

COURT FILE NO. 2501-02606
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
MATTER IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF ROYAL HELIUM LTD.,
IMPERIAL HELIUM CORP., AND ROYAL HELIUM
EXPLORATION LIMITED.

APPLICANTS ROYAL HELIUM LTD., IMPERIAL HELIUM CORP.,
AND ROYAL HELIUM EXPLORATION LIMITED.

DOCUMENT **SUPPLEMENTARY AFFIDAVIT OF DAVID YOUNG**

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Lawyers for the Applicants

I, **David Young**, of the City of New York, in the state of New York, **MAKE OATH AND SAY:**

1. I am the Chief Executive Officer ("**CEO**") of Royal Helium Ltd., Royal Helium Exploration Limited, and Imperial Helium Corp. (each individually, an "**Applicant**", and collectively, the "**Applicants**") and have been since September 3, 2024. Accordingly, I have personal knowledge of the matters set out below. Where I have relied on information from others, I state the source of such information and verily believe it to be true. Neither the Applicants nor I waive or intend to waive any applicable privilege by any statement herein.

2. This supplementary affidavit is sworn in support of an application (the “**Application**”) returnable before the Alberta Court of King’s Bench (Commercial List) (the “**Court**”) on February 19, 2025, for relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

3. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated

I. RELIEF SOUGHT

4. The Applicants seek the following relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”):

- (a) an order (the “**SISP Approval Order**”) substantially in the form attached as **Schedule “B”** to the Amended Notice of Application approving a sale and investment solicitation process (“**SISP**”) in the form attached as Schedule “A” to the SISP Approval Order, which SISP shall be conducted by the Monitor in consultation with the Applicants and in accordance with the terms of the SISP; and
- (b) such further and other relief as may be sought by the Applicants and granted by this Honourable Court.

II. OVERVIEW

Background of the Applicants

5. Royal Helium Ltd. (“**RHL**”) is a public company that trades on the Toronto Stock Exchange, Venture Exchange (the “**TSX.V**”) and holds 100% of the issued and outstanding capital of its two subsidiaries: Royal Helium Exploration Limited (“**RHEL**”) and Imperial Helium Corp (“**IHC**”, together with RHEL the “**RHL Subsidiaries**”). Since its inception, RHL has grown through a series

of amalgamations, asset purchases and through exploration and drilling for new resources.

6. The Applicants are in the business of gas extraction and exploration. The company is focused on the drilling and extracting of helium for purification and the exploration of prospective helium rich lands in Saskatchewan and Alberta (the "**Business**"). The Applicants control approximately 800,000 acres of prospective helium lands through permits and leases across Saskatchewan and Alberta. Saskatchewan and Alberta are believed to have some of the largest extractable helium resources in the world.

7. Currently, the Applicants have wells tied into their sole helium purification facility in Alberta. with additional legacy drillings, well logs, and other geologic data suggesting significant additional resources that may be prospected for continued exploration and development of helium within the Applicants' geologic leasehold.

8. The Applicants are suffering a liquidity crisis precipitated by the failed commissioning of the helium purification facility in Steeveville, Alberta (the "**Steeveville Facility**"). In 2023, under the prior management team, RHL through its subsidiary IHC commissioned a state-of-the-art helium purification facility, which was later completed and brought over to its designated location in Steeveville, Alberta. However, the Applicants encountered challenges commissioning the Steeveville Facility, resulting in greater than anticipated labour costs and increased general and administrative expenses.

9. The Applicants have been further impacted in recent months by the theft of various pieces of equipment from the Steeveville Facility in December 2024. It is estimated that the theft resulted in millions of dollars of loss, and as a result the purification facility cannot be re-commissioned and operated in a cash flow positive manner until capital expenditures are made to replace the equipment and repair damage.

The NOI Proceeding

10. The Applicants were unable to operate the Steeveville Facility on a cash flow positive basis, and revenues from the purification plant did not meet anticipated targets. Coupled with the massive expense related to the commissioning, commencing in and around October 2024, the Applicants were not able to meet their obligations to secured lenders as they became due.

11. On January 7 and 8, 2025, the Applicants' primary secured lenders, Canadian Western Bank ("**CWB**") and Business Development Bank of Canada ("**BDC**" and together with CWB, the "**Lenders**"), respectively, issued Notices of Intention to Enforce Security under Section 244 of the *Bankruptcy and Insolvency Act*, R.S.C. (the "**BIA**").

12. On January 17, 2025, the Applicants each filed Notices of Intention to Make a Proposal pursuant to Section 50.4(1) of the BIA (the "**NOI Proceedings**"). The filings for the NOI Proceedings were made with the Office of the Superintendent of Bankruptcy in the district of Ontario as the corporate functions of the Applicants were based in Toronto under the Applicants' new management team, and the registered mailing address of RHL was in Toronto.

13. On January 29, 2025, the Applicants brought a motion in the Ontario Superior Court of Justice (Commercial List) for an order, among other things,: (i) procedurally consolidating the Applicants' NOI Proceedings; (ii) extending the time for the Applicants to file a proposal to April 2, 2025 (the "**Stay Period**"); (iii) granting an administration charge for the benefit of the Proposal Trustee, their counsel, and the Applicants' counsel up to the maximum amount of \$300,000 (the "**Administrative Charge**"); (iv) approving the debtor in possession credit facility (the "**DIP Facility**") up to the maximum amount of \$1.5 million and granting a corresponding charge on the Property (the "**DIP Lender's Charge**"); and (v) ordering that the NOI Proceedings be transferred to the Court of King's Bench of Alberta (the "**Consolidation Order**").

14. The Applicants, in consultation with the Monitor and Lenders, have developed a SISP with the aim of soliciting an offer or offers to continue the Business. It is contemplated that such transaction would entail the implementation by a purchaser or investor of an engineering solution for the Steeveville Facility to allow it to operate at optimal levels and results in increased throughput such that the facility will be able to operate on a cash flow positive basis, as it was designed for.

15. If the relief sought by the Applicants is granted, the Applicants intend to take the following restructuring step, among others:

- (a) administer the SISP, in consultation with the Monitor and Lenders, to solicit a sale, investment or refinancing offer in an effort to maximize realization for creditors, preserve employment (both current and future, direct and indirect), and allow the Business to emerge as a going concern; and
- (b) continue to explore the potential for a Stalking Horse Agreement with interested parties to set a baseline value of the Business and encourage competitive bidder participation during the SISP.

A. SISP

16. The primary objective of these CCAA proceedings is to achieve a sale or recapitalization transaction of the Business for the benefit of the Applicants' stakeholders.

17. To meet this objective, the Applicants determined that it is critical that they conduct a sale and investment solicitation process. Accordingly, the Applicants developed the SISP in consultation with the Monitor and the Lenders. Notably, the SISP is to be conducted by the Monitor and the selection of any successful bid is to be done in consultation with the Applicants.

18. I believe that the SISP is the best available option to maximize value for the Applicants'

stakeholders. Specifically, the SISP is intended to widely expose the Applicants' Business to the market and to provide a structured and orderly process for interested parties to perform due diligence and submit offers for a broad range of potential transactions (including sale or recapitalization).

19. I understand that the Monitor and the Lenders support the approval of the SISP, recognizing that the SISP is fair and reasonable in the circumstances, and is in the best interest of creditors.

i. Overview of the SISP

20. The SISP contemplates a two-phase bidding process followed by an auction, if necessary, that will be administered by the Monitor in consultation with the Company and the Lenders for approximately 80 days. The outside date for closing any transaction arising from the SISP is May 9, 2025, which is approximately a month after the current Stay of Period expires.

21. A summary of the key dates pursuant to the SISP is as follows:

Milestone	Date
Commence solicitation of interest from parties, including delivering form of NDA and Teaser Letter, and upon execution of an NDA and access to VDR (each as defined below)	As soon as practical following the date of the SISP Approval Order.
Phase I Bid Deadline (non-binding letter of intent)	By no later than 5:00 p.m. (Mountain Time) on March 28, 2025,
Binding Offer Deadline (as defined below) – Phase II Bid Deadline	By not later than 5:00 p.m. (MT) on April 18, 2025

Auction, if needed	By no later than April 23, 2025.
Selection of Successful Bid	By no later than April 23, 2025.
Approval Motion (as defined below)	By no later than May 2, 2025, or the earliest date available thereafter.
Closing of Successful Bid	As soon as possible but no later than May 9, 2025.

22. I believe the above milestones provide sufficient time for the Applicants to broadly canvass the market for a value-maximizing transaction. In particular, the above timeline of the SISP appropriately balances the Applicants' need for sufficient time to comprehensively market their Business with the limitations of the Applicants' financial position and available interim financing.

23. The SISP provides that the Monitor may extend the above deadlines as the Monitor deems necessary or appropriate. The ability to extend deadlines provides the Monitor and Applicants with the necessary flexibility to maximize the Applicants' success in the SISP.

24. Each of the key milestones of the SISP are described in greater detail below.

ii. Solicitation of Interest: Notice of the SISP

25. The SISP prescribes that the Monitor and the Applicants, will as soon as reasonably practicable after the granting of the SISP Approval Order, take the following steps to commence the SISP (all capitalized terms below have the meaning ascribed in the SISP Approval Order):

- (a) prepare a list of Known Potential Bidders;
- (b) prepare a Teaser Letter describing the SISP and a form NDA;

- (c) provide the Known Potential Bidders with a copy of the Bidding Procedures approved by the Court; and
- (d) cause the Teaser Letter and NDA to be sent to any other party who requests a copy or who is identified as a potential bidder.

iii. Non-Binding Offers

26. To participate in the SISP, a Qualified Bidder (as defined in the SISP Approval Order) shall make a formal offer to: (a) acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof (either one, a “**Sale Proposal**”); or (b) a portion of the Property or the Business (a “**Partial Sale Proposal**”); or (c) the restructuring, recapitalization or refinancing of the Business (an “**Investment Proposal**”). In each case, a Sale Proposal, Partial Sale Proposal or Investment Proposal will constitute a non-binding offer (“**Non-Binding Offer**”). A Non-Binding Offer will be submitted in the form of a Letter of Intent disclosing all material terms of the Non-Binding Offer, including, without limitation the source of financing or funding for the proposed transaction by no later than 5:00 p.m. (Mountain Time) on March 28, 2025 (the “**Phase I Bid Deadline**”). All Non-Binding Offers are to be submitted to the Monitor and copied to the Company.

iv. Formal Binding Offers

27. Any Qualified Bidder that wishes to make a formal binding offer for a Sale Proposal, Partial Sale Proposal or Investment Proposal must submit a binding offer (a “**Binding Offer**”): (i) in the case of a Sale Proposal or a Partial Sale Proposal, in the form of a purchase agreement, or (ii) in the case of a Financing Proposal, in the form of a financing agreement, both in form and substance satisfactory to the Monitor, in consultation with the Company and the Lenders, in each case, to the Monitor with copy to the Company, no later than 5:00 p.m. (Mountain Time) on April

18, 2025 (the “**Binding Offer Deadline**”).

28. A Binding Offer submitted by a Qualified Bidder (the “**Binding Offer Bidder**”) will be considered if it complies with certain criteria, including, *inter alia*,
- (a) is submitted on or before the Binding Offer Deadline by a Qualified Bidder;
 - (b) is made by way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder and contains reasonable particulars of the proposed transaction structure, including the form of Approval Order (which may, in appropriate circumstances, include a reverse vesting order);
 - (c) in the case of a Sale Proposal or Partial Sale Proposal, identifies any executory contracts and leases of the Company that the Binding Offer Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;
 - (d) is not subject to any financing condition, diligence condition or internal or board approval;
 - (e) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
 - (f) contains or identifies the key terms and provisions to be included in any Approval Order;
 - (g) in the case of a Sale Proposal or Partial Sale Proposal, contains the Binding Offer Bidder’s proposed treatment of employees of the Company (for example, anticipated employment offers and treatment of post-employment benefits);
 - (h) includes acknowledgments and representations of the Binding Offer Bidder that it:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its Binding Offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property and/or the Business in making its Binding Offer; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith, other than as expressly set forth in the Binding Offer or other transaction document submitted with the Binding Offer; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable governmental authorities;
 - (i) includes evidence satisfactory to the Monitor of funds available to pay the purchase price on closing;

- (j) provides for any anticipated corporate, licensing, securityholder, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals (or, in the case of any such approvals which are already held by the Qualified Bidder, identifies such approvals);
- (k) does not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections;
- (l) in the case of a Sale Proposal or Partial Sale Proposal, includes:
 - i. the specific purchase price in Canadian dollars and a description of any non-cash consideration;
 - ii. a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - iii. a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and
 - iv. a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
- (m) in the case of an Investment Proposal, includes the scope of the investment in the Business, which may include one or more of the following: a restructuring, recapitalization or other form of reorganization of the Business and affairs of the Company as a going concern, together with a plan of compromise or arrangement pursuant to the CCAA;
- (n) includes payment of a deposit in the amount of not less than 20% of the cash purchase price payable on closing (the “**Deposit**”) by wire transfer to the Monitor;
- (o) is accompanied by an acknowledgement that if the Binding Offer Bidder is selected as a Successful Bidder, that the Deposit will be non-refundable subject to approval of such Successful Bid by the Court and the terms described in paragraph 45 of the SISP Procedures;
- (p) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on the date that is ten (10) days from the date of the issuance of the Approval Order approving such bid, or such earlier date as is practical for the parties to close the contemplated transaction, following the satisfaction or waiver of the conditions to closing and in any event no later than April 7, 2025 (the “**Outside Date**”);
- (q) provides sufficient consideration to repay or otherwise address the indebtedness owing to the Lenders (the “**Lender Secured Indebtedness**”) to the satisfaction of the Lenders in their sole discretion; and

- (r) includes such other information as reasonably requested or identified as being necessary or required by the Monitor, in consultation with the Company.

29. The DIP Lender, the Lenders, and any other secured creditor of the Company shall have the right (subject to compliance with the terms of this SISP) to credit bid their secured debt against the assets secured thereby up to the full face value of such secured lender's claims

30. The Lenders will not participate as bidders in the SISP unless no offer is received that provides sufficient consideration to repay or otherwise address the indebtedness owing to the Lenders to the satisfaction of the Lenders. In the event of this, the Lenders (or any one of them) shall be entitled to repay the DIP Facility in full and: (i) credit bid some or all of the amount of the DIP Facility and the Lender Secured Indebtedness, and such credit bid submitted by the Lenders (or any of them) shall be deemed to be the Successful Bid; or (ii) agree to fund an alternate process to realize on the Applicants' assets.

31. Pursuant to the SISP, the Monitor, in consultation with the Company, may aggregate separate bids from unaffiliated Binding Offers to create one or more Qualified Bid(s) (an "**Aggregated Bid**").

v. Selection of Successful Bid

32. At the conclusion of the Binding Offer Deadline, the Monitor and the Company will, in consultation with the Lenders, review and evaluate each offer received and identify (A) the highest and otherwise best Binding Offer (the "**Successful Bid**", and the Binding Offer Bidder making such Successful Bid, the "**Successful Bidder**"); and (B) the next highest and otherwise second best Binding Offer (the "**Back-Up Bid**", and the Binding Offer Bidder making such Back-Up Bid, the "**Back-Up Bidder**").

33. If the Monitor, in consultation with the Company and the Lenders, determines that more than one Binding should be considered, the Monitor may, without being obligated to do so,

conduct an auction (the “**Auction**”) to select the highest and/or best Binding Offer in accordance with the procedures set out in the SISP Approval Order.

vi. Approval of Successful Bid

34. Once a Successful Bid is selected by the Monitor, or the Auction is completed resulting in the best Binding Offer becoming a Successful Bid, the Applicants will apply to the Court for one or more orders as required for: (i) approval the Successful Bid (or Successful Bids if an Aggregate Bid is selected) (the “**Approval Order**”); and (ii) granting a vesting order (or orders as the case may be) to the extent that such relief is contemplated by the Successful Bid (the “**Vesting Order**”, together with the Approval Order the “**Transaction Approval Orders**”).

III. CONCLUSION

35. I believe that it is in the interests of the Applicants and their stakeholders that this Court grant the relief requested in accordance with the terms of the SISP Approval Order.

36. I swear this affidavit in support of the Applicants’ relief pursuant to the CCAA and for no other or improper purpose.

SWORN REMOTELY by David Young)
stated as being located in the City of New)
York in the State of New York before me)
at the City of Toronto, in the Province of)
Ontario, this 14th day of February 2025, in)
accordance with O. Reg 431/20,)
Administering Oath or Declaration)
Remotely.)

Signed by:
Gabrielle Schachter
88545D85499D4AA...

A Commissioner for taking Affidavits.
Name: Gabrielle Schachter LSO#80244T

Signed by:
David Young
DF98DEBC337340B...

DAVID YOUNG



Alina Stoica