



To: Stakeholders of North American Lamb Company Ltd. (“NALCO”) and its subsidiaries, Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited., Canada Lamb Growers Ltd., Canada Lamb Processors Ltd., and Canine Fare Ltd. (collectively, the “Subsidiaries” and together with NALCO, the “NALCO Group”)

Date: August 8, 2022

Re: Frequently asked questions received by Ernst & Young Inc. in its capacity as Monitor (the “Monitor”) for the NALCO Group

To Whom It May Concern:

On August 8, 2022, the NALCO Group obtained protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the “**CCAA**”) pursuant to an Order of the Court of Queen’s Bench of Alberta (the “**Court**”), or (the “**Initial Order**”). As part of the Initial Order, Ernst & Young Inc. was appointed as Monitor of the NALCO Group.

The purpose of this correspondence is to address some of the initial questions that are typically posed by stakeholders at the commencement of a restructuring proceeding.

Disclaimer: The following is a list of frequently asked questions and answers relating to the restructuring involving the NALCO Group. The information contained herein is for general informational purposes only and should not be used as a substitute for legal or other advice relating to the NALCO Group. If you are in any doubt as to any action you should take in respect of the NALCO Group, please consult your own professional advisors.

Q: What is the CCAA? What happens in a CCAA filing?

A: The CCAA is a federal statute that provides a framework for the legal process that is used in Canada for court-supervised reorganization or restructuring of a company’s obligations while the business continues operations.

In a CCAA filing, the Company is given time to develop and implement a strategy to restructure its business. Generally, businesses are restructured thorough the sale of assets and / or through a plan of compromise and arrangement used to compromise creditors (a “**Plan**”). NALCO will be initially pursuing a sale of the business as a going concern. Significantly, a CCAA is different from a bankruptcy or receivership liquidation.

Q: Why did the NALCO Group end up in CCAA?

A: The NALCO Group is no longer able to continue to operate profitably and filed for a restructuring under the CCAA as a means to reorganize its business given the current economic environment and the strain of significant debt levels. This filing was necessary to protect and preserve the position of all stakeholders, including creditors, employees and shareholders.

Q: Who is now in charge of the NALCO Group?

A: The Monitor’s appointment was enhanced by the Court, allowing it to exercise any power typically exercised by an officer or the board of directors of the NALCO Group. This means that the Monitor is now in effective charge and control of the business; however, the NALCO Group employees are in place and will continue with their respective roles related to managing the business.

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Q: Is the NALCO Group carrying on business while under CCAA?

A: Yes. The NALCO Group is continuing operations during these restructuring process. In accordance with the Initial Order, the NALCO Group will pay for goods and services requested or provided on or after August 8, 2022 if, in the opinion of the Monitor such agreement is not disclaimed and the supplier or vendor of such goods or services is necessary for the operation or preservation of the business or the property.

Q: Does the NALCO Group have sufficient financing to continue operations?

A: Yes. The NALCO Group anticipates having sufficient liquidity to fund operations during the CCAA proceedings. In addition, The NALCO Group will be seeking Court-approved interim financing or 'debtor-in-possession' financing to fund the ongoing operations during the restructuring process.

Q: What is a 'stay of proceedings'?

A: In CCAA proceedings, the Court can and typically will grant a 'stay of proceedings' (the "**Stay**") in favour of debtor companies, in this case the NALCO Group. The Stay prevents creditors from taking action against the NALCO Group or its property. This is intended to allow the NALCO Group the time and stability it needs to restructure its affairs.

The Court has granted the NALCO Group an initial stay of proceedings to August 18, 2022. The NALCO Group is entitled, under the CCAA, to request from the Court further extensions to the Stay. These extensions are routinely granted as long as the NALCO Group continues to work in good faith towards a restructuring and is able to fund their day-to-day expenses during the period of the Stay.

It is expected that the stay will be extended further into the fall of 2022 at a Court hearing scheduled for August 15, 2022.

Q: What is the impact on employees and independent contractors?

A: Employees and independent contractors continue to be governed in accordance with the terms of their existing agreements with the NALCO Group.

Q: What is the impact on livestock producers?

A: External livestock supply is a key piece to maintaining processing operations and customer requirements. NALCO will maintain existing contractual livestock supply arrangements through the restructuring period. For livestock outside contracted supply, NALCO will price based on market conditions with Monitor oversight.

Q: What about the obligations prior to August 8, 2022? When will these obligations be paid?

A: Subject to certain exceptions specified in the Initial Order, the NALCO Group is prohibited from paying obligations which arose prior to the date of the August 8, 2022 Initial Order ("**Pre-filing Payables**"). Creditors are prohibited from taking actions or remedies against the NALCO Group with respect to Pre-filing Payables, or from terminating or altering their contracts and arrangements with the NALCO Group without first seeking permission of the Monitor.

Q: Who is the Monitor and what is their role?

A: The Monitor is Ernst & Young Inc. a wholly owned subsidiary of EY LLP Canada. The Monitor is independent from NALCO Group, is experienced in restructuring matters and was appointed by the Court.



The Monitor's role is detailed in the Initial Order and the CCAA. Generally, the Monitor's role will be to provide oversight of the operations of the NALCO Group to ensure its compliance with the Court orders, report to the Court on the status of operations and restructuring efforts, forming an independent opinion on any sale of all or part of the business. In addition, the Monitor's role in the NALCO Group CCAA has been enhanced to include management of the business.

Q: What actions will be taken if the NALCO Group ceases to cooperate in providing required information during the Stay, in accordance with the Initial Order?

A: To date, the NALCO Group has been cooperative in supplying requested information. The CCAA requires reports from the Monitor in support of any stay extensions and sale approvals. If the NALCO Group fails to cooperate, it will compromise its ability to receive further Stay extensions or to make a viable Plan to creditors and will be reported to the Court and stakeholders.

Q: Where can I get further information on the CCAA proceeding?

A: A copy of the Initial Order and other information relating to the CCAA proceedings, including Monitor's reports, will be posted from time to time on the Monitor's website at: www.ey.com/ca/NALCO.

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