of the proposal. The Proposal Trustee also notes that it is not unusual for proposal terms to set out a claims bar date. In the Proposal Trustee's experience, such claims bar dates are often the same as the date of the

meeting of creditors, in which case creditors typically have less than 21 days from the date of mailing to file a claim;

- f. the Claims Procedure provides a forum for the Proposal Trustee to formally revise or disallow creditor claims, which is similar to the provisions of the Act. A claimant that disagrees with a Notice of Revision or Disallowance issued by the Proposal Trustee pursuant to the Claims Procedure, must file an application within 14 days from the Notice of Revision or Disallowance. This time period, coupled with the 14-day time period between the date of the Claims Package and the Claims Bar Date, and the period that will be necessary to review any Notice of Dispute, will amount to more than 30 days, which is the time period per the Act permitted following issuance of a formal revision or disallowance notice by the Proposal Trustee; and
- g. the Claims Procedure allows the Proposal Trustee to send the Claims Package by mail, fax, or email based on the addresses contained in the Company's books and records. The Proposal Trustee views this as reasonable in the circumstances. In particular, sending Claims Packages by email wherever applicable will result in faster delivery, maximizing the amount of time available to parties to submit a claim.

RECOMMENDATIONS

- 43. Based on the foregoing, the Proposal Trustee is supportive of the relief requested by the Company, including:
 - a. the extension of time to file a proposal, and the related Stay, up to and including May 20, 2024;
 - b. the quantum and priority of the Administration Charge and the Directors' Charge;
 - c. the Claims Procedure; and
 - d. the Company Proposed Pre-Filing Amounts.

All of which is respectfully submitted this 1st day of April 2024.

BDO Canada Limited,

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

Per:



Breanne Scott, CPA, CA, CIRP, LIT
Vice President

APPENDIX “A”


Kaden Energy Ltd.
Cash Flow Forecast
(Unaudited - prepared by management)

	Notes	Week 1 Week of 11-Mar-24	Week 2 Week of 18-Mar-24	Week 3 Week of 25-Mar-24	Week 4 Week of 1-Apr-24	Week 5 Week of 8-Apr-24	Week 6 Week of 15-Apr-24	Week 7 Week of 22-Apr-24	Week 8 Week of 29-Apr-24	Week 9 Week of 6-May-24	Week 10 Week of 13-May-24	Week 11 Week of 20-May-24	Week 12 Week of 27-May-24	Week 13 Week of 3-Jun-24	Total
Week beginning:															(forecast)
Receipts															
Production revenues	1			1,513,263					1,316,540				943,728		3,773,531
		-	-	1,513,263	-	-	-	-	1,316,540	-	-	-	943,728	-	3,773,531
Disbursements	2														
Royalties	3								(154,274)				(118,460)		(272,734)
OPEX	4														
Cash on delivery payments		(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(435,000)
Fixed costs					(11,025)				(240,889)	(11,025)			(240,889)		(503,828)
Oil Trucking									(84,581)				(84,581)		(169,162)
Oil Variable									(72,479)				(72,479)		(144,957)
Water Trucking/Disposal									(22,115)				(22,115)		(44,231)
Variable Gas costs									(21,554)				(21,554)		(43,108)
Natural Gas processing									(144,143)				(144,143)		(288,285)
Sales gas transportation									(35,733)				(35,733)		(71,465)
G&A	5														
Salaries		(44,855)		(44,855)			(44,855)		(44,855)		(44,855)		(44,855)		(269,130)
Benefits		(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(26,000)
Rent and parking					(4,500)					(4,500)					(9,000)
Software, phone, internet				(12,000)					(12,000)				(12,000)		(36,000)
Office supplies				(500)					(500)				(500)		(1,500)
Reserve Report									(45,000)				-		(45,000)
Audit & Tax									(32,500)				(32,500)		(65,000)
Other consultant expenses				(16,500)					(16,500)				(16,500)		(49,500)
Legal				(1,500)					(1,500)				(1,500)		(4,500)
Safety				(1,600)					(1,600)				(1,600)		(4,800)
Travel				(2,500)					-				-		(2,500)
Bank Fees & Other				(2,237)					(5,237)				(1,737)		(9,211)
Land Rentals		(3,541)					(1,500)				(1,500)				(6,541)
GST	6				(67,183)					(10,782)				(2,182)	(80,148)
Restructuring	7				(50,000)					(50,000)				(50,000)	(150,000)
		(95,396)	(47,000)	(128,692)	(179,708)	(47,000)	(93,355)	(47,000)	(957,459)	(98,307)	(68,355)	(22,000)	(873,145)	(74,182)	(2,731,601)
Net cash inflow (outflow)		(95,396)	(47,000)	1,384,571	(179,708)	(47,000)	(93,355)	(47,000)	359,080	(98,307)	(68,355)	(22,000)	70,583	(74,182)	1,116,112
Cash - beginning		185,813	90,417	43,417	1,427,988	1,248,280	1,201,280	1,107,925	1,060,925	1,420,005	1,321,698	1,253,343	1,231,343	1,301,925	185,813
Net change		(95,396)	(47,000)	1,384,571	(179,708)	(47,000)	(93,355)	(47,000)	359,080	(98,307)	(68,355)	(22,000)	70,583	(74,182)	1,116,112
Cash - closing		90,417	43,417	1,427,988	1,248,280	1,201,280	1,107,925	1,060,925	1,420,005	1,321,698	1,253,343	1,231,343	1,301,925	1,227,743	1,301,925

Kaden Energy Ltd.

Per: Wes Siemens, P.Eng.
Date: President & CEO
3/14/2024

BDO Canada Limited in its sole capacity
as Proposal Trustee of Kaden Energy
Ltd., and not in its personal capacity


Per: Breanne Scott, LIT
Date: March 15, 2024

APPENDIX “B”

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

-- FORM 29 --

Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Kaden Energy Ltd., as of the 14th day of March 2024, consisting of a 13 week cash flow forecast, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:

management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 15th day of March 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed
Insolvency Trustee



110 5800 2 St SW.
Calgary AB T2H 0H2
Phone: (403) 777-9999

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

The purpose of the Cash Flow Statement is to demonstrate the Company's projected ability to fund its operations over the forecast period.

Assumptions:

1. Revenues collected on March 25 are based on our best estimate derived from truck tickets to estimate production. The monthly average was used to determine price and overall revenue for the month of February (to be collected in March). Later months' projected revenue is derived from our production estimates (using reserve reports and our forecast for production based on outages) and using strip pricing provided by Contango Marketing (Kaden's marketing party) to estimate revenue. It is then assumed revenue collections to be received the following month. April and May revenues will be impacted negatively due to a planned four week pipeline and gas facility outage by Pembina, in addition to Spring-Break up at Smoky.

2. As a result of the NOI filing, there is a "stay of proceedings" such that no amounts for goods and services provided to the company prior to the date of the NOI will be paid at this time. The forecast, however, includes payment for goods and services provided to and authorized following the date of the NOI, which have been forecast based on the assumptions noted below.

3. Royalties are estimated based on historical percentages (rates which vary by month depending on the royalty agreement and production/revenue by location) and projected revenue over the forecast period.

4. Monthly operating costs are calculated based on historical per "BOE" calculations and projected production figures, adjusted for outages and down periods noted, assumed to be paid in the following month. We are also assuming a weekly \$45,000 amount will be paid to pre-pay for critical services for the first two months, then \$20,000 subsequent, as the company is current on recent invoices.

5. Assume G&A is settled in the month occurred, except for payroll which is semi-monthly. Included in the payment of salaries the week of March 11, 2024 is \$22,000 of pre-filing NOI wages which are necessary to be paid to support ongoing operations. Approximate historical G&A is \$135,000 per month. A one-time annual cost for reserve reports is noted during the week of April 29.

6. GST is calculated based on net revenues and expenses post NOI, payable the following month.

7. Assuming additional costs to be incurred related to restructuring, including the professional fees to the Proposal Trustee and the company's legal counsel, at a rate of \$50,000 per month.

Dated at the City of Calgary in the Province of Alberta, this 15th day of March 2024.

BDO Canada Limited / BDO Canada Limitée - Licensed
Insolvency Trustee

Brian Ault

110 5800 2 St SW.
Calgary AB T2H 0H2
Phone: (403) 777-9999

APPENDIX “C”

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Kaden Energy Ltd. has developed the assumptions and prepared the attached statement of projected cash flow, as of the 14th day of March 2024, consisting of a 13 week cash flow forecast.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the company and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 14th day of March 2024.

Wes Siemens

Kaden Energy Ltd.
Debtor

Wes Siemens, President

Name and title of signing officer

Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No. 25-3052460

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Purpose:

The purpose of the Cash Flow Statement is to demonstrate the Company's projected ability to fund its operations over the forecast period.

Assumptions:

1. Revenues collected on March 25 are based on our best estimate derived from truck tickets to estimate production. The monthly average was used to determine price and overall revenue for the month of February (to be collected in March). Later months' projected revenue is derived from our production estimates (using reserve reports and our forecast for production based on outages) and using strip pricing provided by Contango Marketing (Kaden's marketing party) to estimate revenue. It is then assumed revenue collections to be received the following month. April and May revenues will be impacted negatively due to a planned four week pipeline and gas facility outage by Pembina, in addition to Spring-Break up at Smoky.

2. As a result of the NOI filing, there is a "stay of proceedings" such that no amounts for goods and services provided to the company prior to the date of the NOI will be paid at this time. The forecast, however, includes payment for goods and services provided to and authorized following the date of the NOI, which have been forecast based on the assumptions noted below.

3. Royalties are estimated based on historical percentages (rates which vary by month depending on the royalty agreement and production/revenue by location) and projected revenue over the forecast period.

4. Monthly operating costs are calculated based on historical per "BOE" calculations and projected production figures, adjusted for outages and down periods noted, assumed to be paid in the following month. We are also assuming a weekly \$45,000 amount will be paid to pre-pay for critical services for the first two months, then \$20,000 subsequent, as the company is current on recent invoices.

5. Assume G&A is settled in the month occurred, except for payroll which is semi-monthly. Included in the payment of salaries the week of March 11, 2024 is \$22,000 of pre-filing NOI wages which are necessary to be paid to support ongoing operations. Approximate historical G&A is \$135,000 per month. A one-time annual cost for reserve reports is noted during the week of April 29.

6. GST is calculated based on net revenues and expenses post NOI, payable the following month.

7. Assuming additional costs to be incurred related to restructuring, including the professional fees to the Proposal Trustee and the company's legal counsel, at a rate of \$50,000 per month.

Dated at the City of Calgary in the Province of Alberta, this 14th day of March 2024.

Wes Siemens

Kaden Energy Ltd.

APPENDIX “D”

Kaden Energy Ltd.
Summary of Company Proposed Pre-Filing Payments

Creditor	Amount
<u>Critical Suppliers</u>	
Pembina Gas Services Limited Partnership	\$ 110,000 *
West Rock Inc.	71,270
Carnwood Wireline Service Ltd	28,654
Len Elliott Consulting Ltd	20,463
TNT Engineering Ltd.	18,786
Xcel Automation Ltd.	18,349
Caron Measurement & Controls Ltd.	17,849
Full Force Ventures	12,244
Direct Pressure	11,883
Pasco Energy Services Inc.	11,739
Next Compression Corp.	11,375
Petro-Canada Lubricants Inc.	9,454
I3 Energy Canada Ltd.	5,571
Pandell Technology Corporation	5,218
Jafco Production Ltd	4,778
Expera Information Technology Inc.	4,306
Dynamic Energy Group Inc.	3,955
Nortech Advanced Ndt Ltd.	3,282
Contango Marketing	2,835
Wild Rows Pump & Compression Ltd	2,488
Agat Laboratories	1,818
Baker Hughes Canada Company	918
Razorback Waste	504
We An-Ser Communications Group	437
Shock Trauma Air Rescue Service	54
Sub-total - Critical Suppliers	\$ 378,230
<u>Royalty Payments</u>	
Crown royalties	115,000 *
Kaden Royalty Corp.	47,665
ARC Resources Ltd.	5,792
Sub-total - Royalties	\$ 168,457
<u>GST and Crown Rentals</u>	
CRA for GST	55,000 *
Crown lease rentals	3,541
Sub-total - the Crown & CRA	\$ 58,541
Total Proposed Pre-Filing Payments	\$ 605,228

* These amounts are estimated at this time. The Company is proposing that it be authorized to pay Pembina processing fees for February production, and all pre-filing Crown royalties and GST to CRA, the quantum of these amounts which are not yet finalized at this date.

APPENDIX “E”

Kaden Energy Ltd.
Revised Cash Flow Statement
(Unaudited - prepared by management)

	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of
Week beginning:	25-Mar-24	1-Apr-24	8-Apr-24	15-Apr-24	22-Apr-24	29-Apr-24	6-May-24	13-May-24	20-May-24	27-May-24	3-Jun-24
Receipts											
Production revenues	1,310,645					1,316,540				943,728	
	1,310,645	-	-	-	-	1,316,540	-	-	-	943,728	-
Disbursements											
Royalties	(44,483)	(124,457)				(154,274)				(118,460)	
OPEX											
Cash on delivery payments	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Fixed costs		(11,025)				(240,889)	(11,025)			(240,889)	(11,025)
Oil Trucking						(84,581)				(52,123)	
Oil Variable						(72,479)				(47,939)	
Water Trucking/Disposal						(22,115)				(12,293)	
Variable Gas costs						(21,554)				(11,951)	
Natural Gas processing						(144,143)				(97,184)	
Sales gas transportation						(35,733)				(24,526)	
Critical vendors & employees		(378,230)									
G&A											
Salaries	(44,855)			(44,855)		(44,855)		(44,855)		(44,855)	
Benefits	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Rent and parking		(4,500)					(4,500)				
Software, phone, internet	(12,000)					(12,000)				(12,000)	
Office supplies	(446)					(500)				(500)	
Reserve Report						(45,000)				-	
Audit & Tax						(32,500)				(32,500)	
Other consultant expenses	(16,500)					(16,500)				(16,500)	
Legal						(1,500)				(1,500)	
Safety						(1,600)				(1,600)	
Travel	(2,500)					-				-	
Bank Fees & Other	(2,237)					(5,237)				(1,737)	
Land Rentals	(3,541)			(1,500)				(1,500)			
GST		(54,986)					(10,782)				(2,182)
Restructuring		(50,000)					(50,000)				(50,000)
	(173,562)	(670,198)	(47,000)	(93,355)	(47,000)	(957,459)	(98,307)	(68,355)	(22,000)	(738,557)	(85,207)
Net cash inflow (outflow)	1,137,083	(670,198)	(47,000)	(93,355)	(47,000)	359,080	(98,307)	(68,355)	(22,000)	205,171	(85,207)
Cash - beginning	106,835	1,243,918	573,720	526,720	433,365	386,365	745,445	647,138	578,783	556,783	761,954
Net change	1,137,083	(670,198)	(47,000)	(93,355)	(47,000)	359,080	(98,307)	(68,355)	(22,000)	205,171	(85,207)
Cash - closing	1,243,918	573,720	526,720	433,365	386,365	745,445	647,138	578,783	556,783	761,954	676,747

Note - The Revised Cash Flow Statement is for the period of March 24, 2024 to June 7, 2024, and includes actual opening cash at the opening date; all highlighted amounts above represent the figures that have been updated by Management. Management is determining actual disbursements by category for the week ended March 30, 2024 which will be provided to the Proposal Trustee in due course pursuant to the monitoring program established.