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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF *THE BANKRUPTCY AND  
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED  
AND IN THE MATTER OF THE RECEIVERSHIP OF  
HALO EXPLORATION LTD.



DOCUMENT

FIRST REPORT OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS COURT APPOINTED  
RECEIVER AND MANAGER OF HALO  
EXPLORATION LTD.

**March 30, 2026**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER**

FTI Consulting Canada Inc.  
Suite 1610, 520 - 5th Ave S.W.  
Calgary, AB T2P 3R7  
Dustin Olver / Brett Wilson  
Telephone: (403) 454-6032 / (403) 454-6033  
Fax: (403) 232-6116  
E-mail: [dustin.olver@fticonsulting.com](mailto:dustin.olver@fticonsulting.com)  
E-mail: [brett.wilson@fticonsulting.com](mailto:brett.wilson@fticonsulting.com)

**COUNSEL**

Burnet, Duckworth & Palmer LLP  
525 8 Ave SW, Suite 2400  
Calgary, AB T2P 1G1  
David LeGeyt / Ryan Algar / Jessica MacKinnon  
Telephone: (403) 260-0210 / (403) 260-0126 /  
(403) 260-0112  
Fax: (403) 260-0332  
E-mail: [dlegeyt@bdplaw.com](mailto:dlegeyt@bdplaw.com)  
E-mail: [ralgar@bdplaw.com](mailto:ralgar@bdplaw.com)  
E-mail: [jmackinnon@bdplaw.com](mailto:jmackinnon@bdplaw.com)

# FIRST REPORT OF THE RECEIVER

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## INTRODUCTION

1. On February 10, 2026 (the “**Appointment Date**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the current and future assets, undertakings and properties (the “**Property**”) of Halo Exploration Ltd. (“**Halo**”, the “**Company**” or the “**Debtor**”) pursuant to an Order of the Honourable Justice C.C.J. Feasby (the “**Receivership Order**”) of the Court of King’s Bench of Alberta (the “**Court**”).
2. The Receivership Order authorizes the Receiver to, among other things, take possession of the Property, market any or all of the Property and sell, convey, transfer or assign the Property with the approval of this Honourable Court in respect of any transactions in excess of \$200,000 or in aggregate over \$500,000.
3. Concurrent with the Receivership Order, the Court granted an Order (the “**SISP Order**”) approving a Sale and Investment Solicitation Process (the “**SISP**”).
4. The Receivership Order and other publicly available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/Halo> (the “**Receiver’s Website**”).
5. The purpose of this report (the “**First Report**”) is to provide this Honourable Court with information with respect to:
  - (a) the background of the Company and the events leading to its insolvency;
  - (b) a summary of the activities of the Receiver following the Appointment Date;
  - (c) a preliminary update on the SISP;
  - (d) the Receiver’s interim statement of receipts and disbursements from the Appointment Date to March 27, 2026;

- (e) a summary of the proposed key employee retention plan (the “**KERP**”) and request for two Court approved charges (the “**Primary KERP Charge**” and the “**Secondary KERP Charge**”, collectively, the “**KERP Charges**”) to secure the KERP obligations; and
  - (f) the Receiver’s recommendations with respect to the above.
6. The Receiver is seeking an order granting the following relief from this Honourable Court:
- (a) approving the actions, conduct and activities of the Receiver since the Appointment Date, including the receipts and disbursements set out in this First Report;
  - (b) approving the proposed KERP and the KERP Charges; and
  - (c) sealing Confidential Appendix “A” (the “**Confidential Appendix**”) in accordance with the terms of a restricted Court access order (such relief being a “**Sealing Order**”).

## **TERMS OF REFERENCE**

7. In preparing this First Report, the Receiver has relied upon audited and 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**”).
8. 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 *Canadian Institute of Chartered Accountants Handbook*; and

- (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the *Canadian Institute of Chartered Accountants Handbook*.
- 9. 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 forecasts and such variations may be material.
- 10. Information and advice described in this First Report that has been provided to the Receiver by its legal counsel, Burnet, Duckworth & Palmer LLP (the “**Receiver’s Counsel**”), was provided to assist the Receiver in considering its course of action, is subject to solicitor client privilege, and 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.
- 12. Capitalized terms used herein but not otherwise defined have the meanings ascribed to them in the Receivership Order or the SISP Order, as applicable.

## **BACKGROUND**

### **Business and Events Leading to the Receivership Proceedings**

- 13. Halo was incorporated pursuant to the laws of the Province of Alberta and is a privately held junior oil and gas exploration and production company, with its head office located in Calgary, Alberta.
- 14. Halo’s assets, including facilities and wells, are located in the Greater Kaybob area of Alberta, with exposures to the Montney and Duvernay lands. Halo’s assets include:
  - (a) 100% working interest in 98.75 sections of Montney land;

- (b) 100% working interest in 51 sections of Duverney land;
  - (c) eleven producing and seven non-producing wells, with estimated daily production of 380 boe/d in February, 2026; and
  - (d) certain water disposal and frac water source facilities.
15. In addition to its oil and gas assets, Halo also has certain corporate attributes, including tax pools estimated at \$142 million as of December 31, 2025.
16. As at the Appointment Date, the Debtor had approximately \$18.8 million of secured debt and \$19.9 million of unsecured debt.
17. Pursuant to a loan agreement dated October 11, 2022 (the “**Invico Loan Agreement**”), between Invico Diversified LP, by its general partner, Invico Diversified Income Managing GP Inc. (“**Invico**” or the “**Lender**”) as lender and Halo as borrower, Invico is a secured creditor of Halo, having advanced an aggregate principal amount of \$19.0 million to Halo under the Invico Loan Agreement. As of January 30, 2026, the total amount outstanding under the Invico Loan Agreement was approximately \$13.5 million.
18. As more fully described in the Affidavit of Adam Jenkins sworn on January 30, 2026, in these Receivership Proceedings (the “**Jenkins Affidavit**”), the following activities occurred between Invico and Halo leading up the Receivership Proceedings:
- (a) between December 21, 2023 to July 29, 2026, they entered into a total of eight limited waivers and six amendments to the Invico Loan Agreement as a result of Halo’s failure to meet certain reporting and financial covenants in the Invico Loan Agreement;
  - (b) on October 31, 2025, they entered into a forbearance agreement (the “**Forbearance Agreement**”), which Halo breached one week later;

- (c) on November 17, 2025, Invico delivered a notice of its intention to enforce security under section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “*BIA*”). Invico did not exercise its security after the expiry of the 10-day notice period under the *BIA* and both parties entered into the first amendment to forbearance agreement on November 27, 2025 (the “**First Forbearance Amendment**”);
  - (d) on January 12, 2025, Halo breached the terms of the First Forbearance Amendment; and
  - (e) on January 28, 2026, Invico issued a Notice of Default, followed by the receivership application sought in Court on February 10, 2026.
19. Northbase Finance Inc. (“**Northbase**”) has security over certain of Halo’s Property, pursuant to three asset lease agreements (the “**Northbase Leases**”), with Northbase as lessor, and Halo as lessee. The assets secured by the Northbase Leases comprise a substantial portion of Halo’s surface infrastructure located at its 3-22 battery. As of February 6, 2026, the amount owing under the Northbase Leases totals approximately \$5.3 million.
20. The Receiver’s Counsel completed an independent review of the validity and enforceability of the security granted in favour of each of Invico and Northbase and determined that, subject to the customary assumptions and qualifications, the respective security is valid and enforceable.
21. In addition to Invico and Northbase, certain other parties have registered security against Halo at the Alberta Personal Property Registry. To the extent necessary, the Receiver will provide further commentary and analysis on the various secured claims against Halo in a subsequent Report.

## RECEIVER'S ACTIVITIES

### Custody and Control

22. Subsequent to the Appointment Date, the Receiver met with Halo's CEO and controller to advise them that the Receivership Order had been granted and that the Receiver was taking possession of the Property in accordance with the terms of the Receivership Order. The Receiver indicated its intent to continue Halo's operations in the normal course to facilitate the administration of the SISP and to maximize the return for the Debtor's stakeholders.
23. On or around the Appointment Date, the Receiver also completed the following administrative tasks:
  - (a) froze the Debtor's bank accounts and transferred all account balances to the Receiver's estate trust account;
  - (b) investigated the status of the Debtor's insurance coverage and ensured it was active and in good standing. The current policies are set to expire on June 14, 2026; and
  - (c) communicated with numerous creditors and stakeholders regarding the Receivership Proceedings, including the Alberta Energy Regulator.

### Statutory Compliance

24. On February 12, 2026, the Receiver mailed the requisite notice and statement of receiver in accordance with sections 245(1) and 246(1) of the *BIA* to the Superintendent of Bankruptcy and to all known creditors of Halo.
25. The Receiver notified the Canada Revenue Agency of the Receiver's appointment and established new remittance accounts for the goods and sales tax arising subsequent to the Appointment Date.

26. The Receiver established the Receiver’s Website where it has posted periodic updates on the progress of the Receivership Proceedings, along with copies of court orders, motion materials and reports filed in connection with these Receivership Proceedings and the Receiver’s contact information to facilitate stakeholder inquiries.

### **Employees**

27. On the Appointment Date, the Debtor had three employees and six contractors. All employees, pursuant to paragraph 14 of the Receivership Order, have remained employees or contractors of the Debtor to assist the Receiver during the Receivership Proceedings, including the administering the SISP.

### **Insurance**

28. Following the Appointment Date, the Receiver contacted the Company’s insurance broker, Gallagher Energy Risk Services, to review the adequacy of the insurance and to confirm the status of the insurance coverage.
29. The Receiver was advised that all premiums had been paid and the policy was set to expire on June 14, 2026.

### **SALE AND INVESTMENT SOLICITATION PROCESS**

30. The Receiver, in consultation with Invico and with the assistance of Halo management, has commenced the SISP to broadly canvas potential purchasers and investors in a structured manner to maximize value for the benefit of the Company’s creditors and stakeholders.
31. Pursuant to the terms of the SISP, the Receiver was obligated to achieve certain milestones, including:
- (a) on or before February 24, 2026 (the “**Commencement Date**”):

- i. publish, on the Receiver’s Website, a timeline of key milestones set out in the SISP Procedure (as attached as Schedule "A" to the SISP Order);
  - ii. prepare a process summary (the “**Teaser Letter**”) describing the opportunity and the process under the SISP and inviting recipients to execute a non-disclosure agreement (“**NDA**”) in order to participate in the SISP;
  - iii. gather and review all required due diligence material to be provided to interested parties and establish a virtual data room (“**VDR**”); and
  - iv. prepare a list of known potential bidders; and
- (b) as soon as reasonably possible after the Commencement Date:
- i. arrange for the Notice of the SISP to be published on the Receiver’s Website and in the *BOE Report*; and
  - ii. send the Teaser Letter to all Known Potential Bidders.

32. For ease of reference, key dates included in the SISP are set out in the table below:

Milestone	Deadline
Commencement Date	On or before February 24, 2026
Marketing Stage: Publication of Notice & Sending Teaser Letter to Known Potential Bidders	On or before March 3, 2026
Phase 1 Non-Binding LOI Deadline	March 27, 2026
Phase 2 Binding Bid Deadline	May 1, 2026

33. The milestones in advance of the Phase 1 Bid Deadline have been met, and the Receiver has continued to advance the SISP. As the Phase 1 Bid Deadline has only just passed, and the Receiver remains in the process of reviewing the Confidential Non-Binding LOIs, the Receiver will provide further details on the SISP in a subsequent Report to this Honourable Court.

## INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

34. The Receiver's interim statement of receipts and disbursements for the period from the Appointment Date to March 27, 2026, are summarized as follows:

<b>Interim Statement of Receipts and Disbursements</b>	
<b>For the period from February 10 to March 27, 2026</b>	
<b>('000s)</b>	
<b>Receipts</b>	
Opening Cash	\$ 60
Revenue	789
Receiver's Borrowings	100
<b>Total Receipts</b>	<b>949</b>
<b>Disbursements</b>	
Payroll and Consultant	(104)
Operational Expenses	(240)
Lease	(108)
<b>Total Disbursements</b>	<b>(452)</b>
<b>Cash on Hand</b>	<b>\$ 497</b>

- (a) Opening Cash – cash balance in Halo's bank account transferred to Receiver's trust account;
- (b) Revenue – revenue received in connection with the operation of the oil and gas assets with settlement expected on every 25th day of each month in accordance with industry standards;
- (c) Receiver's Certificate – \$100,000 advanced by Invico and secured under the Receiver's Borrowing Charge;

- (d) Payroll and Consultants – costs relating to consultant expenses, employee wages, payroll remittances and benefits;
  - (e) Operational Expenses – costs relating to field operations, road use, contract operator, other operating costs, and office expenses;
  - (f) Lease – monthly equipment lease payment to Northbase Leases, due on the first day of each month; and
  - (g) Professional fees – professional fees incurred since the Appointment Date are outstanding and have not been paid to date. The current amount invoiced and incurred by the Receiver and the Receiver’s Counsel as of March 17, 2026, is approximately \$235,500.
35. As of March 28, 2026, the Receiver is holding approximately \$497,000 in cash in its estate trust account.

#### **KEY EMPLOYEE RETENTION PLAN**

36. The Receiver is seeking the Court’s approval of the KERP and the KERP Charges. The primary objective of the KERP is to incentivise certain key employees, who are critical to the stability of Halo’s ongoing operations and the success of the SISP, to continue in their current role (the “**Eligible Participants**”). Eligible Participants may be added or removed in accordance with the terms of the KERP.
37. A copy of the KERP is attached hereto as the Confidential Appendix. The Receiver is requesting the Sealing Order temporarily sealing the Confidential Appendix as it contains commercially sensitive and confidential information that if disclosed could impact the results of the SISP.

38. An overview of the fee structure and payments to be earned under the KERP (the “**KERP Payments**”) are set out below. The KERP is comprised of components:
- (a) first, a retention fee (“**Retention Fee**”) earned by the Eligible Participants by assisting the Receiver with the SISP (in addition to the Eligible Participants’ ongoing employment duties associated with the ongoing operations of Halo). The Retention Fee is not tied to a specific outcome in the SISP or any threshold, it is earned upon the closing of any transaction resulting from the SISP; and
  - (b) second, a success fee, to be determined as follows:
    - i. an agreed upon amount in the event the Cash Transaction Value (as defined in the KERP) exceeds a certain threshold (the “**Base Success Fee**”);
    - ii. in the event the Cash Transaction Value exceeds a certain threshold (above that identified above for the calculation of the Base Success Fee), a payment equivalent to the aggregate of:
      - a) an agreed upon percentage of the Cash Transaction Value; plus
      - b) an additional amount if certain liabilities/obligations are assumed by a purchaser(s); minus,
      - c) the Base Success Fee,(collectively, the “**Additional Success Fee**”).
39. The KERP stipulates that under no circumstances shall both the Base Success Fee and the Additional Success Fee be paid to the Eligible Participants and the amounts paid pursuant to the KERP are to be shared by all of the Eligible Participants. The allocation of the KERP Payments shall be divided amongst the Eligible Participants, subject to review and confirmation by the Receiver.

40. Eligible Participants are only eligible to receive the KERP Payments upon the successful closing of any transaction(s) for all or substantially all of the assets or business of Halo (the “**Vesting Date**”) and continue to be actively employed or engaged by Halo on the Vesting Date or have been terminated without cause before the Vesting Date.
41. The Receiver has reviewed the KERP and is of the view that its terms are reasonable in the circumstances based on the following:
- (a) the continuation of Halo’s business is essential to the maximizing value through the SISP. Given the nature of the Halo’s business, the exploration and development of oil and gas, it is extremely important that the Eligible Participants, who know the assets, remain engaged to assist the Receiver in ensuring the operation of the oil and gas assets continues under proper care and maintenance throughout the SISP and Receivership Proceedings. When the Receiver was appointed, certain Eligible Participants expressed concerns in relation to remaining employed by the Debtor and as a result, the Receiver was concerned that certain Eligible Participants could leave at a critical stage of the proceedings, either prior to commencing, or during the implementation of, the SISP. Thus, the KERP has been designed to incentivize employees to remain with the Debtor and assist the Receiver through to the completion of a successful transaction;
  - (b) the Eligible Participants have been integral to maintain operations and the SISP including, developing the marketing materials and answering questions and meeting with potential bidders. Further, rather than the Receiver engaging a financial advisor/selling agent to assist with implementing the SISP which would otherwise necessitate the payment of a success fee and/or a work fee, the Receiver is working with the Eligible Participants to administer the SISP. As such, the additional expenses typically incurred by a financial advisor/selling agent are being saved. In the Receiver’s view, the Retention Fee is relatively modest and the Base Success Fee and Additional Success Fee are only payable if certain sales thresholds

are achieved. These thresholds were set at levels that the Receiver views as being achievable and therefore the interests of the Eligible Participants are aligned;

- (c) the Receiver consulted with Invico, in its capacity as Lender, regarding the nature and quantum of the KERP, who is supportive;
- (d) the Receiver considers the quantum of the KERP Payments to be reasonable in the circumstances and consistent with previously approved KERPs by this Honourable Court; and
- (e) only the Primary KERP Charge in respect of the Retention Fee and Base Success Fee will rank ahead of the Debtor's secured creditors.

42. Subject to approval of this Honourable Court, the KERP Charges will secure the obligations under the KERP on the following basis:

- (a) the Primary KERP Charge in respect of the Retention Fee and the Base Success Fee in the amount not to exceed \$200,000 shall be in priority to all charges, other than the Receiver's Charge; and
- (b) the Secondary KERP Charge in respect of the Additional Success Fee shall rank subsequent to the perfected security of any existing secured creditors (including Invico and Northbase). In the event the Eligible Participants are entitled to recover under the Secondary KERP Charge, they will have assisted the Receiver in achieving sales proceeds under the SISF that, in the Receiver's view, will be the result of a highly successful sales process which reflects, among other things, the long-term upside of Halo's oil and gas reserves to the benefit of all stakeholders.

43. If the KERP Charges are granted by this Honourable Court, the Charges will have the following ranking:
- (a) first, the Receiver's Charge in an amount not to exceed \$200,000;
  - (b) second, the Primary KERP Charge in an amount not to exceed \$200,000;
  - (c) third, the Receiver's Borrowing Charge in an amount not to exceed \$500,000; and
  - (d) fourth, the Secondary KERP Charge which ranks subordinate to the perfected security interests of Halo's secured creditors that existed at the Appointment Date.

#### **RECOMMENDATIONS**

44. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant an Order, substantially in the form attached to the Receiver's application:
- (a) approving of the conduct and activities of the Receiver, including its receipts and disbursements, since the Appointment Date;
  - (b) approving the KERP and the KERP Charges; and

- (c) sealing the KERP as it includes confidential personal information and economic information that could jeopardize the results of the SISP.

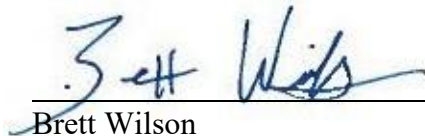
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All of which is respectfully submitted this 30<sup>th</sup> day of March, 2026.

FTI Consulting Canada Inc.  
in its capacity as receiver and manager of  
Halo Exploration Ltd., and not  
in its personal or corporate capacity



Dustin Olver  
Senior Managing Director



Brett Wilson  
Managing Director