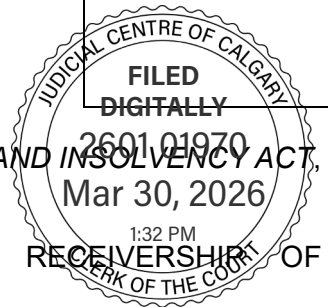


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COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp:



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

BRIEF OF LAW OF THE RECEIVER

Burnet, Duckworth & Palmer LLP

2400, 525 – 8th Avenue SW
Calgary, AB T2P 1G1

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTIES FILING THIS
DOCUMENT

Lawyers: Ryan Algar
David LeGeyt
Jessica MacKinnon
Phone: (403) 260-0126 / 0210 / 0112
Email: ralgar@bdplaw.com
dlegeyt@bdplaw.com
jmackinnon@bdplaw.com
File No. 75459-4

**Hearing via Webex before the Honourable Justice B.B. Johnston
on the Commercial List, on April 7, 2026, commencing at 3:00PM**

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. BACKGROUND	1
III. KERP AND THE KERP CHARGES.....	2
IV. ISSUES.....	3
V. ARGUMENT.....	4
A. The KERP and the KERP Charges Should be Approved	4
B. The Receiver's Activities, Conduct and Actions Should be Approved.....	5
C. A Sealing Order Should be Granted in Respect of the Confidential Appendix.....	6
VI. CONCLUSION AND REQUESTED RELIEF.....	8

I. INTRODUCTION

1. This Brief is submitted on behalf of FTI Consulting Canada Inc. ("**FTI**") in its capacity as the court-appointed receiver (the "**Receiver**") of Halo Exploration Ltd. ("**Halo**" or the "**Debtor**"), in support of its application (the "**Application**") seeking, among other things:
 - (a) approval of a key employee retention plan (the "**KERP**") and two associated charges (the "**KERP Charges**") in favour of the eligible participants under the KERP (the "**Eligible Participants**");
 - (b) approval of the Receiver's actions, conduct, and activities, as outlined in the First Report of the Receiver dated March 30, 2026 (the "**First Report**");
 - (c) a temporary sealing order (such relief being a "**Sealing Order**") with respect to the Confidential Appendix to the First Report (the "**Confidential Appendix**"); and
 - (d) such further and other relief as may be sought by FTI and this Honourable Court may deem appropriate.
2. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the First Report.

II. BACKGROUND

3. A more fulsome background regarding the history of the Debtor and the Receiver's actions to date is set forth in the First Report.
4. 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.
5. Halo's oil and gas assets, including facilities and wells, are located in the Greater Kaybob area of Alberta.

6. On February 10, 2026, upon the application of Invico Lending Strategies LP, by its General Partner, Invico Lending Strategies GP Inc. (collectively, "**Invico**"), Justice C.C.J. Feasby granted the following orders in the within proceedings (the "**Receivership Proceedings**"):
 - (a) an order (the "**Receivership Order**") appointing FTI as Receiver over all of Halo's assets, undertakings and properties (collectively, the "**Property**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985 c B-3 (the "**BIA**"), section 13(2) of the *Judicature Act*, RSA 2000, c J-2 and section 13(2) of the *Personal Property Security Act*, RSA 2000 c P-7 ; and
 - (b) an order (the "**SISP Order**") authorizing the Receiver to, among other things, implement a sales and investment solicitation process in respect of Halo and the Property (the "**SISP**").

III. **KERP AND THE KERP CHARGES**

7. In consultation with Invico, the Receiver and certain former members of the Debtor's management team (defined in the KERP as the "**Key Employees**") have developed the KERP.
8. The high-level terms of the KERP are described in the First Report and an unredacted copy is attached as the Confidential Appendix. The KERP provides an incentive for the Eligible Participants to assist the Receiver throughout the Receivership Proceedings, specifically including, but not limited to, the implementation of the SISP and ensure that the Eligible Participants' interests are aligned with those of Halo's stakeholders.
9. The proposed KERP Charges, if granted, will secure the obligations under the KERP Payments on the following basis:
 - (a) the Primary KERP Charge, in an 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 secures amounts owing in respect of the Additional Success Fee, which shall rank subsequent to the perfected security of any existing secured creditors as at the Appointment Date (including Invico and Northbase).

10. The proposed ranking of the Charges are as follows:
 - (a) first, the Receiver's Charge, currently 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, currently 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.

11. Since the Appointment Date, the Receiver has diligently administered Halo's estate. Among other activities, the Receiver has:
 - (a) taken possession of the Property;
 - (b) undertaken certain administrative tasks in respect of Halo;
 - (c) published a timeline of key milestones set out in the SISP Procedure;
 - (d) prepared the Teaser Letter;
 - (e) gathered and reviewed all due diligence materials and established the VDR;
 - (f) negotiated NDAs with and facilitated access to the VDR for all interested parties; and
 - (g) communicated with Halo's stakeholders in respect of the Receivership Proceedings.

IV. ISSUES

12. This Application raises the following issues, namely should this Honourable Court:
 - (a) approve the KERP and the KERP Charges;
 - (b) approve the Receiver's actions, conduct and activities; and
 - (c) grant the Sealing Order in respect of the Confidential Appendix.

V. ARGUMENT

A. The KERP and the KERP Charges Should be Approved

13. Although neither the BIA nor the *Companies' Creditors Arrangement Act* (the "CCAA") specifically contemplate priority charges to secure KERPs, approvals of the same have been sought and granted in both BIA¹ and CCAA² proceedings. The factors to be considered when determining whether to approve a KERP and the associated priority charge include, among others:
 - (a) whether the court officer supports the KERP;
 - (b) whether the employees who are the subject of the KERP are likely to pursue other employment opportunities in its absence;
 - (c) whether the subject employees are truly "key employees" whose continued employment is critical to the successful restructuring of the debtors; and
 - (d) whether the quanta of the proposed retention payments are reasonable.³
14. As discussed in the First Report, the KERP is necessary to provide critical stability to the Debtor's operations during the Receivership Proceedings in order to ensure that the business is maintained, including during the course of the SISP.
15. The Eligible Participants have been, and continue to be, integral to Halo's business and the effective implementation of the SISP, as they have institutional knowledge about the business. It is the best interest of Halo's stakeholders that the Key Employees remain in their in their current roles to permit continuity of the business and assist with any proposed transaction, emanating from the SISP for the benefit of all stakeholders.
16. The Receiver is of the view that the KERP is necessary and desirable in order to promote stability and maintain the going concern value of Halo's business during the course of the Receivership Proceedings.

¹ See for example *Re Blue Sky Resources Ltd. et al.*, (17 December 2025), 25-3276975, Judicial Centre of Calgary (Alta KB), Dunlop J at paras 4-7; *Re Rockstad Holdings Corporation et al.* (13 December 2024), No. B-240477, Supreme Court of British Columbia, Loo J.

² See for example *Aralez Pharmaceuticals Inc. (Re)*, [2018 ONSC 6980](#) at para 57.

³ *Danier Leather Inc. (Re)*, [2016 ONSC 1044](#) at paras 72-78 33.; See also *Just Energy Group Inc et al.*, [2021 ONSC 7630](#) at paras 7-25.

17. The Receiver developed the KERP with the Key Employees, in consultation with Invico. Only the Primary KERP Charge, which secures amounts payable in respect of the Retention Fee and the Base Success Fee, will rank ahead of the Debtor's secured creditors. The Secondary KERP Charge is proposed to rank behind the Debtor's secured creditors, but ahead of its unsecured creditors.
18. The Secondary KERP Charge secures amounts payable in respect of the Additional Success Fee, which is only payable if certain sale thresholds under a proposed transaction are met. As a result, for the Secondary KERP Charge to be triggered, the Eligible Participants will have assisted the Receiver in closing a transaction whose value reflects the long-term upside potential of Halo's oil and gas reserves, resulting in a highly successful SISP.
19. The Receiver respectfully submits that the KERP and the KERP Charges are reasonable and appropriate in the circumstances and critical to the success of the Receiver's mandate.
20. The Receiver therefore respectfully requests that the KERP be approved, supported by the KERP Charges.

B. The Receiver's Activities, Conduct and Actions Should be Approved

21. In *124 Canada*, the Ontario Superior Court of Justice recently confirmed that there are good policy and practical reasons for courts to approve the conduct of a Court-appointed Receiver, and that it "should not be a novel concept that the activities of any Court officer can and should be considered by the Court as against the mandate, powers and authority of that officer."⁴
22. The Receiver's actions and activities as described in the First Report have been carried out diligently, appropriately, and in a manner that is consistent with its mandate and powers under the Receivership Order and in accordance with the provisions of the BIA.
23. Based on the foregoing, the Receiver respectfully requests that its actions to date in respect of its administration of the Receivership Proceedings be approved, and the First

⁴ *Triple-I Capital Partners Limited v 12411300 Canada Inc.*, [2023 ONSC 3400](#) ("**124 Canada**") at paras 65-66.

Report, including the statements of receipts and disbursements and the activities of the Receiver described therein, be approved.

C. A Sealing Order Should be Granted in Respect of the Confidential Appendix

24. The Receiver seeks to seal the Confidential Appendix, which contains commercially sensitive information and personal information of the beneficiaries identified therein (the "**Confidential Information**"), the disclosure of which may cause harm to the SISP and Halo's stakeholders. The KERP is described with sufficient detail in the First Report for interested parties to make submissions thereon if they so desire.
25. On an application to temporarily seal a court document, this Honourable Court has broad discretion and may make a direction on any matter that the circumstances require, notwithstanding the provisions of Division 4 of Part 6 of the *Rules of Court*.
26. The Receiver requests that the Confidential Appendix be temporarily sealed pending:
 - (a) ninety (90) days following the earlier of:
 - (i) the Receiver filing a Closing Certificate with the Court confirming the closing of a transaction contemplated by the SISP; or
 - (ii) the Receiver filing a certificate confirming its discharge in these proceedings; or
 - (b) further order of the Court.
27. In *Sierra Club*, the Supreme Court held that a sealing or restricted court access order may be granted when:
 - (a) an Order is needed to prevent serious risk to an important interest because reasonable alternative measures will not prevent the risk; and
 - (b) the salutary effects of the order outweigh its deleterious effects, including the effects on the right of free expression, which includes public interest in open and accessible court proceedings.⁵

⁵ *Sierra Club of Canada v Canada (Minister of Finance)*, [2002 SCC 41](#) at [para 53](#).

28. The Supreme Court of Canada further confirmed in *Sherman Estate* that the "core prerequisites" to establish to obtain a sealing order include:
- (a) court openness poses a serious risk to an important public interest;
 - (b) the sealing order sought is necessary to prevent the serious risk to the identified interest because reasonably alternative measures will not prevent this risk; and
 - (c) as a matter of proportionality, the benefits of the sealing order outweigh its negative effects.⁶
29. It is recognized in Alberta and elsewhere that commercial interests, particularly in the context of Court supervised insolvency proceedings, are an important interest deserving of protection.⁷
30. It is the standard practice in insolvency courts in Canada to grant a sealing order protecting the details of key employee retention plans, as the information contained in such documents comprises confidential and sensitive information regarding the identity and compensation of employees, and details relating to the SISP.⁸ The amount sought to be secured by the Primary KERP Charge has been disclosed and the additional details contained in the SISP are personal and the financial incentives will rank behind Halo's secured creditors and are only triggered by a highly successful SISP. Further, the disclosure of the details contained in the KERP could jeopardize the outcome of SISP.
31. The Sealing Order sought is:
- (a) the least restrictive and prejudicial alternative to prevent the dissemination of Confidential Information, which could result in harm to Halo and its stakeholders; and
 - (b) fair and just in the circumstances to restrict public access to the Confidential Information.

⁶ *Sherman Estate v Donovan*, [2021 SCC 25](#), at [para 38](#).

⁷ *Long Run Exploration Ltd (Re)*, [2024 ABKB 710](#)

⁸ *Re Essar Steel Algoma Inc. et al*, [2015 ONSC 7656](#) at para 22; see also *Canwest Global Communications Corp. (Re)*, [2009 CanLII 55114 \(ON SC\)](#), 59 CBR (5th) 72 at paras 51-52; *Altus Energy Services Ltd., Re*, [2011 CarswellAlta 2781](#) at paras 8-11; *Ontario Securities Commission v Bridging Finance Inc.*, [2021 ONSC 4347](#) at paras 23-2.

32. The Receiver therefore respectfully requests that the particulars of the KERP, as set out in the Confidential Appendix, be temporarily sealed on the Court file.

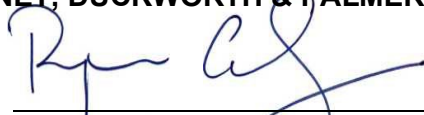
VI. CONCLUSION AND REQUESTED RELIEF

33. For all of the foregoing reasons, the Receiver respectfully requests the Order substantially in the form sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 30th day of March, 2026.

BURNET, DUCKWORTH & PALMER LLP

Per:



Ryan Algar / David LeGeyt / Jessica MacKinnon
Counsel for the Court-appointed Receiver, FTI
Consulting Canada Inc.

TABLE OF AUTHORITIES

AUTHORITIES	
1.	<u>Re Blue Sky Resources Ltd. et al., (17 December 2025), 25-3276975, Judicial Centre of Calgary (Alta KB), Dunlop J</u>
2.	<u>Re Rockstad Holdings Corporation et al. (13 December 2024), No. B-240477, Supreme Court of British Columbia, Loo J</u>
3.	<u>Aralez Pharmaceuticals Inc. (Re), 2018 ONSC 6980</u>
4.	<u>Danier Leather Inc., (Re), 2016 ONSC 1044</u>
5.	<u>Just Energy Group Inc et al., 2021 ONSC 7630</u>
6.	<u>Triple-I Capital Partners Limited v 12411300 Canada Inc., 2023 ONSC 3400</u>
7.	<u>Sierra Club of Canada v Canada (Minister of Finance), 2002 SCC 41</u>
8.	<u>Sherman Estate v Donovan, 2021 SCC 25</u>
9.	<u>Long Run Exploration Ltd (Re), 2024 ABKB 710</u>
10.	<u>Re Essar Steel Algoma Inc. et al, 2015 ONSC 7656</u>
11.	<u>Canwest Global Communications Corp. (Re), 2009 CanLII 55114 (ON SC), 59 CBR (5th)</u>
12.	<u>Altus Energy Services Ltd. Re, 2011 CarswellAlta 2781</u> (not available on CanLII)
13.	<u>Ontario Securities Commission v Bridging Finance Inc., 2021 ONSC 4347</u>