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COURT FILE NUMBER
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2101-14684
COURT OF QUEEN'S BENCH OF ALBERTA
CALGARY
COM
Feb 1 2022

IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
KAISEN ENERGY CORP.

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
Barristers and Solicitors
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Attention: Ryan Zahara/Catrina Webster
File No.: 0153883.00001

AFFIDAVIT OF CHRIS McGINNIS
Sworn January 27, 2022

I, Chris McGinnis, of the City of Calgary, in the Province Alberta, SWEAR AND SAY THAT:

1. I am the Vice President of Operations and Engineering of Kaisen Energy Corp. ("**Kaisen**" or the "**Applicant**") and as such I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based on information and belief, in which case I verily believe same to be true.
2. Unless otherwise indicated, monetary references in this affidavit are references to Canadian dollars.

I. RELIEF SOUGHT

3. This affidavit is sworn in support of an application pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985 c. C-36, as amended (the "**CCAA**") scheduled for February 1, 2022, seeking, among other things, the following relief:

- (a) declaring service of the application and supporting materials good and sufficient, and if necessary, abridging time for notice of the Application to the time actually given;
- (b) extending the Stay Period to and including March 18, 2022 as defined in the December 8, 2021 Initial Order (the "**Initial Order**") granted by the Honourable Justice E.J. Sidnell staying all proceedings, rights and remedies against or in respect of the Applicant or its business or property, or Ernst & Young Inc. as the monitor (the "**Monitor**"), except as otherwise set forth in the Initial Order, as amended by the Amended and Restated Initial Order granted by the Honourable Justice J. Fagnan in the within proceedings on December 17, 2021 (the "**ARIO**");
- (c) approving the payment of certain amounts for critical suppliers and vendors ("**Critical Suppliers**") for services and work provided prior to the granting of the Initial Order; and
- (d) such further and other relief as this Honourable Court may deem just.

4. All capitalized terms used but not defined herein take their meaning from the Plan.

II. THE STAY EXTENSION

5. On December 8, 2021, the Initial Order was granted by Justice E.J. Sidnell pursuant to the CCAA which granted, among other things, a stay period (the "**Stay Period**") to and including December 18, 2021.

6. On December 17, 2021, the ARIO was granted by Justice J. Fagnan extending the Stay Period to and including February 1, 2022. In addition, an order was granted approving a claims procedure and authorizing the Applicant to file its Plan of Compromise and Arrangement (the "**Plan**") and to call, hold and conduct the Meetings of Affected Creditors to vote on the Plan (the

“Meetings”), and granting other relief related to the Plan and the Meetings (the **“Meeting Order”**).

7. Pursuant to the Meeting Order, the Meetings shall be conducted on January 27, 2022 to allow the Affected Creditors to vote on the Plan.

8. The Applicant is working in good faith and with due diligence in these proceedings. It is appropriate in the circumstances and in the best interests of the Applicant and all of its stakeholders that the Stay Period be extended.

9. The extension of the Stay Period as requested will allow sufficient time for Kaisen, with the Monitor, to implement and finalize the Plan and finalize any outstanding Disputed Claims from the Claims Procedure, should the Affected Creditors vote to approve the Plan on January 27, 2022.

10. The Applicant is seeking a Stay Extension Order extending the Stay Period up to and including March 18, 2022 under the CCAA which is necessary to advance and implement the Plan (if sanctioned).

III. THE CRITICAL SUPPLIER PAYMENTS

11. Kaisen received authorization under the ARIO, with the consent of the Monitor, to pay certain pre-filing amounts outstanding to Critical Suppliers in accordance with its Cash Flow Forecast.

12. Kaisen, in the Cash Flow Forecast prepared for the Initial Order, contemplated making certain payments to Critical Suppliers who provided services to maintain its assets and preserve its business prior to the date of the Initial Order.

13. Certain payments which related to critical goods and services were not described in the initial Cash Flow Forecast due to timing of receipt of invoices and the provision of services that were not expected when the Cash Flow Forecast was initially prepared. As a result, Kaisen is requesting Court approval for the additional payments to certain Critical Suppliers in a further amount not to exceed \$20,000 and with approval of the Monitor.

14. These payments include, but are not limited to, the following payments to Critical Suppliers:

Company	Amount Owing
Air Liquide Canada Inc.	\$66.57
Apex Distribution Inc.	\$238.77
Arnold's Sand & Gravel Ltd.	\$840.00
Jaws Contracting Ltd.	\$1,913.10
Kelro Pump & Mechanical Ltd.	\$275.63
Prospector Oilfield Services Ltd.	\$3,402.00

15. In addition to the payments above in the amount of \$6,736.07, Kaisen has become aware of additional Critical Suppliers costs in the amount of \$11,252.99. As a result, Kaisen has requested approval of payments to Critical Suppliers in the total amount of \$20,000.00 to ensure additional Court approval is not required for approval of these Critical Suppliers payments.

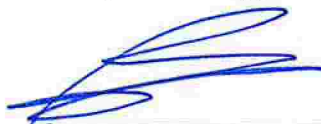
16. Kaisen believes that the payments above, and any other related payment to other Critical Suppliers, are critical to its operations and are necessary to ensure Kaisen has access to its assets and its operations continue uninterrupted. These payments will also allow Kaisen to ensure there is no interruption to these services being provided and that favorable payment terms are maintained with these vendors, including not having to pre-pay for services.

17. The amount of \$20,000 is expected to be a cap and provide some flexibility to Kaisen in the event other invoices for similar pre-filing work are received after this approval. Payment of these amounts will also preserve the ongoing working relationship with these critical suppliers which will be important in the event Kaisen's exits the CCAA proceedings in the near future.

18. Finally, there is no material change to Kaisen's available cash if these pre-filing amounts are paid to Critical Suppliers.

19. Attached hereto and marked as **Exhibit "A"** is a copy of an updated cash flow forecast (the "**Cash Flow Forecast**") prepared for Kaisen ending the week of March 19, 2022.

THIS IS **EXHIBIT "A"** TO THE
AFFIDAVIT OF CHRIS MCGINNIS
SWORN BEFORE ME AT Calgary, Alberta,
this 27 day of January, 2022.



A Commissioner for Oaths in and for the Province of Alberta

KYLE R. SMITH
STUDENT-AT-LAW

Kaisen Energy Corp.

Consolidated Revised Cash Flow Statement ("CFS#2")

For the 8-week period ending March 19, 2022

Prepared January 19, 2022

	Notes								8 -week total
	Week 8 Jan-29	Week 9 Feb-05	Week 10 Feb-12	Week 11 Feb-19	Week 12 Feb-26	Week 13 Mar-05	Week 14 Mar-12	Week 15 Mar-19	
Operating receipts									
Production receipts	720	21	-	-	874	20	-	-	1,635
Miscellaneous receipts	3	-	-	-	3	-	-	-	7
Net operating receipts	723	21	-	-	877	20	-	-	1,642
Operating disbursements									
Freehold and Crown royalties	(30)	-	-	(104)	(32)	-	-	(127)	(292)
Operating expenses	(135)	(40)	-	(22)	-	(175)	-	(22)	(394)
Oil & Gas processing	(127)	(5)	-	-	(30)	(101)	-	-	(264)
Property taxes	-	-	-	-	-	-	-	-	-
Surface lease payments	(82)	(10)	-	-	-	(35)	-	-	(128)
General & administrative	(45)	(14)	-	(35)	(44)	(14)	-	(35)	(187)
Miscellaneous disbursements	(45)	-	-	-	(45)	-	-	-	(91)
Professional fees	-	-	-	-	(300)	-	-	-	(300)
Contingency	(5)	-	-	-	(5)	-	-	-	(10)
Total operating disbursements	(469)	(70)	-	(161)	(457)	(325)	-	(184)	(1,665)
Net change in cash from operations	254	(49)	-	(161)	421	(305)	-	(184)	(23)
Financing									
Interim Financing - Principal	-	-	-	-	-	-	-	-	-
Interim Financing - Interest / Fees	-	-	-	-	-	-	-	-	-
Net change in cash from financing	-	-	-	-	-	-	-	-	-
Net Change in Cash									
Opening Cash	31	285	237	237	76	497	191	191	31
Net change in cash from operations	254	(49)	-	(161)	421	(305)	-	(184)	(23)
Net change in cash from financing	-	-	-	-	-	-	-	-	-
Ending Cash	285	237	237	76	497	191	191	8	8



Per: Chris McGinnis, VP Operations & Engineering
Kaisen Energy Corp.

Kaisen Energy Corporation

Notes to CFS#2

For the 8-week period ending March 19, 2022 (the "Period")

Overall: Management has prepared CFS#2 solely for the purpose of determining the liquidity requirements of Kaisen Energy Corporation ("KEC") during the CCAA proceedings. CFS#2 is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

Note A - Operating receipts: Included in operating receipts are production revenues before settlement of transportation and processing costs.

Pricing: KEC does not utilize a hedging strategy and all sales are completed at prevailing spot prices. Production revenues are based on forward strip pricing as of January 19, 2022.

Production: KEC estimates that production will average approximately 375 BOE during the Period.

Note B - Miscellaneous receipts: KEC currently subleases a portion of its rented office space.

Note C - Royalties: Royalties are estimated based on 19% of revenues, which was consistent with the historical average royalties as a percentage of revenues through 2021.

Note D - Operating expenses: The cash flow forecast contemplates normal operating levels and consists of chemical purchases, equipment rentals, oil and gas handling, repairs and maintenance, operator and non-op costs (paid to joint venture partners), marketing and other miscellaneous operating expenses.

Note E - Oil and gas processing: Oil and gas processing is expected to average \$132,000/month throughout the Period. These costs are consistent with stable production of approx 375 BOE per day.

Note F - Property taxes: No new property taxes are forecast during the Period.

Note G - Surface lease payments: Surface lease payments reflect actual anticipated lease payments during the Period.

Note H - General and admin: General and administrative expenses are comprised of office employee and contractor payments, office rent, IT services, and miscellaneous travel expenses.

Note I - Miscellaneous disbursements: Primarily comprised of monthly installments owed on CCT and provincial sales tax balances owed to the Province of Saskatchewan and GST payments.

Note J - Professional fees: Estimated Monitor, Monitor's legal counsel, and Company legal counsel fees expected over the Period. Estimated fees include the cost to apply for an order sanctioning and implementing the CCAA Plan.

Note K - Contingency: A minor contingency has been incorporated in the cash flow to account for any unforeseen expenditures during the Period.

Note L - Opening Cash balance: The opening cash balance assumes that all outstanding cheques, valued at approx \$55.2K have been cashed at the commencement of the Period.