

Eagle Energy Inc.

PARTIAL REVOCATION ORDER
Under the securities legislation of Alberta (the Legislation)

Background

1. Eagle Energy Inc. (the **Issuer**) is subject to a failure-to-file cease trade order (the **FFCTO**) issued by the Executive Director of the Alberta Securities Commission (the **Principal Regulator**) on May 6, 2020.
2. The Issuer has applied to the Principal Regulator for a partial revocation order of the FFCTO.

Interpretation

3. Terms defined in National Instrument 14-101 *Definitions* or in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

Representations

4. This decision is based on the following facts represented by FTI Consulting Canada Inc. (the **Receiver**), in its capacity as receiver and manager of the Issuer:
 - (a) The Issuer is a corporation existing under the *Business Corporations Act* (Alberta) (the **ABCA**) formed pursuant to an amalgamation on January 27, 2016.
 - (b) The Issuer's head office is located in Calgary, Alberta.
 - (c) The Issuer is a reporting issuer in each of the provinces of Canada.
 - (d) The authorized capital of the Issuer consists of an unlimited number of common shares (**Common Shares**), of which 44,878,686 Common Shares are issued and outstanding.
 - (e) On October 7, 2019, the Issuer issued a news release announcing the approval by the Toronto Stock Exchange (the **TSX**) of the Issuer's application for voluntary delisting of the Common Shares from the TSX effective on the close of trading on October 23, 2019 and the final approval by the TSX Venture Exchange (the **TSXV**) of the listing of the Common Shares on Tier 2 of the TSXV effective at market open on October 24, 2019.
 - (f) On November 18, 2019, the TSXV announced that it had suspended trading in the Common Shares for failure to meet the continued listing requirements of the TSXV.

- (g) The FFCTO was issued by the Principal Regulator due to the failure of the Issuer to file its annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the year ended December 31, 2019 (the **CD Materials**).
- (h) Subsequent to the failure to file the CD Materials, the Issuer has not filed any further financial statements or any continuous disclosure documents required by applicable securities legislation (the **Subsequent Filings**).
- (i) The Issuer is also subject to a cease trade order in each of the other provinces of Canada.
- (j) Other than the failure to file the CD Materials and Subsequent Filings, the Issuer is not in default of the securities legislation in any jurisdiction in Canada and the Issuer's SEDAR and SEDI filings are up-to-date.
- (k) The Issuer is not subject to any cease trade orders other than the cease trade orders described in this order.
- (l) On November 19, 2019, on the application of the Issuer's main lender and secured creditor, White Oak Global Advisors, LLC (the **Creditor**), the Honourable Justice R.A. Neufeld of the Alberta Court of Queen's Bench (the **Court**) granted an order (the **Receivership Order**) appointing the Receiver as receiver and manager of the Issuer's current and future assets, undertakings and properties.
- (m) Pursuant to an approval of engagement and sale process order of the Court dated February 19, 2020, the Receiver was authorized and directed to implement a sale process in respect of the Issuer and its subsidiaries (the **Sale Process**).
- (n) In connection with a proposal (the **Proposal**) to be filed pursuant to Part III Division I of the *Bankruptcy and Insolvency Act* (Canada), the Issuer, by and through the Receiver, will make an application to the Court to have the Receiver appointed as Proposal Trustee.
- (o) The Proposal contemplates the reorganization of the Issuer's share capital in such a manner as to allow a subsidiary of the Creditor (the **Purchaser**) to be the sole shareholder of the Issuer. As such, the Proposal involves filing articles of reorganization pursuant to section 192 of the ABCA providing, *inter alia*, for:
 - (i) the authorization of two classes of shares in the capital of the Issuer: Class A common shares (**Class A Shares**) and Class B redeemable shares (**Class B Shares**);
 - (ii) the re-designation of each issued and outstanding Common Share into one Class B Share;

- (iii) the termination or cancellation of each outstanding restricted share unit, option, share appreciation right, deferred share unit and all other incentive securities issued under the Issuer's equity incentive compensation plan dated effective January 27, 2016, in each case without consideration and without further action required on the part of such holders of such securities;
- (iv) the redemption and cancellation of all of the issued and outstanding Class B Shares for fair market value, being nil, and without notice to the holders of such Class B Shares; and
- (v) the issuance of 10,000 Class A Shares to the Purchaser (the **Trade**) for settlement of the Creditor's claim against the Issuer to the extent of the value of its credit bid in the Sale Process, namely as to \$21,000,000 (the **Canadian Credit Bid Claim**).

Following the completion of the reorganization and after the Purchaser becomes the sole shareholder of the Issuer, it is intended that the Purchaser will initially manage the remaining assets of the Issuer as a going concern (the transactions set forth in this paragraph constitute the **Reorganization**).

- (p) The Issuer seeks to vary the FFCTO to permit the Issuer to conduct the Trade to the Purchaser in connection with the Proposal and Reorganization, to satisfy the Canadian Credit Bid Claim.
- (q) For the Trade made to the Purchaser in connection with the Proposal and Reorganization, the Issuer intends to rely on the business combination and reorganization exemption referred to in section 2.11 of National Instrument 45-106 *Prospectus Exemptions* and exemptions from the registration requirements under the U.S. *Securities Act of 1933*.
- (r) The only Canadian jurisdiction in which the Trade will occur is Alberta.
- (s) The Proposal and Reorganization are not subject to any shareholder approval requirements pursuant to any corporate legislation or the Legislation, including Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.
- (t) Given the circumstances described above, the preparation and filing of CD Materials and the Subsequent Filings required to remedy the FFCTO will serve no purpose and would be of no benefit to shareholders of the Issuer.
- (u) The Issuer will apply to cease to be a reporting issuer in each of the jurisdictions in which it is a reporting issuer following completion of the Proposal and Reorganization.

- (v) The Issuer has undertaken to provide the signed and dated written acknowledgment referred to in paragraph 6(c) below to the Executive Director on request.

Order

- 5. The Principal Regulator is satisfied that a partial revocation order of the FFCTO meets the test set out in the Legislation for the Principal Regulator to make the decision.
- 6. The decision of the Principal Regulator under the Legislation is that the FFCTO is partially revoked as it applies to the Issuer solely to permit the Trade in connection with the Proposal and Reorganization, provided that prior to completion of the Proposal and Reorganization, the Purchaser will receive:
 - (a) a copy of the FFCTO;
 - (b) a copy of this partial revocation order; and
 - (c) written notice from the Issuer, to be acknowledged by the Purchaser in writing, that all of the Issuer's securities, including the securities issued in connection with the Trade, will remain subject to the FFCTO until such order is revoked and that the issuance of the partial revocation order does not guarantee the issuance of a full revocation in the future.

15 June 2020

“original signed by” _____

Timothy Robson
Manager, Legal
Corporate Finance
Alberta Securities Commission