



COURT

25-2851343

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

COM
Sept. 28, 2022
Justice D.B. Nixon

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF PETROLAMA
ENERGY CANADA INC.

DOCUMENT

**SECOND REPORT OF ALVAREZ & MARSAL
CANADA INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE**

September 21, 2022

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On July 27, 2022 (“**Filing Date**”), Petrolama Energy Canada Inc. (“**Petrolama**” or the “**Company**”), filed a Notice of Intention to Make a Proposal (the “**NOI**” or the “**Filing**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. consented to act as Trustee under the NOI (“**A&M**” or the “**Proposal Trustee**”).
2. Pursuant to section 50.4(8) of the BIA, the initial stay period under these BIA Proceedings is from July 27, 2022 to August 26, 2022 (the “**Initial Stay Period**”).
3. A copy of the Certificate of Filing of the NOI issued by the Office of the Superintendent of Bankruptcy is attached to the first report of the Proposal Trustee dated August 4, 2022 (“**First Report**”) as Appendix “A”.
4. On August 10, 2022, the Company was granted an order (the “**August 10th Order**”):
 - a) approving a sales and investment solicitation process (the “**SISP**”), including the SISP's deeming of the stalking horse proposal to creditors (the “**Stalking Horse Proposal**”) of 884304 Alberta Ltd. (the “**Stalking Horse Bidder**”) as a Qualified Bid thereunder, and authorizing and directing the Company and the Proposal Trustee to carry out the SISP;
 - b) granting a charge, not to exceed \$150,000 (the “**Administration Charge**”), as security for the fees and costs of the Proposal Trustee, its independent legal counsel, and the legal counsel to the Company;
 - c) authorizing the Company to borrow up to \$300,000 under a credit facility from 884304 Alberta Ltd. (the “**Interim Facility**”) to allow the Company to satisfy its expenses in connection with these BIA Proceedings and granting a charge (the “**Interim Lending Charge**”) to secure the obligations under the Interim Facility;

- d) granting a charge in favour of the Company's directors and officers, not to exceed \$65,000 securing the Company's indemnification obligations to them (the "**Directors' and Officers' Charge**"); and
- e) extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including October 10, 2022.

Application by the Company – Returnable September 28, 2022

5. On September 19, 2022, the Company filed an application with this Honourable Court, returnable September 28, 2022, to seek an order, among other things:

- a) authorizing and empowering, but not requiring, the Proposal Trustee, or, alternatively, the Company to act as the foreign representative (in such capacity, the "**Foreign Representative**") in respect of the within proceedings for the purpose of having these proceedings recognized and approved in a jurisdiction outside of Canada;
- b) authorizing the Foreign Representative to apply for foreign recognition and approval of these proceedings, if and as necessary, in any jurisdiction outside of Canada, including in the United States pursuant to chapter 15 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 ("**Chapter 15 Proceedings**");
- c) authorizing an amendment to the Interim Financing Terms to increase the Interim Facility by US\$75,000 and a corresponding increase to the Interim Lending Charge to secure the obligations under the Interim Facility;
- d) authorizing an increase to the Administration Charge to an amount not to exceed \$250,000 in the aggregate;

- e) approving application of the sum of US\$800,000 (the “**Funds**”) by Phillips 66 Gulf Coast Properties LLC (“**P66**”) to reduce its provable claim; and
- f) extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including November 24, 2022.

PURPOSE

6. The purpose of this Second Report of the Proposal Trustee (the “**Second Report**” or this “**Report**”) is to provide this Honourable Court and the Company’s stakeholders with information and the Proposal Trustee’s comments in respect of the following:

- a) the activities of the Company and the Proposal Trustee since the First Report;
- b) an update on the Keyera Lawsuit (defined below) and potential need for foreign recognition proceedings;
- c) an update on the SISP;
- d) the budget to actual results of the Company’s cash flows for the period from July 27, 2022 to September 16, 2022 (the “**Reporting Period**”);
- e) the updated cash flow projections through November 25, 2022 (the “**Updated Forecast Period**”);
- f) the request to increase the amount of the borrowings available under the Interim Financing Terms;
- g) the request to increase the Administration Charge and the Interim Lending Charge;
- h) the request to approve application of the Funds by P66 to reduce its provable claim;

- i) the request to extend the time for filing a proposal pursuant to section 50.4(9) of the BIA to November 24, 2022; and
- j) the Proposal Trustee's overall recommendations.

TERMS OF REFERENCE

- 7. In preparing this Second Report, the Proposal Trustee has relied upon unaudited financial information and other information provided by the Company and other third parties. The Proposal Trustee has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed.
- 8. Future oriented financial information relied upon in this Report is based on the Company's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
- 9. Capitalized terms or terms not otherwise defined in this Second Report are as defined in the First Report.
- 10. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

- 11. This Second Report has been prepared by the Proposal Trustee pursuant to the rules and regulations set out in the BIA. The BIA provides that the Proposal Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.
- 12. This Second Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Company during these BIA Proceedings and/or at any other time.

13. The Proposal Trustee has not audited or reviewed the assets of the Company, and with respect to such assets, has relied to a significant degree upon information provided by the Company.
14. The Proposal Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

BACKGROUND

15. The Company was incorporated pursuant to the laws of Alberta in January of 2011 and operates a crude oil and natural gas liquids marketing and trading business. Utilizing a US\$70,000,000 credit facility, by 2013 the Company constructed and operated a crude oil blending terminal in Alida, Saskatchewan, and increased its staffing to over 10 personnel. At its peak, in 2014, the Company achieved annual revenues of over \$900,000,000.
16. In July of 2016, the Company sold the majority of its commercial assets to Secure Energy Services Inc. where most of its employees continued as part of that transaction. Thereafter, the Company focused on marketing its Canadian crude oil and propane largely to the United States, including establishing storage facilities contracts with certain mid-stream companies.
17. A number of factors led to the Company's insolvency. These factors include but are not limited to: (i) the loss of bank financing, (ii) the delay in completion of certain facilities, (iii) a regulatory rejection of a material project, (iv) the high cost of crude oil storage under long term contracts, and (v) the 2020 market crash of the price of crude oil and its subsequent volatility.
18. At present, the Company currently employs one employee to manage the day-to-day administration, accounting, and marketing. The Company no longer has any oil and gas interests in Canada and is currently party to certain "out of money" contracts and leases relating to crude oil storage tanks and a dock access agreement lease. In the BIA Proceedings, the Company disclaimed three contracts with two

counter-parties, which are discussed in this Report. The only asset that may have value is a contract to extract residue waste material from a long-standing pool or lagoon in Texistepec, Mexico, that remains on this site from prior years of significant mining (the “**Mexico Project**”). The Mexico Project is the key basis for the Stalking Horse Proposal.

19. The affidavit of Mr. Paul Farley Joslyn (the “**Joslyn Affidavit**”), the Company’s sole employee and officer, sworn September 18, 2022, has been filed in support of the Company’s application and provides details of the Company’s operations, financial position and the relief sought in the September 28, 2022 application.
20. Further information regarding the BIA Proceedings, including materials filed with the Court in the BIA Proceedings have been posted on the Proposal Trustee’s website at www.alvarezandmarsal.com/petrolama (the “**Website**”).

ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE

21. Since the First Report, Company’s management (“**Management**”) and the Proposal Trustee’s activities have included (among other things):
 - a) reviewing the Company’s weekly receipts and disbursements over the Reporting Period and comparing these results to the Company’s initial cash flow forecast period over the same period;
 - b) preparing an updated cash flow forecast over the Updated Forecast Period to reflect certain timing and permanent variances experienced in the Reporting Period;
 - c) hosting discussions between the Proposal Trustee, its legal counsel and the Company’s legal counsel relating to matters relevant to the BIA Proceedings including the SISP and potential Chapter 15 Proceedings;
 - d) various discussions with the Company’s significant creditors and their claims against the Company;

- e) evaluating and issuing notices pursuant to section 65.11 of the BIA disclaiming certain agreements with Keyera Energy Inc. (“**Keyera**”) and P66; and
- f) provided ongoing monitoring of the Company’s financial affairs and other activities.

FOREIGN REPRESENTATIVE

Overview

- 22. Keyera commenced proceedings against Petrolama and BB Energy USA LLC in the United States District Court for the Southern District of Texas (the “**Texas Court**”) on August 26, 2022 (the “**Keyera Lawsuit**”).
- 23. Petrolama became aware of the Keyera Lawsuit on September 1, 2022 when the Keyera Lawsuit and a “Summons in a Civil Action” (the “**Summons**”) was served on the Company. The Summons served with the Keyera Lawsuit states that Petrolama must respond within 21 days after service has been effected. Further details regarding the Keyera Lawsuit have been outlined in the Joslyn Affidavit.

Potential Chapter 15 Proceeding

- 24. It is the Company’s position that the Keyera Lawsuit cannot proceed against the Company and is subject to the BIA stay of proceedings because it was filed with knowledge of, and subsequent to, the Initial Stay Period and the subsequent extension of time for the Company to file a proposal pursuant to the August 10th Order.
- 25. As a result of the Keyera Lawsuit, as a last resort if consensual arrangements with Keyera are not possible, Petrolama may be required to respond in the Texas Court as noted above or begin Chapter 15 Proceedings to have the BIA stay of proceedings recognized in the United States.

26. It is the Proposal Trustee's understanding that Keyera has advised that it is not requiring that Petrolama file a defence to the Keyera Lawsuit at this time, and Keyera has agreed not to take any steps to note Petrolama in default without first giving Petrolama 30-days notice.
27. If it becomes necessary for Petrolama to file Chapter 15 Proceedings, the Company is seeking:
- a) the Court's authorization and empowerment, but not the requirement, for the Proposal Trustee or, alternatively, the Company, to act as the Foreign Representative under sections 268 and 269 of the BIA in respect of the within proceedings for the purpose of having these proceedings recognized and approved in a jurisdiction outside of Canada; and
 - b) the Court's authorization for the Foreign Representative to apply for foreign recognition and approval of these proceedings, if and as necessary, in any jurisdiction outside of Canada, including in the United States.
28. The Proposal Trustee is of the respectful view that the Company's requested relief, is appropriate under the circumstances to assist in a successful and efficient restructuring pursuant to the BIA Proceedings and would ensure, if consensual arrangements are not possible, that all claims against the Company can be addressed in the BIA Proceedings.

SALE AND INVESTMENT SOLICITATION PROCESS UPDATE

29. Pursuant to the August 10th Order, the SISP was granted by this Honourable Court and the following has transpired as of the date of this Report:
- a) on August 12, 2022, the Proposal Trustee, with the assistance of Company Management, set up a virtual data room (the "**Data Room**") containing due diligence materials;

- b) on August 12, 2022, the Proposal Trustee, in consultation with the Company, delivered a summary outline of the opportunity (a “**Teaser**”) to 42 potential strategic and financial bidders and invited them to execute a non-disclosure agreement (“**NDA**”) with the Company;
 - c) on or around August 15, 2022 the Proposal Trustee published a notice of the SISP in the following major publications: The Calgary Herald, The Globe & Mail and Insolvency Insider; and
 - d) the Proposal Trustee has been in consultation with certain interested bidders and continues to identify any additional parties that may be interested in this opportunity.
30. Qualified Bidders that wish to make a Bid must deliver their Bid to the Proposal Trustee, with a copy to the Company, by no later than 5:00pm (Calgary Time) on September 23, 2022 (the “**Bid Deadline**”).
31. The Company, in consultation with the Proposal Trustee, will review and assess each Bid to determine whether such Bid is a Qualified Bid, as laid out in the SISP.
32. As previously reported, the SISP also contemplates:
- a) the following steps if the Stalking Horse Bid is the Successful Bid:
 - i. filing the Stalking Horse Proposal and mailing the Creditor Package by October 3, 2022;
 - ii. holding a Creditor Meeting to vote on the Stalking Horse Proposal by October 17, 2022;
 - iii. applying to this Honourable Court for approval of Stalking Horse Bid by October 26, 2022; and
 - iv. closing the Stalking Horse Transaction and implementing the Stalking Horse Proposal by November 1, 2022; and

- b) the following steps if a Superior Offer is the Successful Bid:
 - i. applying to this Honourable Court for approval of the Successful Bid by October 12, 2022; and
 - ii. determining any further steps based on the structure of the Successful Bid.
- 33. The Proposal Trustee will report the final results of the SISP to this Honourable Court at a later date.

ACTUAL TO FORECAST CASH FLOW RESULTS

- 34. The Company, with the assistance of the Proposal Trustee, previously prepared a cash flow forecast (as outlined in the First Report) and compared the actual cash flow results over the Reporting Period. The Proposal Trustee noted no material changes to the cash flow forecast. A copy of the detailed budget to actual schedule, which includes variance explanations for the Reporting Period is attached as Appendix “A” to this Report.
- 35. In summary, the results of the Company’s cash flow reporting over the Reporting Period are as follows:
 - a) total cash receipts of \$1,079 collected compared to forecast receipts of \$6,000, resulting in a variance of \$4,921. This variance is largely due to the timing of collection of GST refunds and this variance is expected to reverse in the coming weeks;
 - b) total operating cash disbursements totaling \$69,076 compared to forecast disbursements of \$52,609, resulting in a negative variance of \$16,467. This difference is made up primarily of i) wages and salaries paid for pre-NOI amounts of approximately \$13,000 and ii) consulting fees which were higher than forecast by approximately \$5,000; and

- c) total non-operating cash disbursements were minimal during the Reporting Period, as \$68,752 of professional fees and costs to the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel were paid via previously funded retainers. The positive variance of approximately \$207,000 is largely due to timing of professional fees and costs, and is anticipated to reverse throughout the balance of the BIA Proceedings.

36. The Company's ending cash balance is \$133,637 as at September 16, 2022.

UPDATED CASH FLOW FORECAST THROUGH TO NOVEMBER 25, 2022

37. Petrolama, with the assistance of the Proposal Trustee, has prepared an updated 10-week cash flow forecast for the period September 17, 2022 to November 25, 2022 (**"Updated Forecast"**), which is attached as Appendix **"B"**. Management has prepared the Updated Forecast based on the most current information available.
38. A summary of the Updated Forecast is as follows:

Petrolama Energy Canada Inc.			
Cash Flow Forecast through November 25, 2022			
\$CAD			
	Actuals	Forecast	
	27-Jul-22 to 16-Sep-22	17-Sep-22 to 25-Nov-22	18-week total
	8-week total	10-week total	
Cash Receipts			
Miscellaneous	1,079	-	\$ 1,079
GST refund	-	22,322	\$ 22,322
	\$ 1,079	\$ 22,322	\$ 23,401
Operating Cash Disbursements			
Wages and salaries	49,819	62,302	\$ 112,121
Employee costs	6,454	2,704	\$ 9,158
Consulting	7,703	5,000	\$ 12,703
Interest and bank charges	502	2,362	\$ 2,864
Rent	3,182	3,182	\$ 6,364
Utilities	1,417	1,400	\$ 2,817
Contingency	-	10,000	\$ 10,000
	69,076	86,950	\$ 156,026
Operating Net Cash Flow	\$ (67,997)	\$ (64,627)	\$ (132,625)
Non-Operating Cash Disbursements			
Alvarez & Marsal Canada Inc.	-	167,788	\$ 167,788
JSS Barristers & Solicitors	68,752	118,281	\$ 187,033
Blakes LLP	397	119,287	\$ 119,684
Use of Professional fees retainer	(68,752)	(105,610)	\$ (174,362)
Advertising for SISP	-	6,120	\$ 6,120
Potential Chapter 15 Contingency	-	147,500	\$ 147,500
	397	453,366	\$ 453,763
Net Cash Flow	\$ (68,394)	\$ (517,993)	\$ (586,388)
Opening Cash	\$ 102,032	\$ 133,637	\$ 102,032
Net cash flow	(68,395)	(517,993)	\$ (586,389)
Proposed Interim Financing advances / (payments)	100,000	297,500	\$ 397,500
Ending Cash	\$ 133,637	\$ (86,857)	\$ (86,857)
Interim Financing			
Interim Financing Limit	300,000	397,500	\$ 397,500
Advances	100,000	297,500	\$ 397,500
Interim Financing Availability	200,000	-	\$ -

39. As noted in Appendix “B”, the Company is projecting total cash receipts of \$22,322, cash disbursements for operations of \$86,950, non-operating cash disbursements of \$305,866 resulting in a net decrease in cash flow of \$517,993.
40. The Proposal Trustee has reviewed the assumptions supporting the Updated Forecast with the Company and believes the assumptions to be reasonable and consistent with the Company’s prior forecast.
41. As discussed later in this Report, the Company is seeking to increase the Interim Facility by US\$75,000 (CAD \$97,500 used for forecasting purposes). Based on the assumption that the maximum \$397,500 is available to the Company under the

Interim Facility, it is forecast that the Company will have sufficient liquidity to operate through the completion of the SISP and proposed stay extension.

INTERIM FACILITY

42. As discussed, and recommended by the Proposal Trustee in the First Report, the Company with access to the Interim Facility of \$300,000 was able to fund operations in the normal course through the completion of the SISP and BIA Proceedings. However, due to the potential increase in restructuring expenses, the Company is seeking to increase the borrowing limit under the Interim Facility by US\$75,000.
43. The additional borrowings under the Interim Facility shall be provided on the same terms and subject to the same conditions set forth in the Interim Financing Terms. An amendment of the Interim Financing Terms dated September 17, 2022 is attached as Exhibit “C” to the Joslyn Affidavit (the “**Amendment**”).
44. The Proposal Trustee notes the Company currently has limited cash resources and may not be able to complete its restructuring should the increase to the Interim Facility not be approved by this Honourable Court. The Company is carefully managing cash on a day-to-day basis with oversight from the Proposal Trustee.
45. The Proposal Trustee is of the view that the increase to the Interim Facility is warranted as without it there is potential the Company will not be able to successfully restructure under the BIA Proceedings. Further, the increase is required to allow the SISP to be completed, which is likely the only option for recovery for the creditors.

PRIORITY CHARGES

Administration Charge

46. The Company is seeking to increase the Administration Charge over the property of the Company (the “**Property**”) by \$100,000, up to a maximum of \$250,000 to

secure payment of the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, and counsel for the Company.

47. The Keyera Lawsuit and other matters that have arisen will require additional involvement of professionals to assist the Company in putting forward a proposal. As such, it is the Proposal Trustee's respectful view that the increase to the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Company's efforts to restructure its affairs.

48. The Proposal Trustee believes the proposed increase to the Administration Charge should provide sufficient additional security towards the anticipated fees and costs expected to be incurred.

Interim Lending Charge

49. The Company is seeking an increase to the Interim Lending Charge against the Property to secure obligations incurred on the Interim Facility.

50. The Interim Lending Charge is necessary to ensure the Interim Lender has security for the Interim Facility, and the proposed quantum of the advance under Interim Facility has been determined based upon the projected cash flow needs set out in the Updated Forecast.

51. It is the Proposal Trustee's respectful view that the proposed increase to the Interim Lending Charge is reasonable and appropriate to ensure the working capital necessary to complete these BIA Proceedings.

THE FUNDS AND DISCLAIMERS

The Funds

52. On September 7, 2022, Petrolama's counsel received a letter from P66's counsel, a copy of which is attached as Exhibit "D" to the Joslyn Affidavit (the "**P66 Letter**").

Since receiving the P66 Letter, Petrolama's counsel and P66's counsel have been working together to address the matters in the P66 Letter.

53. The P66 Letter refers to a Cash Collateral Agreement dated March 10, 2021 (the "**Cash Collateral Agreement**"). A copy of the Cash Collateral Agreement is attached as Exhibit "E" to the Joslyn Affidavit .
54. Petrolama advanced the Funds to P66 under the Cash Collateral Agreement. The Cash Collateral Agreement states that P66 shall have "free and unrestricted right to use and dispose of all Funds it holds". It has always been the perspective of Petrolama that the Funds were the property of P66 and has treated the Funds as if they were already owned by P66.
55. P66 wishes to apply the Funds to reduce the amount of its provable claim.
56. The Company does not assert any claim to the Funds and, as a result, the Company believes there will be no prejudice to the Company's creditors by P66 applying the Funds to reduce its provable claim.
57. The Proposal Trustee's counsel has reviewed the Cash Collateral Agreement and based on its analysis, agrees that the Funds are property of P66.

Disclaimers

58. As discussed above, on September 15, 2022, the Company delivered certain disclaimer agreement notices to Keyera and P66 pursuant to section 65.11 of the BIA. A copy of these two disclaimers were signed by the Company and consented to by the Proposal Trustee. Copies of the Keyera and P66 disclaimers are attached to the Joslyn Affidavit as Exhibits "F" and "G"

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

59. Unless extended, the stay of proceedings will expire on October 10, 2022. Petrolama is seeking an extension of period in which it is required to file a proposal

to November 24, 2022, pursuant to section 50.4(9) of the BIA (the “**Proposed Stay Extension**”).

60. The Proposal Trustee considered the following factors regarding the Proposed Stay Extension:

- a) the Company is acting in good faith and with due diligence;
- b) the Company is not likely able to make a viable proposal if the Stay Extension is not granted; and
- c) no creditor in these proceedings will be materially prejudiced if the Stay Extension is granted.

61. The Proposal Trustee has considered the request of the Company for the Proposed Stay Extension and the circumstances currently facing the Company. The Proposal Trustee is supportive of a stay extension to November 24, 2022. The Proposed Stay Extension will serve to provide the Company with the time required for the potential Recognition Proceedings, to finalize the SISP and to advance a proposal or any other transactions dependent on the outcome of the SISP.

PROPOSAL TRUSTEE’S RECOMMENDATIONS

62. As set out above, the Proposal Trustee recommends that this Honourable Court approve:

- a) the authorization for the Proposal Trustee or Company to act as Foreign Representative, if required;
- b) the authorization for the Foreign Representative to apply for foreign recognition of these proceedings outside of Canada if and as necessary;
- c) the Amendment and increased borrowing capacity under the Interim Financing Terms;

- d) the Administration Charge increase up to a maximum amount of \$250,000;
- e) the Interim Lending Charge increase up to the amount of the proposed quantum of the advance under the Interim Facility as contemplated by the Amendment;
- f) the application of the Funds to reduce the amount of P66's provable claim; and
- g) the Proposed Stay Extension.

All of which is respectfully submitted this 21st day of September, 2022

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of
Petrolama Energy Canada Inc. and
not in its personal or corporate capacity**

A handwritten signature in blue ink, appearing to read "J Strueby".

Jill Strueby, LIT
Vice-President

A handwritten signature in blue ink, appearing to read "C Riglin".

Cassie Riglin, LIT
Senior Vice-President

Appendix A

Actual to Forecast Cash Flow – July 27, 2022 to September 16, 2022

Petrolama Energy Canada Inc.
Weekly Cash Flow Cumulative Variance (27-Jul-22 to 16-Sep-22)

\$CAD

	Notes	Forecast 8-week total	Actuals 8-week total	Variance 8-week total
Cash Receipts	1			
Miscellaneous		-	1,079	1,079
GST refund		6,000	-	(6,000)
		<u>\$ 6,000</u>	<u>\$ 1,079</u>	<u>\$ (4,921)</u>
Operating Cash Disbursements				
Wages and salaries	2	36,002	49,819	(13,817)
Employee costs	3	8,453	6,454	1,999
Consulting	4	2,504	7,703	(5,199)
Interest and bank charges		1,050	502	548
Rent		3,200	3,182	18
Utilities		1,400	1,417	(17)
Contingency		-	-	-
		<u>52,609</u>	<u>69,076</u>	<u>(16,467)</u>
Operating Net Cash Flow		<u>\$ (46,600)</u>	<u>\$ (67,997)</u>	<u>\$ (21,397)</u>
Non-Operating Cash Disbursements	5			
Alvarez & Marsal Canada Inc.		125,000	-	125,000
JSS Barristers & Solicitors		90,000	68,752	21,248
Blakes LLP		50,000	397	49,603
Use of Professional fees retainer		(83,000)	(68,752)	(14,248)
Advertising for SISP		25,000	-	25,000
		<u>207,000</u>	<u>397</u>	<u>206,603</u>
Net Cash Flow		<u>\$ (253,600)</u>	<u>\$ (68,394)</u>	<u>\$ 185,206</u>
Opening Cash		\$ 74,590	102,032	\$ 27,442
Net cash flow		(253,600)	(68,395)	185,206
Interim Financing advances / (payments)		<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>
Cash, end of Reporting Period		<u>\$ 20,990</u>	<u>\$ 133,637</u>	<u>\$ 112,648</u>
Interim Financing	6			
Interim Financing Limit		300,000	300,000	\$ -
Advances		<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>
Interim Financing Availability		<u>100,000</u>	<u>200,000</u>	<u>(100,000)</u>

Notes

1 Total cash receipts of approximately \$1,079 collected compared to forecast receipts of \$6,000, resulting in a variance of approximately \$4,921. Due to the timing of collection of GST refunds and this variance is expected to be collected in the coming weeks.

2 Wages and salaries paid for pre-NOI amounts of approximately \$13,000.

3 Employee costs were approximately \$2,000 less than forecast due to timing of certain payments.

4 Consulting fees which were higher than expected by \$5,000.

5 Professional fees and costs had a positive variance of approximately \$206,600 due to timing of payment of professional fee invoices. These are forecast to be paid in the coming weeks.

6 Advances of the interim financing were \$100,000 less than forecast due to the timing of payments of professional fees and other expenses.

Appendix B

Updated Cash Flow Forecast to November 25, 2022

Petrolama Energy Canada Inc.
Cash Flow Forecast through November 25, 2022
\$CAD

	Notes week ended	Updated Forecast										10-week total
		Week 9 23-Sep-22	Week 10 30-Sep-22	Week 11 7-Oct-22	Week 12 14-Oct-22	Week 13 21-Oct-22	Week 14 28-Oct-22	Week 15 4-Nov-22	Week 16 11-Nov-22	Week 17 18-Nov-22	Week 18 25-Nov-22	
Cash Receipts												
Miscellaneous		-	-	-	-	-	-	-	-	-	-	-
GST refund	1	-	-	17,322	-	5,000	-	-	-	-	-	22,322
		\$ -	\$ -	\$ 17,322	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,322
Operating Cash Disbursements												
Wages and salaries	2	12,460	12,460	-	12,460	-	12,460	-	-	12,460	-	62,302
Employee costs	3	-	-	1,352	-	-	-	1,352	-	-	-	2,704
Consulting	4	-	-	2,500	-	-	-	2,500	-	-	-	5,000
Interest and bank charges	5	200	-	775	-	250	-	1,137	-	-	-	2,362
Rent	6	-	-	1,591	-	-	-	1,591	-	-	-	3,182
Utilities	7	-	-	-	700	-	-	-	700	-	-	1,400
Contingency	8	-	-	-	-	-	-	-	-	-	10,000	10,000
		12,660	12,460	6,218	13,160	250	12,460	6,580	700	12,460	10,000	86,950
Operating Net Cash Flow		\$ (12,660)	\$ (12,460)	\$ 11,105	\$ (13,160)	\$ 4,750	\$ (12,460)	\$ (6,580)	\$ (700)	\$ (12,460)	\$ (10,000)	\$ (64,627)
Non-Operating Cash Disbursements	9											
Alvarez & Marsal Canada Inc.		77,788	-	-	50,000	-	-	-	-	-	40,000	167,788
JSS Barristers & Solicitors		48,281	-	-	35,000	-	-	-	-	-	35,000	118,281
Blakes LLP		69,287	-	-	25,000	-	-	-	-	-	25,000	119,287
Andrew Meyers	10	13,000	-	-	-	-	-	-	-	-	-	13,000
Use of Professional fees retainer		(21,248)	-	-	-	-	-	-	-	-	(84,362)	(105,610)
Advertising for SISF		6,120	-	-	-	-	-	-	-	-	-	6,120
Potential Chapter 15 Contingency	11	-	-	-	-	-	-	-	-	-	134,500	134,500
		193,228	-	-	110,000	-	-	-	-	-	150,138	453,366
Net Cash Flow		\$ (205,889)	\$ (12,460)	\$ 11,105	\$ (123,160)	\$ 4,750	\$ (12,460)	\$ (6,580)	\$ (700)	\$ (12,460)	\$ (160,138)	\$ (517,993)
Opening Cash		\$ 133,637	\$ 27,748	\$ 15,288	\$ 26,392	\$ 3,232	\$ 7,982	\$ 93,021	\$ 86,441	\$ 85,741	\$ 73,281	\$ 133,637
Net cash flow		(205,889)	(12,460)	11,105	(123,160)	4,750	(12,460)	(6,580)	(700)	(12,460)	(160,138)	(517,993)
Proposed Interim Financing advances / (payments)		100,000	-	-	100,000	-	97,500	-	-	-	-	297,500
Ending Cash		\$ 27,748	\$ 15,288	\$ 26,392	\$ 3,232	\$ 7,982	\$ 93,021	\$ 86,441	\$ 85,741	\$ 73,281	\$ (86,857)	\$ (86,857)
Interim Financing	12											
Interim Financing Limit		397,500	397,500	397,500	397,500	397,500	397,500	397,500	397,500	397,500	397,500	397,500
Advances		100,000	-	-	100,000	-	97,500	-	-	-	-	397,500
Interim Financing Availability		197,500	197,500	197,500	97,500	97,500	-	-	-	-	-	-

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Petrolama Energy Canada Inc.

Trustee

Paul Joslyn
Chief Financial Officer

September 21, 2022
Date

CF

In the Matter of the Notice of Intention to Make a Proposal of

Petrolama Energy Canada Inc.

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending November 25, 2022**

Purpose and General Assumptions of the Cash Flow Statement

Petrolama Energy Canada Inc. (“**Petrolama**” or the “**Company**”) has prepared this Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the “**Cash Flow Statement**”) in support of the proposal proceedings that has been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on July 27, 2022.

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that that reflect the Company’s planned course of action for the period from September 17, 2022 to November 25, 2022 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary. This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. GST refund is the estimated monthly ITC’s claimed on the monthly GST returns.
2. Wages and Salaries represent semi-monthly payroll to one employee during the remaining 10 weeks of the cash flow forecast. The cost to the Company is \$24,921 per month.
3. Employee costs are the monthly expenses the Company incurs as per the contracts in place with those employees who are entitled to health benefits and other employee expenses.
4. Consulting represents a monthly cost estimated for Mr. Scott Holmes (former director) to assist the Company and the Proposal Trustee, on an “as needed basis” respecting the Sales Process.
5. Interest and bank charges are the monthly expenses estimated to be charged by the bank on the chequing accounts. These amounts are forecasted based on historical usage. Monthly Interim Financing interest is estimated based on the advances from the Interim Financing.
6. Rent expense is for the lease of the Company's head office and is a monthly payment per the terms of the rental agreement.
7. Utilities expense represents costs utility costs to use of the office space. These costs are not included in the monthly base rent charge to the Company. These amounts are forecasted based on historical usage.

8. A contingency of \$10,000 for the 10-week period has been incorporated into the cashflow to cover unexpected amounts the Company may incur during the NOI.
9. Non-Operating costs include forecast professionals' fees for the Company's counsel, the Proposal Trustee and the Proposal Trustee's legal counsel (the "**NOI Professionals**"), in carrying out its duties during the NOI proceedings.

The NOI Professionals are currently in receipt of a retainer from the Company. After payment of the fees in Week 9, Company counsel will have \$35,000 remaining of the original retainer. Proposal Trustee and its counsel were provided a total of \$49,362. It is assumed that the NOI Professionals will apply its retainers to its final outstanding invoices.

10. A retainer is forecast to be provided to US Counsel in the amount of US\$10,000 or approximately CAD\$13,000, which are for professional fees to address the Keyera Lawsuit.
11. A contingency of \$134,500 has been incorporated into the cashflow to cover potential Chapter 15 proceedings in the US. The amount includes approximately \$84,500 for US counsel fees and costs as well as an additional \$50,000 to cover the Canadian professionals' fees and costs.
12. Proposed interim financing required to fund the NOI proceedings, which is subject to Court approval.

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT


Petrolama Energy Canada Inc.

Trustee – Alvarez & Marsal Canada Inc.



Paul Joslyn
Chief Financial Officer

Date: September 21, 2022



Cassie Riglin, LIT
Senior Vice-President

Date: September 21, 2022