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COURT FILE NUMBER

2201-12935

COURT

COURT OF KINGS'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

FORAGE SUBORDINATED DEBT LP III

COM
Feb 13 2023

RESPONDENTS

ENTERRA FEED CORPORATION, ENTERRA FEED US CORPORATION, ENTERRA FEED US SALES CORPORATION, AND ENTERRA FEED MARION CORPORATION

DOCUMENT

FIRST REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF ENTERRA FEED CORPORATION

February 7, 2023ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT**RECEIVER**

FTI Consulting Canada Inc.
 Suite 1610, 520 Fifth Avenue S.W.
 Calgary, AB T2P 3R7
 Deryck Helkaa / Dustin Olver
 Telephone: (403) 454-6031 / (403) 454-6032
 Fax: (403) 232-6116
 Email: deryck.helkaa@fticonsulting.com
 dustin.olver@fticonsulting.com

RECEIVER'S COUNSEL

MLT AIKINS LLP
 2100 Livingston Place, 222 3rd Avenue S.W.
 Calgary, AB T2P 0B4
 Ryan Zahara
 Telephone: (403) 693-5420
 Fax: (403) 508-4349
 Email: rzahara@mltaikins.com

FIRST REPORT OF THE RECEIVER

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INTRODUCTION

1. On November 8, 2022, (the “**Date of Appointment**”), FTI Consulting Canada Inc. (“**FTI Consulting**”) was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**”) of Enterra Feed Corporation, (“**Enterra**” the “**Debtor**” or the “**Company**”), pursuant to an Order of the Honourable Justice C.M. Jones (the “**Receivership Order**”) pronounced in the Court of King’s Bench of Alberta Court File Number 2201-12935 (the “**Receivership Proceedings**”).
2. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Company, to market any or all of the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other publicly available information filed in connection with the Receivership Proceedings are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/Enterra>.

PURPOSE

4. The purpose of this report (the “**First Report**”) is to provide this Honourable Court with information with respect to the following:
 - a. background on the Company and its financial position including significant liquidity issues prior to the Date of Appointment;
 - b. the status of the Receivership Proceedings, including the Receiver’s activities since the Date of Appointment;

- c. a summary of the process initiated prior to the Date of Appointment, and continued during the Receivership Proceedings, to market and solicit interest in the Property to potentially interested parties through an informal sales process (the “**Pre-receivership SISP**”);
 - d. the Receiver’s comments and recommendations with respect to the proposed sale transaction (the “**Transaction**”) contemplated to be completed by way of a subscription agreement (the “**Subscription Agreement**”) and share issuance among Enterra, Forage Subordinated Debt LP III (“**Forage**”) and 2488172 Alberta Ltd. (“**ResidualCo**”) that would result in Forage owning all of the issued and outstanding shares of Enterra; and
 - e. the Receiver’s statement of receipts and disbursements from the Date of Appointment to February 6, 2023.
5. The Receiver is requesting the following relief from this Honourable Court:
- a. approval of the Receiver’s conduct and activities described herein, including its receipts and disbursements;
 - b. an approval and reverse vesting order (the “**RVO**”) authorizing and approving the Transaction;
 - c. sealing on the Court record the Receiver’s Confidential Supplement to this First Report (the “**Confidential Supplement Report**”).

TERMS OF REFERENCE

6. In preparing this First Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
7. Except as described in this First Report:
 - a. the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*; and
 - b. the Receiver has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
8. Future oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
9. The Receiver has prepared this First Report in connection with the Receiver's Application on February 13, 2023. This First Report should not be relied on for other purposes.

10. Information and advice described in this First Report that has been provided to the Receiver by its legal counsel, MLT Aikins LLP (the “**Receiver’s Counsel**”), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order.

BACKGROUND

12. Enterra is a corporation incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia), with a registered and head office located in the City of Maple Ridge, British Columbia.
13. As of the date of the appointment of the Receiver all of the directors of Enterra had resigned and Enterra had no directors.
14. Enterra is in the process of applying to continue (the “**Continuation**”) its incorporation into Alberta and expects that this process will be completed shortly so that prior to closing the Transaction it will be an Alberta registered corporate entity.
15. As part of the Continuation, it was necessary to appoint a new director of Enterra for the limited purpose of completing the Continuation documents. Keith Driver, as CRO, agreed to accept that appointment and execute all of the documents necessary to complete the Continuation and in order for the Transaction to proceed. The Receiver is requesting a release of all claims against Mr. Driver in exchange for his agreeing to take on the limited role as director of Enterra.

16. Enterra Feed US Corporation, Enterra Feed US Sales Corporation and Enterra Feed Marion Corporation are corporations incorporated under the laws of the State of Delaware.
17. The Company was engaged in the business of sustainable insect production for the purposes of selling animal feed and pet food to agriculture customers. The Company employed approximately 34 people and carried on business at a 180,000 square-foot leased facility in Balzac, Alberta (the “**Distribution Facility**”), wherein the primary assets are the corresponding personal property and equipment used in connection with the business. Additionally, the Company operated their research and development facility (the “**R&D Facility**”) from a leased property in Maple Ridge, British Columbia.
18. On September 8, 2022, Enterra delivered a “Notice of Event of Default” to Forage wherein it advised that it has resolved to proceed with an orderly winding down of its business and operations due to lack of funding and this would result in an Event of Default under the Loan Agreement. On the same day, and following the receipt of the “Notice of Event of Default”, Forage delivered a demand for repayment and notice of intention to enforce security under section 244 of the *BIA*, to the Company.
19. The Company experienced significant financial difficulties leading up to the Notice of Event of Default. Due to the lack of liquidity, the Company was not able to meet obligations as they came due and consequently had operational challenges including receiving a demand for payment from the Company’s supplier of utilities for the Distribution Facility. As a matter of preservation and security of assets, the Receiver was appointed in an expedited manner and the Company had begun to wind down operations at the time of the Receiver’s appointment.

SUMMARY OF FINANCIAL POSITION

20. A summary of the Company’s balance sheet from its unaudited consolidated financial statements at October 8, 2022 is presented below.

Unaudited Balance Sheet	
As at October 8, 2022	
CAD \$	Total
ASSETS	
Current	
Cash and Cash Equivalents	\$ 82,328
Accounts Receivable	1,153,419
Prepaid Expenses	275,661
Deferred Financing Costs	37,406
Feed Supplies Inventory	292,670
Maintenance Supplies Inventory	552,671
Product Inventory	1,890,951
Total Current Assets	4,285,105
Property and Equipment, Net	41,844,351
Intellectual Property and License	32,500
Total Assets	\$ 46,161,956
LIABILITIES and SHAREHOLDERS' EQUITY	
Liabilities	
Account Payables and Accrued Liabilities	\$ 6,192,513
Deferred Lease Liability	1,435,352
Rocky View Mobile Equipment Obligation	97,794
Debt / Government Loans	15,380,641
Total Liabilities	23,106,300
Total Shareholders' Equity	23,055,656
Total Liabilities and Shareholders' Equity	\$ 46,161,956

21. As described in the Affidavit of Jim Taylor sworn on November 7, 2022, as at September 8, 2022, the total amount owed to Forage pursuant to a loan agreement dated May 15, 2019 (the “**Loan Agreement**”), was \$9,951,781, plus interest, fees and other expenses (the “**Secured Debt**”).

22. A summary of the Company's year-to-date income statement from its unaudited consolidated financial statements for the period ended October 8, 2022 is presented below:

Unaudited Income Statement Period Ended October 8, 2022	
CAD \$	Total
Revenue, Net of Freight	\$ 4,550,531
Cost of Goods Sold	(6,613,417)
Plant Overhead	(338,931)
Inventory Disposal Losses	(2,705,374)
Gross Profit	(5,107,192)
Expenses	(10,197,811)
Inventory Write Down	(2,188,780)
Cash Operating Income (Loss)	(17,493,782)
Non-Cash Expenses	(2,659,829)
Net Income	\$ (20,153,611)

- a. the Company had generated revenues of \$4.6 million negative gross profit of \$5.1 million;
- b. following other expenses and inventory write downs, the Company had a significant cash operating deficit of \$17.5 million; and
- c. the operations of the Company were unsustainable given their lack of access to liquidity and cash shortfall, the business did not have the capacity to operate within these constraints.
23. The Company's financial position made it a challenge to generate interest in the business as a going concern as discussed in greater detail below.

RECEIVER'S ACTIVITIES

Custody and Control

24. On November 9, 2022, following the Date of Appointment, the Receiver attended at the Company's leased premises located at 260184 Nose Creek, Balzac, Alberta to meet with certain employees of the Company to advise that the Receivership Order had been granted and to take possession of the Company's Property in accordance with the terms of the Receivership Order.

Employees

25. At the Date of Appointment, the Company employed 34 people in Alberta and British Columbia. Prior to the Date of Appointment all remaining employees, with the exception of four management employees, were provided working notice that their employment would end on or around December 3, 2022 (the management employees were subsequently terminated).
26. Given the nature of offers received through the Pre-Receivership SISP (defined below) and the fact that Company was operating at a substantial net loss, the Receiver continued ongoing efforts to wind-down the Company's operations including:
 - a. collection of the remaining outstanding accounts receivable;
 - b. evaluation of remaining inventory on hand; and
 - c. proper disposal of the remaining living insects and environmental waste located at the Company's leased premises.

27. Certain employees that were terminated during the Receivership Proceedings were not paid vacation pay that accrued prior to the Date of Appointment or termination and/or severance pay.
28. In accordance with the *Wage Earner Protection Program Act*, the Receiver made the former employees aware of the existence of such program and advised that the Receiver would review the Company's books and records and identify employees who were owed eligible wages under the Wage Earner Protection Program.

Administrative and Statutory Compliance

29. The Receiver also completed the following administrative tasks and statutory compliance requirements:
 - a. prepared the notice and statement of the Receiver as required under section 245 and 246 of the BIA and mailed the notice to all known creditors as well as posting all relevant documents to the Receiver's Website;
 - b. in accordance with the Receivership Order, froze the Company's bank accounts and transferred the remaining balance to the Receiver's account;
 - c. established the Receiver's website where publicly available materials and updates can be accessed by creditors and stakeholders in respect of the Receivership Proceedings;
 - d. investigated the status of the Company's insurance coverage;
 - e. communicated with numerous creditors and stakeholders regarding the Receivership Proceedings; and

- f. preparing this First Report.

Leased Premises

30. Given that none of the expression of interest contemplated a going concern sale or the continued use of the Distribution Facility or R&D Facility the Receiver made efforts to realize on any of the Property at the Premises including equipment and leasehold improvements.
31. The Receiver met with the landlord of the Distribution Facility on several occasions to discuss potential options for the equipment that remained in the facility.
32. Given the liquidity available to the Receiver at the Date of Appointment was limited to funding under the Receiver's Certificate and cash on hand (approximately \$165,000) the Receiver was not in a position to pay occupation rent of approximately \$150,000 per month (the Company had paid occupation rent to November 30, 2022, prior to the Date of Appointment).
33. Additionally, the Receiver consulted with two auction firms with knowledge and experience in the sale of equipment and was advised that the net proceeds from a sale of the equipment was not guaranteed to exceed the value of removing it from the premise and the ongoing costs to occupy the premise (occupation rent, utilities, employees required to remove the equipment).
34. Accordingly, on November 30, 2022, the Receiver provided notice to the landlord of the Distribution Facility that it was disclaiming Enterra's interest in the lease effectively immediately.
35. The Receiver also disclaimed Enterra's interest in lease for the R&D Facility effective December 8, 2022.

36. Prior to vacating the leased premises, the Receiver was able to sell some of the remaining inventory and readily removable equipment from each facility as illustrated in the Receiver's interim statement of receipts and disbursements.

PRE-RECEIVERSHIP SISP

37. The Receiver understands that due to the significant liquidity and operational issues being experienced by the Company, the following efforts were implemented:
- a. appointing the Chief Restructuring Officer (the "**CRO**") on September 9, 2022;
 - b. marketing the Company and its assets to potentially interested parties through the Pre-receivership SISP conducted by the CRO as discussed in further details below; and
 - c. raising \$450,000 of subordinated secured financing from major shareholders on September 27, 2022, to provide immediate liquidity to the Company and continue efforts under the Pre-receivership SISP.
38. The Receiver was not involved with respect to the Company until immediately preceding the Date of Appointment. This involvement was limited to a preliminary review of the Company's short-term cash flows and gathering information in respect of the pending receivership appointment.

39. However, based on discussions with Forage and the CRO, we understand the following with respect to the Pre-receivership SISP:
- a. the CRO prepared a list of 18 potentially interested parties which consisted of industry competitors, strategic investors and major shareholders of Enterra;
 - b. contacted parties that were interested in proceeding were required to sign an non-disclosure agreement as a prerequisite to participation in the process;
 - c. the outreach included distributing an investor presentation dated September 28, 2022, to parties which clearly outlined the current state of the business operations in default and necessary costs post-transaction required to begin production;
 - d. guidance was provided to potential purchasers on potential transaction structures and timing;
 - e. the Company hosted meetings and site visits at both the Distribution Facility and R&D Facility;
 - f. follow-on discussions with management were arranged and summaries of sample data, intellectual property and financial information was shared; and
 - g. all interested parties were provided sufficient time and access to resources required to complete due diligence prior to submitting a letter of intent.

40. We understand that as a result of the Pre-receivership SISP:
- a. the Company had 18 of interest parties review the investor presentation which led to a total of seven site visits and eight interested parties requested additional due-diligence;
 - b. the Pre-receivership SISP resulted in two offers;
 - c. all the offers received by the Company were materially less than that of the Secured Debt due to the following:
 - i. significant historical operating losses, specialized operations/equipment, and fixtures that value is basically only available to a going concern operation and located in leased premises;
 - ii. most offers involved the purchase of certain intangible assets (intellectual property) or corporate attributes (tax losses), requiring a cleaning of the corporate shell; and
 - iii. none of the parties were interested in the business as a going concern given the Company was in default of its lease with the landlord of the Distribution Facility (potential odour issues and neighbour complaints) and challenges with integrating the Enterra technology with other companies technology approaches.
41. Ultimately, due to the Company's significantly liquidity issues, lack of sufficient capital and nominal interest in the Company's assets and operations, Forage sought the appointment of a receiver.

CONTINUATION OF PRE-RECEIVERSHIP SISP

42. Immediately following its appointment and taking of possession of the Property, the Receiver met with the CRO to discuss options available to the Receiver including offers from the Pre-receivership SISP.
43. The Receiver and the CRO, in consultation with representatives of Forage, met with both parties to attempt to improve the financial terms of the non-binding expressions of interest and move to a definitive purchase agreement and the Receiver notes the following:
- a. while parties had interest in the assets, such interest was only on a preliminary, non-binding basis and required additional due diligence;
 - b. as noted above, each offer, or combination of offers, were substantially below the value of the Secured Debt;
 - c. no offers were received on a going concern basis. All offers were for corporate attributes, intellectual property, certain equipment and contained contingent payments. Certain of the offers would require a further insolvency proceeding to implement (reverse vesting order, plan of arrangement etc.); and
 - d. ultimately, neither of the parties which submitted an expression of interest were willing to improve the terms of their offer and no definitive agreement was reached.
44. Given that a Pre-receivership SISP had been completed, and the limited liquidity available to the Receiver, it became evident that commencing a new sale solicitation process was not feasible.

45. On January 11, 2023, an unsolicited offer was submitted directly to the Receiver from a party that we understand included support from former management employees.
46. For various reasons, including the insufficient purchase price and contingent nature of the transaction, the Receiver advised the interested party that it would not accept the offer.
47. A summary of the expressions of interest (“**Summary of Interest**”) received in the Pre-Receivership SISP and thereafter is contained in the Receiver’s Confidential Supplement Report. The Summary of Interest illustrates that Forage, as the senior secured creditor, is materially under secured and, even on a contingent basis, none of the offers would not result in sufficient recoveries to repay the Secured Debt.
48. The Receiver is seeking to have the Summary of Interest sealed in the Receiver’s Confidential Supplement Report as it contains confidential and commercially sensitive information.
49. As a result Forage submitted an offer to purchase (by way of a share transaction) certain remaining assets including all the intellectual property including technology and information of whatever nature or kind, in all cases whether or not subject to any Intellectual Property Rights (as defined in the Subscription Agreement) and whether or not fixed in any medium or reduced to practice, including without limitation:
 - a. software, source code and source materials;
 - b. business names, trade names, domain names, trading styles, logos, trade secrets, industrial designs and copyrights;

- c. inventions, formulae, product formulations, processes and processing methods, technology and techniques;
 - d. know-how, trade secrets, research and technical data; and
 - e. studies, findings, algorithms, instructions, guides, manuals and designs;
- (collectively, the “IP Assets”).

PROPOSED TRANSACTION

- 50. Given the results of the Pre-receivership SISP, inadequate offers to purchase received, and the shut-down operations due to ongoing funding requirements, Forage decided to propose a credit bid transaction that would result in Forage bidding a portion of their secured debt in exchange for all of the issued and outstanding shares of Enterra, with any liabilities transferred to ResidualCo by way of the RVO. The proposed Transaction is described in greater detail below.
- 51. The Receiver, Forage and ResidualCo have executed the Subscription Agreement. A redacted copy of the Subscription Agreement is attached as Appendix “A” to this First Report and an unredacted copy is attached to the Confidential Supplement Report.
- 52. The Subscription Agreement outlines the reorganization that, if completed, will result in the following:
 - a. Enterra will be cleansed of the majority of its liabilities by the granting of a RVO whereby ResidualCo will assume the Excluded Liabilities and take an assignment of the Excluded Assets (as those terms are defined in the Subscription Agreement);

- b. Enterra will issue the Purchased Shares to Forage; and
- c. the purchase price paid by Forage to Enterra for the Purchased Shares will be the aggregate of the (i) the Subscription Cash plus (ii) the Credit Bid Amount plus (iii) the Retained Liabilities (the “**Purchase Price**”).

RECEIVER’S COMMENTS ON THE TRANSACTION

53. The Receiver is of the view that the Purchase Price in the Subscription Agreement is commercially sensitive information and that disclosing it prior to the closing of the Transaction may cause irreparable harm if the Transaction does not close. The non-confidential commercial terms of the Subscription Agreement include:
- a. the sale of the IP Assets and corporate attributes including tax losses;
 - b. a Closing Date of two business days after the remaining conditions have been satisfied or waived; and
 - c. no remaining material conditions other than approval from this Honourable Court.
54. Accordingly, the Receiver is seeking a Restricted Court Access Order sealing the Confidential Supplement Report on the Court record until the earlier of: (i) the Receiver filing a Receiver's Certificate with the Court confirming the closing of the Transaction; (ii) the discharge of the Receiver; (iii) one-year from the date of the Order; or (iv) further Order of this Honourable Court.
55. The Receiver’s Counsel has reviewed the Loan Agreement, which is secured by General Security Agreement dated May 15, 2019, and determined that, subject to

the standard qualifications and assumptions, Forage has a valid and enforceable security over the Property securing the Secured Debt.

56. When analyzing the Transaction, the Receiver considered the following:
- a. does the Transaction provide the best outcome and recovery to the creditors and stakeholders; and
 - b. is the RVO appropriate in the circumstances.

Recoveries to stakeholders

57. The Receiver considered the estimated recoveries to creditors under the Subscription Agreement to a sale or disposition under a bankruptcy. The Receiver concluded the following:
- a. the Company attempted to market the Property, including the IP Assets, through the Pre-receivership SISP and that process was continued during the Receivership Proceedings in an effort to maximize the potential return to all stakeholders;
 - b. there is no viable alternative to the Transaction contemplated by the Subscription Agreement;
 - c. given the speciality nature of the IP Assets, there is a limited number of interested parties, which have been included as part of the marketing process in the Pre-receivership SISP; and
 - d. the estate had limited funds to complete a supplemental sales process and given the results of the Pre-receivership SISP it is unlikely any additional

interest would be received for the Company's IP Assets in excess of the Secured Debt.

58. For the reasons outlined above, the Receiver is of the view that the Transaction offers fair value in the circumstances and therefore, from an economic standpoint, the Receiver recommends that this Honourable Court approve the Transaction.

The RVO is appropriate in the circumstances

59. When considering whether the granting of the RVO is appropriate the Receiver considered the following:
- a. Why an RVO is necessary;
 - b. Whether the RVO structure produced an economic result at least as favourable as another viable alternative;
 - c. Is any stakeholder worse off under the RVO structure than they would have been under another viable structure; and
 - d. Is the consideration paid for the debtor's business reflective of the importance and value of the intangible assets being preserved under the RVO structure?

Why an RVO is necessary

60. The RVO is critical to the viability of the transaction and its purpose is to convey the IP Assets without the additional costs (estimated to be at least \$50,000) and time associated with transferring the registration of all of the IP Assets in multiple countries around the world from Enterra to Forage and in order preserve certain tax

attributes in Enterra (including approximately \$50 million in non-capital losses) that cannot otherwise be transferred.

61. The Subscription Agreement authorizes Enterra to undertake a reverse vesting transaction whereby it will convey all of its remaining assets and liabilities that are excluded from the Subscription Agreement to ResidualCo., in a siloed and structured manner.
62. The end result of the Transaction will be that Enterra will carry on business with a new shareholder (Forage), with ownership of the Retained Assets and Retained Liabilities and a restructured balance sheet (having been cleansed by the RVO).

Does the RVO structure produced an economic result at least as favourable as any other viable alternative?

63. The Subscription Agreement is currently the best (and only) economic result available to Enterra's stakeholders in the circumstances.

Is any stakeholder worse off under the RVO structure than they would have been under another viable structure?

64. The Receiver is not aware of any stakeholder that would be worse off because of the RVO structure. As outlined in the Confidential Supplement Report, the expressions of interest received through the Pre-Receivership SISF would not be sufficient to repay the Secured Debt making Forage the fulcrum creditor in these proceedings. No other subordinate creditors will receive a return and therefore no creditors would be worse off because of the RVO structure.

Does the consideration being paid for the debtor’s business reflect the importance and value of the intangible assets being preserved under the RVO structure?

65. Forage has advised that the Purchase Price payable under Transaction would be reduced, or the transaction would potentially not proceed if it could not complete the RVO structure and maintain the corporate attributes including the tax losses.
66. In the Receiver’s view, all of the above considerations support utilizing the benefits of the RVO to complete the Transaction and, as a result, the Receiver submits that this Honourable Court should approved the RVO.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

67. Receipts and Disbursements from the Date of Appointment to February 6, 2023, are summarized as follows:

Statement of Receipts and Disbursements for the period of December 7, 2022 to February 6, 2023	
CAD \$	Cumulative
Receipts	
Accounts receivable collections	\$ 1,087,833
Sale of Assets	139,500
Transfer from pre-receivership account	172,276
GST refund	31,360
GST collected	14,108
Other receipts	2,049
Total - Receipts	1,447,127
Disbursements	
Payroll and benefits	254,626
Operating expense	202,294
Receiver's fees and costs	174,081
GST paid	18,658
Legal fees and disbursements	13,554
Net foreign exchange	3,055
Insurance	2,478
Bank fees and other	775
Total - Disbursements	669,521
Net Cash on Hand	\$ 777,606

- a. Accounts receivable collections from outstanding amounts and sale of inventory during the Receivership Proceedings;
- b. Sale of assets including transaction that were permitted without the approval of this Honourable Court pursuant to paragraph 3(i) of the Receivership Order as the consideration did not exceed \$100,000 for any transaction or \$250,000 in aggregate;
- c. Transfer from the Company's pre-receivership accounts to the Receiver's trust account;
- d. Payroll and benefits include amounts disbursed by the Receiver relating to payroll and employee deductions;
- e. Operating costs include amounts paid to vendors and suppliers to facilitate the ongoing operations of the business;
- f. Receiver's fees and costs paid to date in connection with the administration of the Receivership Proceedings;
- g. Legal fees and disbursements paid to date the Receiver's Counsel in respect of legal advice in connection with the Receivership Proceedings;
- h. Insurance relates to insurance costs including general liability and property insurance;
- i. Bank Charges include wire payment fees, and other miscellaneous bank fees.

68. As at February 6, 2023, the Receiver holds approximately \$777,606 of cash on hand.

RECEIVER'S RECOMMENDATION

69. The Purchase Price contained in the Subscription Agreement, provides the highest and best recovery in the context of insolvency or restructuring proceedings;

70. In review of the Pre-receivership SISP, the investor presentation explicitly outlines the fulsomeness of the operating struggles including an existing default, compliance issues, amongst others which is in similar to how a distressed sales process would have been presented in a receivership process which further supports that a supplemental sales process is unlikely to garner further interest in the Company's assets.

71. The Pre-receivership SISP was fair and transparent and provided all participants with equal access to information and opportunity to submit an offer or proposal;

72. Other offers available were inferior due to the lack of cash available, contingent payouts and risks and considerable transaction costs that would be required to implement.

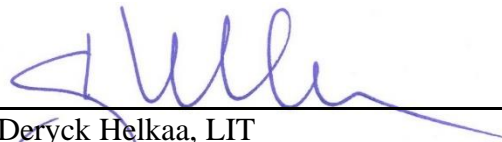
73. Based on the foregoing, the Receiver respectfully recommends that this Honorable Court grant the following relief:

- a. approving the Receiver's actions, conduct and activities since the Date of Appointment;
- b. the Approval and Vesting Order authorizing and approving the Receiver to complete the Transaction; and

- c. until the earlier of: (i) the Receiver filing a Receiver's Certificate with the Court confirming the closing of the Transaction; (ii) the discharge of the Receiver; (iii) one-year from the date of the Order; or (iv) further Order of this Honourable Court..

All of which is respectfully submitted this 7th day of February 2023.

FTI Consulting Canada Inc., in its capacity as
receiver of Enterra Feed Corporation
and not in its personal capacity



Deryck Helkaa, LIT
Senior Managing Director
FTI Consulting Canada Inc.

First Report of FTI Consulting Canada Inc.,
In its capacity as Receiver Enterra Feed Corporation

Appendix “A” – Redacted Subscription Agreement

SUBSCRIPTION AGREEMENT
AMONG
ENTERRA FEED CORPORATION.
– and –
FORAGE SUBORDINATED DEBT LP III
– and –
2488172 ALBERTA LTD.
MADE AS OF JANUARY 27, 2023

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THIS SUBSCRIPTION AGREEMENT is made as of January 27, 2023.

BETWEEN:

ENTERRA FEED CORPORATION, a corporation governed by the laws of the Province of Alberta, by and through its Court-appointed receiver and manager (the “**Receiver**”), FTI Consulting Canada Inc.

(collectively, “**Enterra**”)

- and -

FORAGE SUBORDINATED DEBT LP III, a limited partnership created under the laws of the Province of Alberta

(the “**Purchaser**”)

- and -

2488172 ALBERTA LTD., a corporation governed by the laws of the Province of Alberta

(“**ResidualCo**”)

RECITALS:

- A. On November 8, 2022, FTI Consulting Canada Inc. was appointed as receiver and manager of Enterra, by way of an order (the “**Receivership Order**”) granted by the Court of the King’s Bench of Alberta (the “**Court**”).
- B. In order to complete the transactions hereunder, Forage Subordinated Debt LP III has, incorporated ResidualCo for the purposes of acting as the residual entity under the Approval and Vesting Order (as defined herein).
- C. Pursuant to an order for reorganization to be completed in accordance with section 192 of the *Business Corporations Act* (Alberta), Enterra has agreed to issue to the Purchaser, and the Purchaser has agreed to subscribe for and purchase from Enterra, the Purchased Shares, upon the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (as defined below) agree as follows:

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Subscription Agreement the following words and terms shall have the meanings set out below:

“**Accounts Receivable**” means accounts receivable, bills receivable, trade accounts, holdbacks, retention, book debts, insurance claims and other amounts due or accruing to Enterra that arose or relate to the period prior to the Closing Time and includes, for greater certainty, any and all Tax Refunds, and together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits;

“**Affiliate**” has the meaning given in the *Business Corporations Act (Alberta)* R.S.C., 2000, c.B-9;

“**Agreement Date**” means the date of this Subscription Agreement as set forth on the first page of this Subscription Agreement;

“**Approval and Vesting Order**” means an Order of the Court, in substantially the form attached as Schedule “A” hereto, or in such other form as may be agreed to by the Parties in writing, that, among other things, approves this Subscription Agreement and the Transactions contemplated by this Subscription Agreement (including the Reorganization) and, upon the delivery of a copy of the Receiver’s Certificate to each of Enterra and the Purchaser, among other things, (a) transfers all of Enterra’s right, title and interest in and to the Excluded Assets to ResidualCo; (b) transfers and novates all Excluded Liabilities to ResidualCo; (c) releases and discharges Enterra from all Excluded Liabilities; and (d) releases Enterra from the purview of the Receivership Proceedings and adds ResidualCo as the new and sole debtor in the Receivership Proceedings;

“**Books and Records**” means all books and records of Enterra, including minute books, annual returns filed with corporate registry, books of account, ledgers, general, financial and accounting records, Tax Returns and other records in the possession and control of Enterra as of the Agreement Date, but in each case excludes all books and records in respect of the Excluded Assets and excludes any e-mail correspondence of Enterra (including any of its present and former, directors, officers, employees, contractors and other representatives) prior to the Closing Time;

“**Business**” means the business carried on by Enterra of sustainable insect production for the purposes of selling animal feed and pet food to various agriculture customers;

“**Business Day**” means any day, other than a Saturday or Sunday or any day on which banks are generally not open for business in the City of Calgary, Alberta;

“**Cash**” means all cash, bank balances, funds, deposits or monies owned or held by Enterra or any other Person on behalf of Enterra at the Closing Time and all cash equivalents, securities and investments of Enterra the Closing Time;

“**Claims**” means all indebtedness, liabilities and, obligations, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise;

“**Class A Common Shares**” has the meaning set out in Section 2.1;

“**Closing**” means the completion of the Transactions pursuant to this Subscription Agreement;

“**Closing Date**” means the date on which the Closing occurs, which date shall be no later than two (2) Business Days from the date on which all conditions set out in Article 5 (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived or such other date as may be agreed to in writing by the Parties;

“**Closing Time**” means 12:00 p.m. Calgary time on the Closing Date or such other time on such date as the Parties may agree in writing;

“**Court**” has the meaning set out in the Recitals;

“**Credit Bid Amount**” means the amount of \$

“**CRO**” has the meaning ascribed to it in the Receivership Order;

“**Encumbrances**” means all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by any Order of this Court or any other Order of this Court, including the Receiver’s Charge and the Receiver’s Borrowing Charge; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* or the *Land Titles Act* of Alberta or any other real or personal property registry system in any other Canadian or foreign jurisdiction;

“**Equity Claim**” has the meaning ascribed to it in the *Bankruptcy and Insolvency Act* (Canada);

“**Equity Interest**” includes (i) any shares, interests, participations or other equivalents (however designated) of capital stock or share capital ; (ii) any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance securities ; (iii) any warrants, options, convertible, exchangeable or exercisable securities, subscriptions, rights (including any pre-emptive or similar rights), calls or other rights to purchase or acquire

any of the foregoing; and (iv) any interest that constitutes an “equity interest” as such term is defined in the *Bankruptcy and Insolvency Act* (Canada”);

“**Excluded Assets**” means the Subscription Cash and the Receiver’s Cash and the interest of Enterra in any assets that are added to the Excluded Assets pursuant to Section 2.4, but does not include the Retained Assets;

“**Excluded Liabilities**” means all Liabilities of Enterra other than the Retained Liabilities and, for the avoidance of doubt, includes the following Liabilities:

- (a) the First Lien Obligations;
- (b) Liabilities for or in relation to the employment of any Person;
- (c) Liabilities for or in relation to the Tax Act, the *Excise Tax Act* (Canada), or any or any transfer tax, sales or use tax, stamp tax, recording tax, value added tax and any other similar levies or charges made by any Governmental Authority;
- (d) Liabilities for or in relation to any secured or unsecured trade payables;
- (e) Liabilities for or in relation to any environmental condition or damage;
- (f) Liabilities for or in relation to the Leases;
- (g) Liabilities for or in relation to any Equity Claims; and
- (h) Liabilities owing by Enterra and the Subsidiaries for the First Lien Obligations;

“**Existing Holders**” means the holders of the Existing Shares in Enterra immediately prior to the Closing Time;

“**Existing Shares**” means all of the existing shares, including common shares, preferred shares and any other type of class of shares, in the capital of Enterra immediately prior to the Closing Time;

“**Existing Share Redemption Amount**” means \$ per Existing Share;

“**First Lien Obligations**” means all of the indebtedness, liabilities and obligations owing by Enterra to the Purchaser;

“**Goodwill**” means the goodwill of Enterra relating to the Business, and information and documents relevant thereto, including telephone and facsimile numbers, email addresses, internet addresses and domain names used in connection with the Business, to the extent such Goodwill is in the possession or under the control of Enterra, and subject to any cure costs that may be payable in order to reactivate such goodwill;

“**Governmental Authority**” means any government, regulatory authority, governmental department, agency, agent, commission, bureau, official, minister, Crown corporation,

court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled to or purporting to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“Information Technology” means the computer hard drives, and any other computer and information technology equipment and systems owned, used or held by Enterra, to the extent such items are in the possession or under the control of Enterra;

“Intellectual Property” means Enterra’s right, title, estate and interest in and to technology and information of whatever nature or kind, in all cases whether or not subject to any Intellectual Property Rights and whether or not fixed in any medium or reduced to practice, including without limitation:

- (a) software, source code and source materials;
- (b) business names, trade names, domain names, trading styles, logos, trade secrets, industrial designs and copyrights;
- (c) inventions, formulae, product formulations, processes and processing methods, technology and techniques;
- (d) know-how, trade secrets, research and technical data; and
- (e) studies, findings, algorithms, instructions, guides, manuals and designs.

“Intellectual Property Rights” means:

- (a) any and all worldwide proprietary rights of Enterra provided under:
 - i. patent law;
 - ii. copyright law;
 - iii. trade-mark law;
 - iv. design patent or industrial design law;
 - v. semi-conductor chip or mask work law, or
 - vi. any other applicable statutory provision or common law principle, including trade secret law, that may provide a right in ideas, formulae, algorithms, concepts, inventions, works, or know-how, or the expression or use thereof, and including all past, present, and future causes of action, rights of recovery, and claims for damage, accounting for profits, royalties, or other relief relating, referring, or pertaining to any of the foregoing, and

(b) any and all applications, registrations, licenses, sublicenses, agreements, or any other evidence of a right in any of the foregoing.

“**Laws**” means, with respect to any Person, property, transaction, event or other matter; all laws, statutes, by-laws, rules, regulations, treaties, Orders, ordinances or judgments, guidelines, directives or other requirements having the force of law, whether federal, provincial, state or municipal, relating or applicable to that Person, property, transaction, event or other matter;

“**Leases**” means any and all lease agreements entered into by Enterra as tenant including, without limitation, the lease agreement between bcIMC Realty Corporation, as landlord, and Entera, as tenant, dated December 22, 2017.

“**Liabilities**” means any and all present and future Claims including, without limitation, Claims for contribution or indemnity, Claims for environmental liabilities and Claims for or relating to demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and indebtedness or obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, contract, agreement, dealing, undertaking or otherwise;

“**Non-Capital Losses**” means the aggregate non-capital losses for the purposes of the Tax Act of Enterra which arose from carrying on the Business prior to the Closing Time;

“**Notice**” has the meaning set out in Section 7.3;

“**Orders**” means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and any other orders granted in the Receivership Proceedings;

“**Outside Date**” has the meaning set out in Section 5.3(c);

“**Parties**” means, collectively, Enterra, ResidualCo and the Purchaser, and “**Party**” means any one of them;

“**Person**” means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, corporation, Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

“**Purchase Price**” has the meaning set out in Section 2.2;

“**Purchased Shares**” has the meaning set out in Section 2.1;

“**Purchaser**” has the meaning set out in preamble to this Subscription Agreement;

“**Receiver**” has the meaning set out in the Recitals;

“**Receiver’s Borrowing Charge**” means the priority charge granted by the Court pursuant to the Receivership Order in the Receivership Proceedings to secure the payment and performance of the Liabilities owing by the Receiver for amounts it borrows pursuant to the Receivership Order;

“**Receiver’s Cash**” any cash held by the Receiver in its trust accounts on behalf of Enterra;

“**Receiver’s Certificate**” has the meaning set out in Section 4.3;

“**Receiver’s Charge**” means the priority charge granted by the Court pursuant to the Receivership Order in the Receivership Proceedings to secure the payment and performance of the Liabilities owing to the Receiver, the CRO and counsel for the Receiver;

“**Receivership Order**” has the meaning set out in the Recitals;

“**Receivership Proceedings**” means the proceedings commenced by the Purchaser in Court of King’s Bench of Alberta Court File No. 2201-12935;

“**ResidualCo**” has the meaning set out in preamble to this Subscription Agreement;

“**Reorganization**” means the reorganization transactions contemplated in Schedule “B” hereto;

“**Retained Assets**” means all of the assets, properties, undertakings and rights of Enterra other than the Excluded Assets and, for the avoidance of doubt, includes the following assets, properties, undertakings and rights of Enterra:

- (a) the Books and Records;
- (b) the Cash (but for the avoidance of doubt, not including the Subscription Cash or the Receiver’s Cash) the Accounts Receivable;
- (c) the Goodwill;
- (d) the Tradename;
- (e) the Intellectual Property;
- (f) the Information Technology;
- (g) Intellectual Property Rights;
- (h) the Tax Returns;

- (i) the Non-Capital Losses;
- (j) the Equity Interests in the Subsidiaries; and
- (k) all indebtedness, liabilities and obligations owing by any Person to Enterra;

“**Retained Liabilities**” means any Liability that the Purchaser and Enterra agree to designate as a “Retained Liability” at or before the Closing Time;

“**Subscription Agreement**” means this Subscription Agreement, including all schedules, and all amendments or restatements, as permitted pursuant to the terms hereof, and references to “**Article**” or “**Section**” mean the specified Article or Section of this Subscription Agreement;

“**Subscription Cash**” has the meaning set out in Section 2.2;

“**Subsidiaries**” means Enterra Feed US Corporation, Enterra Feed US Sales Corporation and Enterra Feed Marion Corporation;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time;

“**Tax Refunds**” means all payments, credits or refunds (including payments and refunds in respect of Taxes) to which Enterra are entitled that arose or relate to the period prior to the Closing Time, including (i) any refund of goods and services taxes or harmonized sales taxes, (ii) any refund of federal or provincial income taxes, and (iii) any refund of premiums or payments relating to a workers’ compensation fund or program of any province;

“**Tax Returns**” means all returns, reports, declarations, elections, notices, filings, forms, statements and other documents in respect of Taxes (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared or filed by Enterra;

“**Taxes**” means taxes, duties, fees, premiums, assessments, imposts, levies and other similar charges imposed by any Governmental Authority under Law, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, and all employment insurance, health insurance and governmental pension plan premiums or contributions;

“**Tradenname**” means Enterra’ rights to use the name “Enterra Feed Corporation” and any variations thereof;

“**Transactions**” means the issuance by Enterra, and the subscription for and purchase by the Purchaser of, the Purchased Shares and all matters related or ancillary thereto contemplated by or in the manner provided for in this Subscription Agreement or the Approval and Vesting Order, including the Reorganization.

1.2 Certain Rules of Interpretation

In this Subscription Agreement:

- (a) **Currency** – Unless otherwise specified, all references to monetary amounts are to lawful currency of Canada.
- (b) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Subscription Agreement.
- (c) **Including** – Where the word “including” or “includes” is used in this Subscription Agreement, it means “including (or includes) without limitation”.
- (d) **No Strict Construction** – The language used in this Subscription Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (e) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (f) **Statutory references** – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (g) **Time** – Time is of the essence in the performance of the Parties’ respective obligations.
- (h) **Time Periods** – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.3 Entire Agreement

This Subscription Agreement and the agreements and other documents required to be delivered pursuant to this Subscription Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Subscription Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-

contractual or otherwise with respect to the subject matter of this Subscription Agreement. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral, whether statutory or otherwise, between the Parties in connection with the subject matter of this Subscription Agreement except as specifically set forth in this Subscription Agreement and any document required to be delivered pursuant to this Subscription Agreement, and the Purchaser shall acquire the Purchased Shares (and the underlying Retained Assets) as is and where is subject to the benefit of the representations and warranties in this Subscription Agreement. This Subscription Agreement constitutes the complete and exclusive statement of its terms and no extrinsic evidence whatsoever may be introduced in any proceedings involving this Subscription Agreement. Any estimates, projections, quantifications or other predictions contained or referred to with respect to Enterra, the Purchased Shares or the Retained Assets, or otherwise in any other material or information that has been provided to the Purchaser or any of their respective Affiliates, agents or representatives (including any due diligence presentations, documents or materials) are not and shall not be deemed to be representations or warranties of any of Enterra, ResidualCo, the Receiver, any of their respective Affiliates or any partner, employee, officer, director, accountant, agent, financial, legal or other representative of any of Enterra, ResidualCo, the Receiver or any of their respective Affiliates.

1.4 Schedules

The schedules to this Subscription Agreement, listed below, are an integral part of this Subscription Agreement:

<u>Schedule</u>	<u>Description</u>
Schedule A	Form of Approval and Vesting Order
Schedule B	Reorganization
Schedule C	Allocation of Purchased Shares

ARTICLE 2 SUBSCRIPTION FOR PURCHASED SHARES

2.1 Subscription for Purchased Shares

Subject to the provisions of this Subscription Agreement and the Approval and Vesting Order, on the Closing Date, at the time and in the sequence set forth in Schedule “B”, Enterra shall create a new class of common shares (the “**Class A Common Shares**”), the Purchaser shall subscribe for and purchase from Enterra, and Enterra shall issue to the Purchaser, such number of Class A Common Shares as are set forth in Schedule “C” hereto (collectively, the “**Purchased Shares**”), free and clear of all Claims and Encumbrances.

2.2 Purchase Price

The aggregate consideration payable by the Purchaser for the Purchased Shares shall be equal to: (i) the amount of (the “**Subscription Cash**”); plus (ii) the Credit Bid Amount; plus (iii) the Retained Liabilities (collectively, the “**Purchase Price**”). The Purchaser

shall pay and satisfy the Purchase Price by: (i) delivery of the Subscription Cash to the Receiver, for the benefit of ResidualCo, in cash and by way of wire transfer; (ii); by set-off of the Credit Bid Amount against the First Lien Obligations such that, upon Closing, the Purchaser's obligation to pay the Credit Bid Amount to Enterra shall be fully and completely satisfied and Enterra's obligation to pay the First Lien Obligations to the Purchaser shall be reduced, on a dollar for dollar basis, by an amount equal to the Credit Bid Amount; and (iii) by the Purchaser causing Enterra to pay and perform the Retained Liabilities in accordance with the terms and conditions of such Retained Liabilities.

2.3 Retained Assets and Retained Liabilities; Transfer of Excluded Assets and Excluded Liabilities to ResidualCo

Pursuant to and without limiting the Approval and Vesting Order, on the Closing Date:

- (a) Enterra shall retain all of the Retained Assets and the obligation to pay and perform all of the Retained Liabilities;
- (b) all Excluded Assets shall be transferred to and vested in ResidualCo, and all Excluded Liabilities shall be transferred and novated to ResidualCo;
- (c) all Claims and Encumbrances shall be expunged, discharged and released as against Enterra and the Retained Assets.

2.4 Right to Modify Designations with Consent of the Receiver

At any time on or prior to the day that is one (1) day prior to the Closing Date, the Purchaser may, with the consent of Enterra, elect to exclude any assets, properties or undertakings of Enterra from the Retained Assets, and add such assets, properties or undertakings to the Excluded Assets, provided that no changes to the Retained Assets or Excluded Assets pursuant to this Section 2.4 shall modify the Purchase Price.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Enterra

Enterra represents and warrants as of the Agreement Date the following to the Purchaser and acknowledges that the Purchaser is relying upon the representations and warranties in connection with the Transactions:

- (a) subject to the granting and terms of the Approval and Vesting Order, this Subscription Agreement is a legal, valid and binding obligation of Enterra, enforceable against it in accordance with its terms; and
- (b) Enterra is not a non-resident of Canada within the meaning of the Tax Act.

3.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants, as of the Agreement Date the following to Enterra and ResidualCo and acknowledges that each of Enterra and ResidualCo is relying upon the representations and warranties in connection with the Transactions:

- (a) the execution and delivery of and performance by the Purchaser of this Subscription Agreement:
 - (i) does not constitute or result in a violation or breach of, or conflict with, or allow any Person to exercise any rights under, any of the terms or provisions of its constating documents or bylaws;
 - (ii) does not constitute or result in a breach or violation of, or conflict with or allow any Person to exercise any rights under, any contract, license, lease or instruction to which it is a party; and
 - (iii) does not result in the violation of any Laws;
- (b) no filing with, notice to or authorization of, any Governmental Authority is required on the part of the Purchaser as a condition to the lawful completion of the Transactions;
- (c) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms, subject only to any limitation under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar Laws of general application affecting creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies including specific performance and injunction;
- (d) the Purchaser acknowledges that it has been encouraged to and should obtain independent legal, tax and investment advice with respect to its subscription for the Purchased Shares, including, but not limited to, the applicable resale and transfer restrictions, and accordingly, has been independently advised, or has waived such independent advice, as to the meanings of all terms contained herein relevant to the Purchaser for purposes of giving representations, warranties and covenants under this Subscription Agreement;
- (e) the Purchaser is an informed and sophisticated buyer, it has engaged expert advisors and is experienced in the evaluation and purchase of property and assets and assumption of liabilities such as the Purchased Shares and the Retained Assets as contemplated hereunder, and has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Subscription Agreement;

- (f) the Purchaser acknowledges that investment in the Purchased Shares involves risk, and represents that it is able, without materially impairing its financial condition, to hold the Purchased Shares for an indefinite period of time and to suffer a complete loss of its investment;
- (g) the Purchaser understands that the investment in, or holding, acquisition or disposition of, the Purchased Shares may have material tax consequences under applicable Laws, and that it is the sole responsibility of the Purchaser to determine and assess such tax consequences as may apply to its particular circumstances.

3.3 As is, where is

Notwithstanding any other provision of this Subscription Agreement but without limiting Section 1.3, the Purchaser acknowledges, agrees and confirms that:

- (a) except for the representations and warranties of Enterra set forth in Section 3.1, it is entering into this Subscription Agreement and acquiring its Purchased Shares (and the underlying Retained Assets and Retained Liabilities) on an “as is, where is” basis as they exist as of the Closing Time;
- (b) it has conducted to its satisfaction and has relied on such independent searches, investigations, reviews and inspections of Enterra, the Purchased Shares, and the Retained Assets as it deemed appropriate, and based thereon, has determined to proceed with the Transactions;
- (c) except as expressly stated in Section 3.1, none of Enterra, ResidualCo or the Receiver is making, and the Purchaser is not relying on, any written or oral representations, warranties, statements, information, promises or guarantees, express or implied, statutory or otherwise, concerning the Transactions, Enterra, the Business, the Purchased Shares, the Retained Assets (including the Non-Capital Losses), the Excluded Assets and the Excluded Liabilities, including the right, title or interest of Enterra in and to any of the foregoing, and any and all conditions, warranties or representations expressed or implied pursuant to any applicable Law in any jurisdiction, which the Purchaser confirms do not apply to this Subscription Agreement, are hereby waived in their entirety by the Purchaser;
- (d) none of Enterra, ResidualCo or the Receiver has made any representation or warranty as to any regulatory approvals, permits, licences, consents, registrations, filings or authorizations that may be needed to complete the Transactions or to obtain the benefit of the Retained Assets or any portion thereof, and the Purchaser is relying entirely on its own investigation, due diligence and inquiries in connection with such matters;
- (e) the obligations of the Purchaser under this Subscription Agreement are not conditional upon any additional due diligence;
- (f) except for the representations and warranties of Enterra set forth in Section 3.1, any information regarding or describing the Purchased Shares, the Retained Assets, or

in any other agreement or instrument contemplated hereby, is for identification purposes only, is not relied upon by the Purchaser, and no representation, warranty or condition, express or implied, has or will be given by Enterra, ResidualCo or the Receiver concerning the completeness or accuracy of such information or descriptions;

- (g) except as otherwise expressly provided in this Subscription Agreement, and except for fraud on the part of Enterra, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or claims the Purchaser might have against Enterra, ResidualCo or the Receiver pursuant to any warranty, express or implied, legal or conventional, of any kind or type, other than those representations and warranties of Enterra expressly set forth in Section 3.1. Except as set out above in this subsection (g), such waiver is absolute, unlimited, and includes, but is not limited to, waiver of express warranties, completeness of warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not discoverable or latent, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights; and
- (h) the provisions of Section 3.3 shall survive and not merge on Closing.

ARTICLE 4 CLOSING

4.1 Date, Time and Place of Closing

The Closing shall take place at the offices of McCarthy Tétrault LLP at the Closing Time, or at such other place (including electronically), on such other date and at such other time as the Parties may agree in writing.

4.2 Reorganization

Subject to the other terms of this Subscription Agreement and the Approval and Vesting Order, Enterra and ResidualCo, as applicable, shall effect the Reorganization, in the sequence and at the times specified in Schedule "B" hereto, as such steps, transactions, sequence and/or times may be amended by written agreement of the Parties.

4.3 Delivery of the Receiver's Certificate

Upon the satisfaction or waiver, as applicable, of the conditions set out in Article 5 hereof pursuant to this Subscription Agreement, Enterra and the Purchaser shall deliver to the Receiver written confirmation that such conditions have been satisfied and/or waived, as applicable. Upon receipt of such written confirmation from Enterra and the Purchaser and the Purchase Price from the Purchaser, the Receiver shall issue and deliver a duly executed certificate in the form contemplated by the Approval and Vesting Order (the "**Receiver's Certificate**") to Enterra and the Purchaser confirming that the Receiver has received the Purchase Price payable to it and Enterra has received

the portion of the Purchase Price payable to it and that conditions to Closing set out in this Subscription Agreement have been satisfied or waived by Enterra and the Purchaser, as applicable.

4.4 Enterra's Closing Deliveries

On the Closing Date, Enterra shall deliver or cause to be delivered to the Purchaser, or the Purchaser's solicitors, the following in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) an entered copy of the Approval and Vesting Order;
- (b) a share certificate duly executed by Enterra, or other satisfactory evidence such as a notice of uncertified securities, representing the Purchased Shares subscribed for and acquired pursuant to this Subscription Agreement, as set forth in Schedule "C" hereto, registered in the name of the Purchaser (or as otherwise directed by such Purchaser); and
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transactions.

4.5 Purchaser's Closing Deliveries

On the Closing Date, the Purchaser shall deliver or cause to be delivered to Enterra, or Enterra's solicitors, the following in form and substance satisfactory to Enterra, acting reasonably:

- (a) the Subscription Cash, by way of wire transfer;
- (b) a payout statement confirming the crediting of the Credit Bid Amount against the First Lien Obligations;
- (c) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by Enterra, ResidualCo or the Receiver to complete the Transactions.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions for the Benefit of Enterra

The obligation of Enterra to complete the Transactions is subject to fulfilment of each of the following conditions on the date stated for fulfilment thereof, and if not so stated on or before the Closing Time, each of which is acknowledged to be for the exclusive benefit of Enterra and may be waived by Enterra in whole or in part:

- (a) **Representations and Warranties.** The representations and warranties of the Purchaser in Section 3.2 and 3.3 shall be true and accurate in all material respects as at the Closing Time with the same force and effect as if made at and as of such

time, and the Purchaser shall have each executed and delivered a certificate to that effect;

- (b) **Fulfilment of Purchaser's Covenants.** All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed by the Purchaser at or before the Closing Time shall have been complied with or performed in all material respects and the Purchases shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement; and
- (c) **Delivery.** The Purchaser shall have paid, in aggregate, the Purchase Price and delivered the documents and other items referred to in Section 4.5.

5.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions is subject to fulfilment of each of the following conditions on or before the Closing Time, each of which is included for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part:

- (a) **Representations and Warranties.** The representations and warranties of Enterra in Section 3.1 shall be true and accurate in all material respects as at the Closing Time with the same force and effect as if made at and as of such time, and Enterra shall have executed and delivered a certificate to that effect;
- (b) **Fulfilment of Enterra's Covenants.** All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed by Enterra at or before the Closing Time shall have been complied with or performed in all material respects and Enterra shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement; and
- (c) **Delivery.** Enterra shall have delivered the documents and other items referred to in Section 4.4.

5.3 Mutual Conditions for the Benefit of Enterra and the Purchaser

The obligation of each of Enterra and the Purchaser to complete the Transactions is subject to the fulfillment of each of the following conditions or before the Closing Time, each of which is included for the benefit of Enterra and the Purchaser and may be waived in whole or in part upon the mutual agreement of the Parties:

- (a) **Actions or Proceedings.** No Order shall have been issued and no action or proceeding shall have been commenced or threatened to enjoin, restrict or prohibit the Transactions contemplated hereby;
- (b) **Approval and Vesting Order.** The Approval and Vesting Order shall have been issued and entered;

- (c) **Outside Date.** The Closing Date shall occur on or before three (3) Business Days following the grating of the Approval and Vesting Order or such later date as Enterra and the Purchaser may agree (the “**Outside Date**”).

5.4 Non-Satisfaction of Conditions

If any condition set out in Section 5.1, 5.2 or 5.3 is not satisfied or performed prior to the Outside Date, the Party for whose benefit the condition is inserted may:

- (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other Parties and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect to terminate this Subscription Agreement, in which case none of the Parties shall be under any further obligation to the others to complete the Transactions, except that if this Subscription Agreement is terminated by a Party because of a breach of this Subscription Agreement by another Party or because a condition for the benefit of the terminating Party has not been satisfied because another Party has failed to perform any of its obligations or covenants under this Subscription Agreement, the terminating Party’s right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 6 COVENANTS OF THE PARTIES

6.1 Payments in Respect of Excluded Assets

If at any time after Closing, Enterra or the Purchaser receive a payment or other consideration in respect of or relating to an Excluded Asset (including a Tax Refund), the recipient of such payment or other consideration shall promptly notify the Receiver and promptly pay and transfer such payment or other consideration to the Receiver, on behalf of ResidualCo. From and after Closing, Enterra and the Purchaser shall provide reasonable cooperation to ResidualCo and the Receiver to enable ResidualCo and the Receiver to obtain the benefit of any Excluded Asset.

6.2 Distribution of Remaining Subscription Cash and the Receiver’s Cash

Upon the Receiver completing the administration of the estate of ResidualCo and the full payment of amounts owing on the Receiver’s Charge and the Receiver’s Borrowing Charge (including, without limitation, any amounts the Receiver determines necessary or advisable to holdback on account of potential future Liabilities that may fall due on the Receiver’s Charge), any remaining Subscription Cash and the Receiver’s Cash shall be distributed by the Receiver to the Purchaser in partial satisfaction of the First Lien Obligations.

6.3 Access to Books and Records

ResidualCo shall be entitled to retain a copy of the Books and Records and, from and after Closing, Enterra and the Purchaser shall provide the Receiver and ResidualCo with reasonable access to

information in respect of Enterra as requested by the Receiver and/or ResidualCo, as may be required by the Receiver and/or ResidualCo to comply with applicable Law or in connection with the completion of the Receivership Proceedings, provided that such access shall be granted during normal business hours and at the Receiver's and/or ResidualCo's own cost.

6.4 Survival of Covenants

The provisions of this Article 6 shall survive and not merge on Closing.

ARTICLE 7 GENERAL

7.1 Receiver's Capacity

The Purchaser acknowledges and agrees that the Receiver, acting in its capacity as the Receiver in the Receivership Proceedings, will have no liability whatsoever in connection with this Subscription Agreement or the Transactions, whether in its capacity as Receiver, in its personal capacity or otherwise, and that the representations, covenants, obligations and agreements of Enterra and ResidualCo pursuant to this Subscription Agreement and any related or ancillary document shall be those of Enterra and ResidualCo exclusively and shall not constitute, or be deemed to constitute, representations, covenants, obligations or agreements of the Receiver.

7.2 Expenses

Each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred by them in connection with this Subscription Agreement and the Transactions, including in connection with the review, negotiation, preparation, execution and performance of this Subscription Agreement.

7.3 Notices

Any notice, direction, approval, consent or other communication given regarding the matters contemplated by this Subscription Agreement (each a "Notice") shall be in writing and shall be sufficiently given if delivered by courier service, personal delivery or electronic mail:

- (a) in the case of a Notice to Enterra, or ResidualCo, to:

Enterra Feed Corporation
c/o FTI Consulting Canada Inc.
520 Fifth Avenue S.W.
Suite 1610
Calgary, AB T2P 3R7

Attention: Deryck Helkaa
Email: derekhelkaa@fticonsulting.com

- (b) in the case of a Notice to the Purchaser, to:

McCarthy Tétrault LLP
4000, 421 – 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Walker MacLeod / Erinn Wilson
Telephone: 403-260-3710 / 403-260-3682
E-mail: wmacleod@mccarthy.ca / erinnwilson@mccarthy.ca

(c) in the case of a Notice to the Receiver, to:

FTI Consulting Canada Inc.
520 Fifth Avenue S.W.
Suite 1610
Calgary, AB T2P 3R7

Attention: Deryck Helkaa
Email: derekhelkaa@fticonsulting.com

with a copy to

MLT Aikins LLP
2100, 222 3rd Avenue S.W.
Calgary, Alberta T2P 0B4

Attention: Ryan Zahara/Chris Nyberg
Email: rzahara@mltaikins.com / cnyberg@mltaikins.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this Section 7.3.

7.4 Time of Essence

Time shall be of the essence of this Subscription Agreement in all respects.

7.5 Successors and Assigns

This Subscription Agreement shall become effective only when executed by each of the Parties and shall thereafter be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns.

7.6 Assignment

Neither this Subscription Agreement nor any of the rights or obligations under this Subscription Agreement may be assigned or transferred, in whole or in part, by any Party without the prior written consent of each of the other Parties.

7.7 Amendment

This Subscription Agreement may only be amended, supplemented or otherwise modified by written agreement by the Parties.

7.8 Waiver

No waiver of any of the provision of this Subscription Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Subscription Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

7.9 Survival

Other than those representations, warranties, covenants or other agreements which by their terms contemplate performance after Closing (including those set forth in Article 6) or unless otherwise expressly provided in this Subscription Agreement (including Section 3.3 (which in each case shall remain in full force and effect after Closing), the representations, warranties, covenants and other agreements contained in this Subscription Agreement shall not survive Closing.

7.10 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the Transactions, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Subscription Agreement and carry out its provisions, whether before or after the Closing provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

7.11 Severability

If any covenant or other provision of this Subscription Agreement is invalid, illegal or incapable of being enforced by reason of any rule of Law or public policy, then such covenant or other provision will be severed from and will not affect any other provision of this Subscription Agreement and this Subscription Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in this Subscription Agreement. All other covenants and provisions of this Subscription Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

7.12 Specific Performance

The Purchaser acknowledges and agrees that Enterra and its estate would be damaged irreparably in the event the Purchaser does not perform their respective obligations under this Subscription Agreement in accordance with its specific terms or otherwise breach this Subscription Agreement, so that, in addition to any other remedy that Enterra may have under law or equity, Enterra shall be entitled, without the requirement of posting a bond or other security, to injunctive relief to prevent any breaches of the provisions of this Subscription Agreement and to enforce specifically this Subscription Agreement and the terms and provisions hereof.

7.13 Governing Law and Jurisdiction

- (a) This Subscription Agreement, the rights and obligations of the Parties hereunder, and any Claim based upon or arising out of this Subscription Agreement or the Transaction (or any part thereof) shall be governed by and interpreted and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
- (b) Each Party irrevocably attorns and submits to the exclusive jurisdiction of the Court in any action, application, reference or other proceeding arising out of or relating to this Subscription Agreement or the Transaction (including any part thereof) and consents to all Claims in respect of any such action, application, reference or other proceeding being heard and determined in the Court.

7.14 Execution and Delivery

This Subscription Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by email or other electronic means is as effective as a manually executed counterpart of this Subscription Agreement.


[Remainder of page intentionally left blank]

IN WITNESS OF WHICH the Parties have executed this Subscription Agreement as of the date first written above.


FTI CONSULTING CANADA INC. in its capacity as receiver and manager of the assets, undertaking and property of ENTERRA FEED CORPORATION and not in its personal or corporate capacity

By: 
Name: Brett Wilson
Title: Senior Director

FORAGE SUBORDINATED DEBT LP III

By: 
Name: Jim Taylor
Title: Director

2488172 ALBERTA LTD.

By: 
Name: Jim Taylor
Title: Director

SCHEDULE "A"
FORM OF APPROVAL AND VESTING ORDER

COURT FILE NUMBER	2201-12935	Clerk's Stamp
COURT	COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
PLAINTIFF	FORAGE SUBORDINATED DEBT LP III	
DEFENDANTS	ENTERRA FEED CORPORATION, ENTERRA FEED US CORPORATION, ENTERRA FEED US SALES CORPORATION, and ENTERRA FEED MARION CORPORATION	
DOCUMENT	APPROVAL AND REVERSE VESTING ORDER	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MLT AIKINS LLP 2100 Livingston Place 222 3rd Avenue SW Calgary, AB T2P 0B4 Attention: Ryan Zahara Tel: (403) 693-5420 Fax: (403) 508-4349 Email: RZahara@mltaikins.com	

DATE ON WHICH ORDER WAS PRONOUNCED: February ●, 2023
LOCATION OF HEARING OR TRIAL: Calgary, Alberta
NAME OF MASTER/JUDGE WHO MADE THIS ORDER: ●

UPON the application (the "**Application**") of FTI Consulting Canada Inc. (the "**Receiver**"), in its capacity as the court-appointed receiver and manager of the undertakings, property and assets of the defendant, Enterra Feed Corporation ("**Enterra**"), in the within proceedings (the "**Receivership Proceedings**"), for an order approving the sale transaction (the "**Transaction**") contemplated by a subscription agreement attached hereto (the "**Agreement**") between Enterra, Forage Subordinated Debt LP III (the "**Purchaser**"), and ● Alberta Ltd. (the "**ResidualCo**"), and attached as Schedule "**B**" hereto, including the reorganization transactions contemplated in Schedule "B" to the Agreement (the "**Reorganization**");

AND UPON HAVING READ the Receivership Order dated November 8, 2022 (the “**Receivership Order**”), the First Report of the Receiver, dated ●, 2023 (the “**Report**”) and the Affidavit of Service of Joy Mutuku, sworn on February ____, 2023 (the “**Service Affidavit**”), each filed; **AND UPON** hearing counsel for the Purchaser, counsel for the Receiver, and for any other parties who may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the Application and the Report is abridged, if necessary, the Application is properly returnable today, service of the Application and the Report on the service list (the “**Service List**”) attached as Exhibit “●” to the Service Affidavit, in the manner described in the Service Affidavit, is good and sufficient, and no other persons other than those listed on the Service List, are entitled to service of the Application or the Report.

CAPITALIZED TERMS

2. Capitalized terms used herein but not otherwise defined in this Order shall have the meaning given to such terms in the Agreement.

APPROVAL OF THE TRANSACTION

3. The Agreement and the Transaction (including the Reorganization) are hereby approved, and the execution of the Agreement by the Receiver, for and on behalf of Enterra, is hereby authorized and approved, with such amendments to the Agreement as Enterra, the Purchaser and the ResidualCo may agree to with the consent of the Receiver. The performance by Enterra of its obligations under the Agreement is hereby authorized and approved and the Receiver and Enterra are hereby authorized to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction, including, without limitation, the Reorganization.

REORGANIZATION

4. Enterra and ResidualCo are authorized to undertake and complete the Reorganization contemplated in Schedule “B” to the Agreement and, without limiting the generality of the foregoing, subject to the terms of the Agreement, upon the delivery of a Receiver’s certificate substantially in the form attached as Schedule “A” hereto (the “**Receiver’s Certificate**”) to Enterra and the Purchaser, the following shall be deemed to occur in accordance with the timing, sequence, terms and conditions set forth in the Agreement:

- (a) All of Enterra’s right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in the name of ResidualCo and all Claims and Encumbrances attached to the Excluded Assets shall continue to attach to the Excluded Assets with the same nature and priority as they had immediately prior to their transfer;
- (b) Concurrently with step (a) above, all Excluded Liabilities shall be transferred to, assumed by and vest absolutely and exclusively in the name of ResidualCo, and the Excluded Liabilities shall be novated and become obligations of ResidualCo and not obligations of Enterra;
- (c) Concurrently with steps (a) and (b) above, Enterra shall be forever released and discharged from such all Excluded Liabilities, and all Encumbrances securing Excluded Liabilities shall be forever released and discharged in respect of Enterra and the Retained Assets;
- (d) Enterra shall: (i) create the Class A Common Shares, (ii) add a right to each of the issued and outstanding Existing Shares that allows for such shares to be redeemed by Enterra for the Existing Share Redemption Amount, and (iii) issue the Purchased Shares to the Purchaser in accordance with Section 2.1 and Schedule “C” of the Agreement, free and clear of any Claims or Encumbrances, in consideration of the receipt of the Subscription Cash by the Receiver from the Purchaser;

- (e) Immediately after step (d) above, Enterra shall thereafter exercise, and be deemed to exercise, such right of redemption such that each of the Existing Shares shall be have been fully, completely and irrevocably redeemed by Enterra for the Existing Share Redemption Amount; and
 - (f) Immediately after step (e) above, any classes or series of shares in Enterra that have no shares issued or outstanding in that particular class or series shall be cancelled and all remaining Equity Interests in Enterra shall be cancelled;
5. Following the completion of the above steps the Subscription Cash shall be released by the Receiver for the benefit of ResidualCo, the Purchaser shall deliver the Subscription Cash to Enterra and the Purchaser shall be the sole legal and beneficial shareholders of Enterra.
6. The Receiver, Enterra and ResidualCo, in completing the transactions contemplated in the Reorganization, are authorized:
- (a) to execute and deliver any documents and assurances governing or giving effect to the Reorganization as the Receiver, Enterra and/or ResidualCo, in their discretion, may deem to be reasonably necessary or advisable to conclude the Reorganization, including the execution of all such ancillary documents as may be contemplated in the Agreement or necessary or desirable for the completion and implementation of the Reorganization, and all such ancillary documents are hereby ratified, approved and confirmed; and
 - (b) to take such steps as are, in the opinion of the Receiver, Enterra and/or ResidualCo, necessary or incidental to the implementation of the Reorganization.
7. The Receiver, Enterra and ResidualCo are hereby permitted to execute and file articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Reorganization, including, without limitation, the issuance of the Purchased Shares, and such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective notwithstanding any requirement under federal or provincial law to obtain director or shareholder approval with respect to such actions or to

deliver any statutory declarations that may otherwise be required under corporate law to effect the Reorganization.

8. This Order shall constitute the only authorization required by the Receiver, Enterra or ResidualCo to proceed with the Transaction, including, without limitation, the Reorganization and, except as specifically provided in the Agreement, no director or shareholder approval shall be required and no authorization, approval or other action by or notice to or filing with any governmental authority or regulatory body exercising jurisdiction in respect of Enterra is required for the due execution, delivery and performance by the Receiver, Enterra and by ResidualCo of the Agreement and the completion of the Transaction.

VESTING OF ASSETS AND LIABILITIES

9. Subject to the terms of the Agreement, upon the delivery of the Receiver's Certificate to Enterra and the Purchaser, the following shall be deemed to occur in accordance with the timing, sequence, terms and conditions set forth in the Agreement:

- (a) all of Enterra's right, title and interest in and to the Excluded Assets (including, for certainty, the right to receive the Subscription Cash) shall vest absolutely and exclusively in the name of ResidualCo and all Claims and Encumbrances attached to the Excluded Assets shall continue to attach to the Excluded Assets with the same nature and priority as they had immediately prior to their transfer;
- (b) all Excluded Liabilities shall be transferred to, assumed by and vest absolutely and exclusively in the name of ResidualCo, and the Excluded Liabilities shall be novated and become obligations of ResidualCo and not obligations of Enterra, and Enterra shall be forever released and discharged from such Excluded Liabilities, and all Encumbrances securing the Excluded Liabilities shall be forever released and discharged in respect of Enterra, provided that nothing in this Order shall be deemed to cancel any Encumbrances expressly permitted by the Agreement as against Enterra;

- (c) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise of any demands, claims, actions, counterclaims, suits, judgements, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action against Enterra in respect of the Excluded Liabilities shall be permanently enjoined;
- (d) the nature of the Retained Liabilities retained by Enterra, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Agreement or the steps and actions taken in accordance with the terms thereof;
- (e) the nature and priority of the Excluded Liabilities assumed by ResidualCo, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to and assumption by ResidualCo; and
- (f) any Person that, prior to the Closing Date, had a valid Claim against Enterra in respect of the Excluded Liabilities shall no longer have such Claim against Enterra but will have an equivalent Claim against ResidualCo (including, without limitation, in respect of the net proceeds of the Transaction received by ResidualCo pursuant to the Agreement) in respect of the Excluded Liabilities from and after the Closing Date in its place and stead, and, nothing in this Order limits, lessens or extinguishes the Excluded Liabilities or the Claim of any person as against ResidualCo.

10. Upon delivery of the Receiver's Certificate to Enterra and the Purchaser, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Receiver's Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required in order to give effect to the terms of this Order and the Agreement.

11. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the Agreement. Presentment of this Order and the Receiver's Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations such that the Retained Assets of Enterra shall be free from all Encumbrances.

12. The Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Encumbrances as against the Retained Assets of Enterra.

COURT PROCEEDINGS

13. Upon the filing of the Receiver's Certificate:

- (a) ResidualCo shall be added as a debtor in these Receivership Proceedings and any reference in any Order of this Court in respect of these Receivership Proceedings to a "Debtor" shall refer to ResidualCo, *mutatis mutandis*;
- (b) Enterra shall be deemed to cease to be the Debtor in these Receivership Proceedings and shall be deemed to be released from the purview of any Order of this Court granted in respect of these Receivership Proceedings, save an except for this Order, the terms of which as they relate to Enterra shall continue to apply in all respects to Enterra; and
- (c) the title of these Receivership Proceedings is hereby, and shall be deemed to be, amended as follows:

DEFENDANT ● ALBERTA LTD.

and any document filed thereafter in these Receivership Proceedings (other than the Receiver's Certificate) shall be filed using such revised title of proceedings.

THE RECEIVER

14. Without in any way limiting the Receiver's powers set out in the Receivership Order or any other Order of this Court in these Receivership Proceedings or applicable law, the Receiver is hereby authorized to undertake and perform such activities and obligations as are contemplated to be undertaken or performed by the Receiver pursuant to this Order and the Agreement or any ancillary document related thereto, and shall incur no liability in connection therewith, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall affect, vary, derogate from, limit or otherwise amend any of the protections in favour of the Receiver at law, the Receivership Order or any other Order granted in these Receivership Proceedings.

15. The Receiver is directed to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof to Enterra and the Purchaser.

16. The Receiver may rely on written notice from Enterra and the Purchaser or their respective counsel regarding the satisfaction of the Purchase Price and the fulfillment of the conditions to closing under the Agreement and shall incur no liability with respect to the delivery of the Receiver's Certificate.

17. The Receiver, in addition to its prescribed rights and obligations under the Receivership Order, is authorized, entitled and empowered to assign or cause to be assigned, at any time after the Closing Date, ResidualCo into bankruptcy and the Receiver shall be entitled but not obligated to act as trustee in bankruptcy thereof.

MISCELLANEOUS

18. Enterra shall not be obligated to make any payments or other distributions to Existing Holders in respect of the redemption of the Common Shares in circumstances where the total amount payable to any Existing Holder is equal to or less than the sum of two (\$2.00) dollars.

19. Notwithstanding:

- (a) the pendency of these Receivership Proceedings and any declaration of insolvency made herein;

- (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), in respect of ResidualCo, and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of ResidualCo; and
- (d) the provisions of any federal or provincial statute,

the execution of the Agreement, the implementation of the Reorganization (including the transfer of the Excluded Assets and the Excluded Liabilities to ResidualCo and the issuance of the Purchased Shares to the Purchaser) and the implementation of the Transaction shall be binding on any trustee in bankruptcy that may be appointed in respect of ResidualCo, and shall not be void or voidable by creditors of ResidualCo, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

20. The Receiver, Enterra, ResidualCo and the Purchaser shall each be at liberty to apply for further advice, assistance and direction as may be necessary or desirable in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

21. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Receiver in any proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.

22. Service of this Order shall be deemed good and sufficient by:

- (a) serving the same on:

- (i) the persons listed on the service list created in these proceedings or otherwise served with notice of these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order;
and,
- (b) posting a copy of this Order on the Receiver's website at <http://104.46.125.158/Enterra/default.htm>.

and service on any other person is hereby dispensed with.

23. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

Justice of the Court of King's Bench of Alberta

**SCHEDULE “A” TO THE FORM OF APPROVAL AND VESTING ORDER
RECEIVER’S CERTIFICATE**

COURT FILE NUMBER	2201-12935	Clerk's Stamp
COURT	COURT OF KING’S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
PLAINTIFF	FORAGE SUBORDINATED DEBT LP III	
DEFENDANTS	ENTERRA FEED CORPORATION, ENTERRA FEED US CORPORATION, ENTERRA FEED US SALES CORPORATION, and ENTERRA FEED MARION CORPORATION	
DOCUMENT	RECEIVER’S CERTIFICATE	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MLT AIKINS LLP 2100 Livingston Place 222 3rd Avenue SW Calgary, AB T2P 0B4 Attention: Ryan Zahara Tel: (403) 693-5420 Fax: (403) 508-4349 Email: RZahara@mltaikins.com	

RECITALS

- A. Pursuant to an Order of the Honourable Justice C.M. Jones of the Court of King’s Bench of Alberta, Judicial District of Calgary (the “**Court**”) dated November 8, 2022, FTI Consulting Canada Inc., was appointed as the receiver and manager (the “**Receiver**”) of all undertakings, property, and assets of Enterra Feed Corporation (the “**Debtor**”) in these proceedings.
- B. Pursuant to an Order of the Court dated February _____, 2023 the Court, *inter alia*, approved the agreement (the “**Agreement**”) among Enterra, Forage Subordinated Debt LP III (the “**Purchaser**”), and • Alberta Ltd. (the “**ResidualCo**”), and the transactions contemplated thereby.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has satisfied the Purchase Price in accordance with the Agreement;
2. The conditions to Closing as set out in the Agreement have been satisfied or waived by Enterra and the Purchaser;
3. The Transaction has been completed to the satisfaction of the Receiver; and
4. This Certificate was delivered by the Receiver at _____ [a.m./p.m.] on _____, 2023.

FTI CONSULTING CANADA INC. in its capacity as receiver and manager of the assets, undertaking and property of ENTERRA FEED CORPORATION and not in its personal or corporate capacity

Per: _____

Name:

Title:

**SCHEDULE "B" TO THE FORM OF APPROVAL AND VESTING ORDER
THE AGREEMENT**

[see attached]

SCHEDULE “B”
REORGANIZATION TRANSACTIONS

The following steps and transactions to be effected pursuant to the Subscription Agreement and the Approval and Vesting Order shall occur, and be deemed to have occurred, in the following order in five minute increments (unless otherwise noted herein or agreed to by Enterra, ResidualCo and the Purchaser), without any further act or formality on the Closing Date beginning at the Closing Time:

1. All of Enterra’ right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in the name of ResidualCo and all Claims and Encumbrances attached to the Excluded Assets shall continue to attach to the Excluded Assets with the same nature and priority as they had immediately prior to their transfer.
2. Concurrently with step 1 above, all Excluded Liabilities shall be transferred to, assumed by and vest absolutely and exclusively in the name of ResidualCo, and the Excluded Liabilities shall be novated and become obligations of ResidualCo and not obligations of Enterra.
3. Concurrently with steps 1 and 2 above, Enterra shall be forever released and discharged from such all Excluded Liabilities, and all Encumbrances securing Excluded Liabilities shall be forever released and discharged in respect of Enterra and the Retained Assets.
4. Enterra shall: (i) create the Class A Common Shares, (ii) add a right to each of the issued and outstanding Existing Shares that allows for such shares to be redeemed by Enterra for the Existing Share Redemption Amount, and (iii) issue the Purchased Shares to the Purchaser in accordance with Section 2.1 and Schedule “C” of the Subscription Agreement, free and clear of any Claims or Encumbrances, in consideration of the receipt of the Subscription Cash from the Purchaser.
5. Immediately after step 4 above, Enterra shall thereafter exercise, and be deemed to exercise, such right of redemption such that each of the Existing Shares shall be have been fully, completely and irrevocably redeemed by Enterra for the Existing Share Redemption Amount.
6. Immediately after step 5 above, any classes or series of shares in Enterra that have no shares issued or outstanding in that particular class or series shall be cancelled and all remaining Equity Interests in Enterra shall be cancelled.
7. Following the above steps, the Subscription Cash and the Receiver’s Cash shall be released by the Receiver for the use and benefit of ResidualCo.

SCHEDULE "C"
ALLOCATION OF PURCHASED SHARES

<u>Purchaser</u>	<u>Number of Class A Common Shares</u>
FORAGE SUBORDINATED DEBT LP III	100