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COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE OF	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, as amended AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF WOLVERINE ENERGY AND INFRASTRUCTURE INC., WOLVERINE EQUIPMENT INC., WOLVERINE CONSTRUCTION INC., HD ENERGY RENTALS LTD., IN-LINE PRODUCTION TESTING LTD., BHW EMPLOYMENT SERVICES INC., FLO-BACK EQUIPMENT INC., LIBERTY ENERGY SERVICES LTD., and WESTERN CANADIAN MULCHING LTD.
DOCUMENT	**PRE-FILING REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS THE PROPOSED MONITOR OF THE APPLICANTS** **November 29, 2023**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**PROPOSED MONITOR** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Neil Narfason / Matt Hanrahan Telephone: 403-206-5067 / 403-206-5307 Fax: 403-206-5075 Email: neil.narfason@parthenon.ey.com Matt.hanrahan@parthenon.ey.com **PROPOSED MONITOR'S COUNSEL** Torys LLP 525 – 8th Avenue SW, 46th Floor, Eight Avenue Place East Calgary, Alberta, T2P 1G1 Attn: Kyle Kashuba Telephone: 403-776-3744 Email: kkashuba@torys.com

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INTRODUCTION

1. On November 30, 2023, Wolverine Energy and Infrastructure Inc. ("**Wolverine Energy**") and its subsidiaries, Wolverine Equipment Inc., Wolverine Construction Inc., HD Energy Rentals Ltd., In-Line Production Testing Ltd., BHW Employment Services Inc., Flo-Back Equipment Inc., Liberty Energy Services Ltd., and Western Canadian Mulching Ltd. (collectively, with Wolverine Energy, "**Wolverine**", the "**Companies**" or the "**Applicants**") have scheduled an application (the "**Initial Application**") before this Honourable Court to seek relief pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "**CCAA**"), including an initial stay of proceedings (the "**Initial Stay of Proceedings**") in favour of the Applicants.

2. A comeback hearing (the "**Comeback Hearing**") is scheduled for December __, 2023 before this Honourable Court to seek an Amended and Restated Initial Order ("**ARIO**").

3. Ernst & Young Inc. ("**EYI**", or the "**Proposed Monitor**") would accept its proposed appointment as Monitor of the Companies as part of the Initial Application, if ordered by this Honourable Court.

PURPOSE

4. The purpose of this report (the "**Pre-filing Report**") is to provide this Honourable Court and the Applicants' stakeholders with information and the Proposed Monitor's comments with respect to the following:

   a) an overview of Wolverine's business, the cause of its insolvency, and the commencement of these CCAA Proceedings;

   b) the qualifications of EYI to act as Monitor in the CCAA proceedings;

   c) a cash flow statement ("**CFS#1**") for the three-week period ending on December 17, 2023 and the key assumptions on which CFS#1 is based;

   d) the amount and priority of proposed court-ordered charges for:

      i. an Administration Charge for the Monitor, counsel to the Monitor, and counsel to the Applicants; and

      ii. a Directors' Charge (defined below).

TERMS OF REFERENCE AND DISCLAIMER

5. In preparing this Pre-filing Report, the Proposed Monitor has been provided with, and has relied upon certain information, including unaudited financial information of the Applicants, books and records, and discussions with Wolverine's Management (collectively, the "**Information**").

6. Except as described in this Pre-filing Report, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Canadian auditing standards pursuant to the Chartered Processional Accountants of Canada Handbook.

7. Future oriented information referred to in this Pre-filing Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable; the actual results may vary from the projections and the variances may be material.

8. All references to dollars are in Canadian dollars unless otherwise stated.

9. Capitalized terms not defined herein are as defined in the Initial Order or the Ostapovich Affidavit (defined below).

OVERVIEW OF THE COMPANIES BUSINESS AND THE CASUES OF INSOLVENCY

10. Wolverine is a public company with its common shares listed on the TSX Venture Exchange under the symbol WEII.

11. Wolverine Energy is the parent corporation of the other Applicants in these Proceedings, which are all wholly owned subsidiaries of Wolverine Energy. Wolverine maintains its head office in Calgary, Alberta. A copy of the Wolverine corporate organizational chart is set out in the Ostapovich Affidavit.

12. Wolverine is a diversified energy and infrastructure service provider in Western Canada and the United States. Wolverine is in the business of water management, production testing, production rentals, environmental clearing and energy rentals and services.

13. Wolverine has 149 employees, plus an additional 23 active contractors.

14. Wolverine has experienced operating losses since fiscal year 2021, which have strained the Companies' balance sheet position. Wolverine has made efforts to monetize certain assets and business units in order to reduce liabilities. However, these efforts have not been successful.

15. Wolverine's business is cyclical in nature. Wolverine is currently in its slow season with operations beginning to pick up in January 2024. Rising interest rates, ongoing legal disputes, and slowing economic conditions, in combination with Wolverine's slow season, has resulted in Wolverine being unable to meet their obligations as they fall due.

16. Wolverine has been working with its primary secured lenders, Canadian Western Bank ("**CWB**"), and Fiera Private Debt Fund V LP and Fiera Private Debt Fund VI LP (together, "**Fiera**"), to reach respective forbearance agreements. However, Wolverine has been unable to agree on certain repayment terms with CWB and Fiera.

17. As a consequence, Wolverine decided to commence proceedings under the CCAA for the purpose of providing Wolverine with stability and cash flow relief (via a requested stay of proceedings) for the purpose of developing a plan to restructure its affairs.

18. The business and affairs of Wolverine and the causes of its insolvency are described further in detail in the Affidavit of Shannon Ostapovich, President of Wolverine Energy & and Infrastructure Inc., sworn on November 29, 2023 (the "**Ostapovich Affidavit**").

PROPOSED MONITOR

19. EYI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*. EYI is not subject to any of the restrictions on who may be appointed as monitor as set out in section 11.7(2) of the CCAA. EYI has provided its consent to act as Monitor in the CCAA proceedings, a copy of which is attached to the Ostapovich Affidavit as **Exhibit "4".**

20. EYI is familiar with the business and operations of the Applicants and the key stakeholders in the proposed CCAA proceedings.

21. The senior EYI personal in the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees who have acted in numerous restructuring matters of this nature and scale.

22. The Proposed Monitor has retained Torys LLP to act as its independent counsel in these CCAA proceedings.

CASH FLOW STATEMENT

23. Wolverine, in consultation with the Proposed Monitor, has prepared CFS#1 for anticipated receipts and disbursements for the three-week period ending on December 17, 2023 (the "**Forecast Period**"). The Forecast period extends beyond the date of the Initial Stay of Proceedings and the Comeback Hearing.

24. The table below summarizes the cash flows during the Forecast Period:

Wolverine
Consolidated Cash Flow Statement #1
For the period of November 27, 2023 to December 17, 2023 (the "Forecast Period")

$000's Week beginning	**Notes**	**Week 1 Nov-27**	**Week 2 Dec-04**	**Week 3 Dec-11**	**3-week total**
Operating receipts					
Operating receipts	**A**	824	480	480	1,785
Total operating receipts		**824**	**480**	**480**	**1,785**
Operating disbursements					
Labour	**B**	(28)	(1,130)	(7)	(1,165)
Operating costs	**C**	(6)	(259)	(126)	(390)
Rent and lease payments	**D**	(210)	(7)	(13)	(230)
Fuel	**E**	(47)	(58)	(58)	(162)
Government remittances	**F**	(142)	-	-	(142)
Contingency	**G**	(50)	(50)	(50)	(150)
Professional fees	**H**	-	-	-	-
Total operating disbursements		**(483)**	**(1,503)**	**(254)**	**(2,239)**
Net change in cash from operations		**341**	**(1,022)**	**227**	**(455)**
Net change in cash					
Opening cash	**I**	1,008	1,350	327	1,008
Net change in cash from operations		341	(1,022)	227	(455)
Ending cash		**1,350**	**327**	**554**	**554**

25. A copy of the signed CFS#1 and accompanying notes are attached as **Exhibit "5"** to the Ostapovich Affidavit.

26. CFS#1 is based on the following key assumptions:

Operating Receipts

a) Operating receipts consist of cash generated from operations. Wolverine will continue operations in the ordinary course.

Disbursements

b) labour costs will continue in the ordinary course and include all Wolverine salaries and wages, including insurance and benefits;

c) operating costs include, *inter alia*, payments to suppliers, maintenance costs, insurance, phone, utilities, and internet providers;

d) rent and lease payments primarily consist of payments for equipment used in operations;

e) fuel costs are estimated based on normal operating levels;

f) government remittances primarily consist of GST, PST, and U.S. sales taxes;

g) a minor contingency has been incorporated in the cash flow to account for unforeseen expenditures through the Forecast Period;

h) professional fees consist of estimated fees for the Proposed Monitor, the Proposed Monitor's legal counsel and Wolverine's legal counsel;

i) opening cash represents the weekly opening cash position of Wolverine; and

j) general note – the foreign exchange conversion rate used to convert USD to CAD is 1.36.

27. Pursuant to subsection 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 9. "Cash-Flow Statement", the Proposed Monitor hereby reports as follows:

a) CFS#1 has been prepared by Management for the purpose described in the notes to CF#1, using the probable assumptions and the hypothetical assumptions set out in the accompanying notes;

b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by Management and employees of Wolverine. The Proposed Monitor's procedures with respect to the hypothetical assumptions were limited to evaluating whether they were consistent with the purpose of CFS#1. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of CFS#1;

c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:

i. the hypothetical assumptions are not consistent with the purpose of CFS#1;

ii. as at the date of this Pre-filing Report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for CFS#1, given the hypothetical assumptions; or

iii. CFS#1 does not reflect the probable and hypothetical assumptions.

28. Since CFS#1 is based on assumptions regarding future events, actual results may vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the projections outlined in CFS#1 will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this Pre-filing Report.

29. CFS#1 has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

AMOUNT AND PRIORITY OF COURT ORDERED CHARGES

30. The draft Initial Order provides for two Court-ordered charges that rank in priority to all other charges and security interests of Applicants. The proposed charges and the rank in priority of those charges are as follows:

a) First - an administration charge (the "**Administration Charge**"); and,

b) Second – a directors' and officers' charge (the "**Directors' Charge**").

Administration Charge

31. The draft Initial Order proposes an Administration Charge in an amount not to exceed $100,000 charging the property and assets of the Applicants to secure the professional fees and disbursements incurred both before and after the granting of the Initial Order, in connection with services rendered by the Proposed Monitor, counsel to the Proposed Monitor, and counsel to the Applicants (collectively, the "**Administration Charge Beneficiaries**").

32. Given the complexity of these proceedings, the Proposed Monitor believes it is appropriate for the Administration Charge Beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA proceedings and in preserving the Applicants' assets and operations.

Directors' Charge

33. The Initial Order proposes a Directors' Charge charging the property and assets of the Applicants in favour of the directors and officers the Applicants as security for an indemnity contained in the Initial Order against obligations and liabilities that the directors and officers of Wolverine may incur after the commencement of the CCAA proceedings. The Directors' Charge will not exceed an aggregate amount of $1,000,000 (subject to increase at the Comeback Hearing) and will rank subordinate to the Administration Charge.

34. It is the Proposed Monitor's view that the continued support and service of the directors and officers of the Applicant during the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through the Proposed CCAA Proceedings.

35. The Proposed Monitor notes that provisions of this nature are customary in CCAA proceedings and Wolverine's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount as described above.

36. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicant has based the estimate of the potential liability in respect of the directors' statutory obligations and is of the view that the Directors' Charge is reasonable in relationship to the quantum of the estimated potential liability and is appropriate in the circumstances.

CONCLUSIONS

37. The Initial Order and the Initial Stay of Proceedings will provide Wolverine with the stability required to preserve its assets and continue operations and, in turn, will provide Wolverine with an opportunity to advance a restructuring.

38. The Proposed Monitor has reviewed the Applicants' filing materials and has consented to act as the Monitor should this Honourable Court grant the proposed Initial Order. The Proposed Monitor is of the view that the relief sought in the Proposed Initial Order is fair and reasonable in the circumstances. In the Proposed Monitor's observation, Wolverine has acted in good faith and with due diligence during the period leading up to the Initial Application.

39. Wolverine is planning to seek an extension of the Initial Stay of Proceedings, approval of interim financing, and other related relief, at a subsequent Comeback Hearing to be held on December __, 2023. If appointed, the Proposed Monitor anticipates filing a further report prior to the Comeback Hearing.

Dated a Calgary, this 29th day of November, 2023.

ERNST & YOUNG INC.,
Licensed Insolvency Trustee
Acting solely in its capacity as the Proposed Monitor of Wolverine
and not in its personal or corporate capacity

per:

Neil Narfason, CPA, CA, CIRP, LIT, CBV
President, Ernst & Young Inc.

Matt Hanrahan, CPA
Director, Ernst & Young Inc.