

COURT FILE NUMBER 2201-02699
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENT BALANCED ENERGY HOLDINGS INC.,
BALANCED ENERGY OILFIELD SERVICES
INC., AND BALANCED ENERGY OILFIELD
SERVICES (USA) INC.
DOCUMENT **FIRST REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF BALANCED ENERGY
HOLDINGS INC., BALANCED ENERGY
OILFIELD SERVICES INC., AND
BALANCED ENERGY OILFIELD SERVICES
(USA) INC.**

March 21, 2022

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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FIRST REPORT OF THE RECEIVER

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INTRODUCTION

1. On March 7, 2022 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**” or the “**Assets**”) of Balanced Energy Oilfield Services Inc. (“**BCAN**”), Balanced Energy Oilfield Services (USA) Inc. (“**BUSA**”), and Balanced Energy Holdings Inc. (“**BEH**”) (collectively the “**Balanced Group**” or the “**Company**”) pursuant to an Order of the Honourable Justice A.D. Grosse (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to market and solicit offers to purchase the Assets of the Company, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/balancedenergy/>.
4. The purpose of this report (“**First Report**”) is to inform the Court on the following:
 - (a) the Receiver’s activities since the Date of Appointment;
 - (b) the Receiver’s comments and recommendations with respect to the proposed sales solicitation process (“**Sales Process**”), including the proposed procedures, timelines, and participation requirements provided in the Sales Process (“**Sales Process Procedures**”). A copy of the proposed Sales Process is attached as Appendix ‘A’; and

- (c) the Receiver’s comments and recommendations with respect to the proposed stalking horse sale transaction (the “**Proposed Stalking Horse Transaction**”) between the Receiver and XDI Energy Solutions Inc. (“**XDI**” or the “**Stalking Horse Bidder**”) as outlined in the term sheet dated March 21, 2022 (“**Stalking Horse Term Sheet**”). The Stalking Horse Term Sheet is proposed to stand as a stalking horse bid within the Sales Process and is attached as Appendix ‘**B**’.
5. The Receiver is requesting the following relief from this Honourable Court:
- (a) Approval of the Sales Process;
 - (b) Approval of the Stalking Horse Term Sheet and the granting of a sale approval and vesting order (“**AVO**”) and a reverse vesting order (“**RVO**”) to complete and implement the Proposed Stalking Horse Transaction in the event no superior transaction is identified through the Sales Process;
 - (c) Approval of the Receiver’s conduct and activities described herein;
 - (d) Sealing on the Court record the Receiver’s Confidential Supplement to this First Report (the “**Confidential Supplement Report**”); and
 - (e) Amending the Receivership Order to increase the Receiver’s Borrowings Charge from \$1,000,000 to \$1,750,000.

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 Canadian Institute of Chartered Accountants 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 Canadian Institute of Chartered Accountants 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 forecasts and such variations may be material.
9. The Receiver has prepared this First Report in connection with its application scheduled to be heard on March 30, 2022. This First Report should not be relied on for other purposes.

10. Information and advice described in this First Report has been provided to the Receiver by its counsel, Osler, Hoskin & Harcourt LLP (the “**Receiver’s Counsel**”) and has been provided to the Receiver to assist it in considering its course of action and is not intended as legal or other advice to, and may not be relied upon by, any other stakeholder.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND

Corporate Structure and Operations

12. The Balanced Group consists of three entities, BCAN, BUSA and BEH, that, prior to the Date of Appointment, provided intermediate and deep coil tubing services, nitrogen services and crane services to the oil and gas industry in Canada and the United States. Further information regarding each of BCAN, BUSA and BEH is as follows:
 - (a) BCAN
 - i. Incorporated pursuant to the laws of the Province of Alberta with its registered office in the City of Lethbridge;
 - ii. Approximately 65 employees; and
 - iii. Assets include 1 intermediate coil tubing rigs, 2 deep coil tubing rigs, ancillary equipment and inventory used in coil tubing operations, and accounts receivables from customers.

(b) BUSA

- i. Incorporated pursuant to the laws of the State of Delaware;
- ii. Prior to the Date of Appointment BUSA commenced a wind-up of its operations, all employees were terminated on March 6, 2022, and as of the date of this Report there are no active jobs for customers in the U.S.; and
- iii. Assets include 2 deep coil tubing rigs, ancillary inventory and equipment used in coil tubing operations, and accounts receivables from customers.

(c) BEH

- i. Incorporated pursuant to the laws of the Province of Alberta;
- ii. BEH is the parent company of BCAN and BUSA and holds 100% of the issued and outstanding common shares of each; and
- iii. BEH is a holding company with no employees, operations, or assets other than its shareholdings in BCAN and BUSA.

13. A copy of the Balanced Group's Organizational Chart, dated September 30, 2021, is attached as Appendix "C".

Liabilities

Secured Debt

14. The Balanced Group is indebted to the National Bank of Canada (“NBC”) pursuant to two facilities:
 - (a) An offer of financing and credit facility dated June 8, 2020 (“NBC Facility”). As at January 26, 2022 the amount owing by the Balanced Group under the NBC Facility was \$23,695,717, excluding legal and professional fees, costs, charges disbursements and expenses incurred by NBC prior to January 26, 2022; and
 - (b) An offer of financing dated June 25, 2021 respecting a Highly Affected Sectors Availability Program Term Loan (“NBC HASCAP Facility”). As at January 26, 2022 the amount owing under the NBC HASCAP Facility was \$1,003,397, excluding legal and professional fees, costs, charges disbursements and expenses incurred by NBC prior to January 26, 2022.
15. Collectively, as at January 26, 2022, the amount owing under the NBC Facility and the NBC HASCAP Facility was \$24,699,114 (“NBC Debt”), with interest accruing thereafter plus legal and professional fees, costs, charges disbursements and expenses incurred by NBC.
16. The NBC Debt is secured by the following:
 - (a) A general security agreement executed on February 20, 2018 by BCAN in favour of NBC;

- (b) A security agreement executed on September 26, 2018, by BUSA in favour of NBC; and
- (c) A general security agreement executed on February 20, 2018, by BEH in favour of NBC

(Collectively, the “**NBC Security**”).

- 17. In addition to NBC, LBEL Inc. (“**LBEL**”) holds a secured charge over certain equipment held by BUSA in the amount of approximately \$880,000 (as at February 15, 2022) (the “**LBEL Secured Debt**”) pursuant to a Specific Security Agreement dated March 20, 2018 (the “**LBEL Security Agreement**”).

Security Review

- 18. The Receiver’s Counsel has reviewed the NBC Facility, the NBC HASCAP Facility and the NBC Security and determined that, subject to the standard qualifications and assumptions, NBC has a valid and enforceable security over the Assets securing the NBC Debt.
- 19. The Receiver also engaged Munsch Hardt Kopf & Harr, P.C. (“**US Counsel**”) to review and opine on the security granted by BUSA to NBC. US Counsel determined that, subject to customary assumptions and qualifications, NBC’s security against BUSA was properly perfected.
- 20. The Receiver’s Counsel has also reviewed the LBEL Security Agreement and determined that, subject to the standard qualifications and assumptions, LBEL has valid and enforceable security in the assets listed in the LBEL Security Agreement.

Unsecured Debt

21. The Balanced Group had accumulated approximately \$10.1 million in unsecured trade payables as at the Date of Appointment.

Financial Difficulties

22. The Balanced Group began experiencing financial difficulties in December 2020 which resulted in various defaults under the terms of the NBC Facility. Since December 2020, NBC entered into a series of forbearance and amending agreements with the Balanced Group to provide the Company the opportunity to repay the NBC Debt by finding alternative financing or equity. BEH engaged BDO Canada LLP (“**BDO**”) on February 29, 2021, to assist the Balanced Group in its refinancing efforts by, among other things, conducting a solicitation process seeking investors or lenders to refinance the Company. However, this process failed to identify any refinancing or sale options that would repay the NBC Debt. The process was terminated in or about July 2021.

RECEIVER’S ACTIVITIES

Custody & Control

23. On March 7, 2021, following the granting of the Receivership Order, the Receiver attended at the Company’s leased premises located at 1550, 520 Fifth Avenue SW, Calgary, 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. The Receiver indicated its intent to maintain the Company’s operations to facilitate an orderly sale of the Assets to maximize the return for all stakeholders.

24. At the Date of Appointment, substantially all employee-related obligations and statutory deductions were current.
25. On the Date of Appointment, the Receiver also met with the Company's senior management ("**Management**") to ensure the continued service of the Company's critical suppliers and contract operators. With the assistance of Management, the Receiver was able to successfully maintain the services most of the Company's critical suppliers and as a result, the Company's Canadian operations have continued without any material disruptions since the Date of Appointment.
26. To complete the foregoing and other administrative costs associated with the Receivership Proceedings, the Receiver has drawn \$1,000,000 in Receiver Certificates in accordance with the terms of the Receivership Order. None of these amounts have been repaid as of the date of this First Report.
27. Since the Date of Appointment, the Receiver also completed the following administrative tasks:
 - (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) investigated the status of the Company's insurance coverage;

- (d) retained local counsel in North Dakota to address various seizures of BUSA's assets by creditors and to provide the Receiver with legal advice with respect to an action filed by a creditor in the District Court, Northcentral Judicial District of North Dakota, County of Ward (the "**ND Court**") seeking a temporary restraining order enjoining and prohibiting the Balanced Group from transporting BUSA's equipment out of North Dakota to its storage yard in Canada (discussed further below);
- (e) communicated with numerous creditors and stakeholders regarding the Receivership Proceedings; and
- (f) launched a formal sale and investor solicitation process, as discussed in further detail below.

North Dakota Seizures

28. As NBC has valid first charge security over all of the Company's assets in both Canada and the United States (apart from the collateral over which LBEL has security) it had been the Company's and the Receiver's intention to transport all equipment located in the United States into Canada so that the Receiver could assume control and possession of that equipment without the cost and delay associated with commencing a proceeding in the United States under Chapter 15 of the US Bankruptcy Code for a Recognition Order.

29. However, shortly after the Date of Appointment, the Receiver learned that one or more creditors of BUSA had purported to seize assets of BUSA to secure and collateralize outstanding amounts due and owing by BUSA. Such assets included a crane and a hauling truck owned by BUSA (the “**Seized Equipment**”). The Receiver was advised by the Company’s local counsel in North Dakota that the seized equipment had been located in a private storage yard and was being held by one or more creditors, including a company by the name of Rossco Crane and Rigging, Inc. (“**Rossco**”) until all amounts due and owing by BUSA were paid in full.
30. On March 11, 2022, the Receiver was served with an Order for Preliminary Injunction issued by the ND Court enjoining BUSA, its agents representatives and attorneys from removing the Seized Equipment from the impound yard where it was located (the “**Temporary Restraining Order**”). The Temporary Restraining Order was temporarily continued by further order of the ND Court on March 14, 2022.
31. As at the date of this First Report, the Seized Equipment remains in the impound lot and subject to the Temporary Restraining Order. Certain other equipment owned by BUSA which the Receiver had intended to transport to Canada shortly after the Date of Appointment also remains in in North Dakota as it cannot be transported without access to the Seized Equipment. These developments have created difficulties with the Receiver and the Company proceeding as expeditiously as had been hoped to conclude a sale transaction of all of the Company’s assets.
32. The Receiver continues to consult with both the Company’s local counsel and the Receiver’s local counsel in North Dakota regarding how best to gain access to the Seized Equipment and is considering whether a filing under Chapter 15 of the U.S. Bankruptcy Code in North Dakota is necessary.

Employees

33. At the Date of Appointment, the Company had approximately 71 employees. The Receiver retained the services of 65 employees to assist the Receiver through the Receivership Proceedings, and each agreed to continue their employment under the existing terms. The Receiver terminated 6 employees on or around the Date of Appointment.

Statutory Compliance

34. On March 11, 2022, the Receiver mailed its notice and statement of affairs in accordance with subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* to the Superintendent of Bankruptcy and to all known creditors of the Company.
35. The Receiver has established a website where publicly available materials and updates can be accessed by creditors and stakeholders in respect of the process <http://cfcanada.fticonsulting.com/balancedenergy> (the “**Receiver’s Website**”).

SUMMARY OF RECEIPTS AND DISBURSEMENTS

36. Receipts and Disbursements from the Date of Appointment to March 21, 2022, are summarized as follows:

Statement of Receipts and Disbursements for the period of March 7 to March 21, 2022	
CAD\$	Cumulative
Receipts	
Receiver's borrowings	\$ 1,000,000
Accounts receivable	681,132
Transfer from pre-receivership account	41,779
Total - Receipts	1,722,911
Disbursements	
Payroll and benefits	637,491
Operating costs	94,280
Legal fees	9,525
Rent	975
Bank fees	991
Total - Disbursements	743,262
Net cash on hand	\$ 979,649

- (a) Receiver's Borrowings includes amounts borrowed since the Date of Appointment under the terms of the Receivership Order;
- (b) Accounts receivable includes collections by the Receiver in connection with the Company's coil tubing services;
- (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 and payments to consultants of BCAN and BUSA;

- (e) Operating costs include amounts paid to vendors and suppliers to facilitate the ongoing operations of the BCAN business;
- (f) Legal Fees includes a retainer paid to the Receiver's US Counsel in respect of legal advice relating to BUSA. Receiver's fees and Receiver's Counsel's fees are accruing since the date of Appointment;
- (g) Rent and Utilities includes amounts disbursed for occupation rent and office utilities (the Company's rent was current at the Date of Appointment);
- (h) Insurance relates to insurance costs including operator's extra insurance, general liability and employee benefits; and
- (i) Bank Charges include wire payment fees, and other miscellaneous bank fees; and
- (j) Cash on Hand – as at March 21, 2022 the Receiver currently holds approximately 979,649 in funds.

INCREASE TO RECEIVER'S BORROWING CHARGE

37. The Receiver continues to diligently follow up and collect on accounts receivable that were generated prior to these receivership proceedings, however the accounts receivable collection has slowed compared to historical trends. The Receiver has been successful in maintaining several customer relationships, thereby resulting in ongoing operations which are expected to enhance recoveries to creditors, but which will require upfront funding by the Receiver of supply and material costs and expenses, among other things. The combination of slowed receivable collection and ongoing operations through the sale solicitation process may present a need for additional borrowings by the Receiver to fund ongoing working capital. Accordingly, the Receiver is requesting an increase to the Receiver's Borrowing Charge from \$1,000,000 to \$1,750,000. The Receiver has discussed this amendment with NBC who is supportive of the increase.

PROPOSED SALE SOLICITATION PROCESS

38. In formulating a realization strategy for the property and assets of the Balanced Group, the Receiver consulted with the Receiver's Counsel, counsel to the Stalking Horse Bidder (as defined below), and the Balanced Group's senior secured lender, NBC, and reviewed certain financial and operational information of the Balanced Group, including two asset appraisals obtained by BEH shortly before the Date of Appointment at the request of NBC. During this process, the Receiver considered various options, including:

- (a) a going concern sale process;
- (b) a sales process with a stalking horse bid;
- (c) a liquidating auction; or

- (d) acceptance by the Receiver of a proposed transaction which was under discussion between the Balanced Group and NBC as at the Date of Appointment
39. The Receiver is of the view that the most efficient and effective way to optimize value for the creditors and stakeholders of the Company in the circumstances is to run a sales process for the Balanced Group's assets and/or business, backed by a stalking horse bid provided by the Stalking Horse Bidder (a company incorporated by a former principal of the Balanced Group). In the Receiver's view, this strategy will set a floor bid to protect against any downside associated with a liquidating auction, will reduce the Receiver's risk of funding ongoing operating losses during a lengthy and uncertain going concern sale process, and will efficiently expose the Company's property to the market to determine if there are any competing bids.
40. The proposed Sale Process Procedures are attached as Appendix 'A' and set out the timelines and parameters pursuant to which the Receiver will market and solicit offers to purchase the Assets.
41. The Proposed Stalking Horse Transaction has been negotiated by the Receiver with one of the Balanced Group's former principals. The Receiver considered the related party nature of the transaction when negotiating the Proposed Stalking Horse Transaction and when designing the Sales Process. The Receiver determined that, notwithstanding that the solicitation process undertaken by BDO only concluded approximately 9 months ago (in July 2021), it was prudent for the Receiver to again test the market and give non-related parties an opportunity to compete with the Proposed Stalking Horse Transaction. The details of the Proposed Stalking Horse Transaction and Sales Process are provided in detail below.

OVERVIEW OF SALES PROCESS

42. The Sales Process contemplates an approximately 6-week process from launch to binding bids and an additional one week to coordinate and complete an auction (if necessary). The following summarizes the proposed timeline for the major steps contemplated in the Sales Process:
- (a) March 21, 2022 – formally launch sales process, e-mail blast, post teaser on the Receiver’s website, open virtual data room;
 - (b) March 21 to April 27, 2022, - sign non-disclosure agreements, provide interested parties access to data room, coordinate field visits to view assets;
 - (c) April 27, 2022 – final bid deadline for binding proposals. A template asset purchase and sale agreement will be provided to all bidders in the data room;
 - (d) May 4, 2022 – auction to be held (if necessary); and
 - (e) May 13, 2022 - seek Court approval of any Successful Bids other than the Proposed Stalking Horse Transaction (the approval of which is being sought by the Receiver at the application on March 30, 2022 – as discussed further below) and close transaction thereafter.

43. The Receiver's view is that the proposed Sales Process timeline is sufficient to fully market the Assets of the Balanced Group and is consistent with other sales processes implemented in insolvency proceedings. The Receiver notes that the Assets being sold are not complicated to assess and consist of standard oilfield service equipment (coil tubing units, reel trailers, nitrogen pumpers and bulkers, pressure injectors, cranes and ancillary equipment such as trucks, trailers) and inventory consisting of tubing and miscellaneous equipment and parts. The Receiver also notes that:
- (a) the market has recently been canvassed for investors and/or refinancing lenders by BDO as part of the solicitation process undertaken by the Balanced Group between February and July 2021; and
 - (b) based on the usual cycle of oilfield services work (which halts for a period of time during Spring break-up and resumes once the frost leaves the ground and transportation of equipment again becomes feasible), the Receiver expects that most, if not all, potential purchasers will require or, at a minimum, ascribe a higher value, to having access to the Property for the start of the season in May. A shorter sales process is therefore expected to result in a higher value for the Property, all for the benefit of the Debtors' estates.

Marketing and Advertising

44. The Sales Process provides that the Receiver will launch the Sales Process prior to Court approval being sought in order to provide interested parties additional time to assess the opportunity. Accordingly, on March 21, 2022, pursuant to its authority under the Receivership Order to market the Company's property, the Receiver:

- (a) Posted marketing materials outlining the opportunity on the Receiver's Website;
 - (b) Distributing a teaser by way of e-mail blast to a data base of potential interested parties; and
 - (c) established a confidential virtual data room ("VDR") describing the details of the Assets/Property that will be made available to prospective purchasers that have executed a non-disclosure agreement with the Receiver.
45. The Receiver also intends to post an advertisement in the Daily Oil Bulletin and the Insolvency Insider as soon as reasonably possible.

Participation Requirements

46. Before being permitted to participate in the Sales Process, each potential bidder must deliver to the Receiver an executed non-disclosure agreement substantially in the form attached to the Sales Process Procedures, following which the potential bidder shall be deemed to be a qualified bidder (to the extent the Receiver, in its sole discretion, determines that such potential bidder has a reasonable prospect of completing a transaction) (each, a "**Qualified Bidder**").
47. The Receiver shall provide any person deemed to be a Qualified Bidder with access to the VDR.

Qualified Bids

48. A Qualified Bidder wishing to submit a bid must deliver either: (a) a written final, binding proposal (the “**Final Bid**”) in the form of a duly executed purchase and sale agreement to the Receiver substantially in the form attached to the Sales Process Procedures; or (b) a signed letter confirming that the Qualified Bidder wishes to assume and perform the obligations of the Stalking Horse Bidder under the Stalking Horse Term Sheet, subject to the necessary adjustment to the Purchase Price to include the Minimum Incremental Overbid and the Break Fee (each as discussed and defined below), and detailing any adjustments, revisions or other terms that the Qualified Bidder proposes be included in the Stalking Horse Term Sheet (a “**Confirmation of Term Sheet Assumption**”), in each case by no later than 4:00 p.m. (Mountain Standard Time) on April 27, 2022 (the “**Final Bid Deadline**”).
49. A Final Bid will be considered a Qualified Bid only if it is submitted by a Qualified Bidder and the Final Bid complies with, among other things, the following (a “**Qualified Bid**”):
- (a) it contains:
 - i. a duly executed purchase and sale agreement substantially in the form attached to the Sales Process Procedures and a blackline of the executed purchase and sale agreement against such template; or
 - ii. a Confirmation of Term Sheet Assumptions;

- (b) it includes a letter stating that the Final Bid is irrevocable until there is a Selected Superior Offer (as defined below), provided that if such Qualified Bidder is selected as the Successful Bidder, its Final Bid shall remain an irrevocable offer until the earlier of (i) the completion of the sale to the Successful Bidder and (ii) the outside date stipulated in the Successful Bid;
- (c) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;
- (d) it provides a written confirmation that the Qualified Bidder has not engaged in any collusion with any other bidder;
- (e) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;
- (f) it is accompanied by a refundable deposit (the "Deposit") in the form of a wire transfer (to a bank account specified by the Receiver), or such other form of payment acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to 10% of the total consideration in the Qualified Bid to be held and dealt with in accordance with the Sales Process Procedures;
- (g) the aggregate cash consideration required in a superior offer ("Superior Offer"), as calculated and determined by the Receiver in their sole discretion, to be paid by the Qualified Bidder under the Qualified Bid must exceed the aggregate of the Purchase Price under the Stalking Horse Term Sheet estimated at \$13,300,000 plus the \$250,000 break fee plus one minimum incremental overbid of \$250,000 ("Minimum Incremental Overbid");

- (h) it is not conditional upon:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder, and/or
 - (j) obtaining financing;
 - (k) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body); and
 - (l) it is received by the Final Bid Deadline.
50. The Receiver, may, following the receipt of any Final Bid, seek clarification with respect to any of the terms or conditions of such Final Bid and/or request and negotiate one or more amendments to such Final Bid.

No Qualified Bids

51. If none of the Qualified Bids received by the Receiver constitute a Superior Offer, the Receiver shall promptly file the Receiver's Certificate substantially in the form attached as Schedule "A" to the Order (the "**Receiver's SSP Certificate**") being sought by the Receiver approving the proposed Sales Process Procedures and the Proposed Stalking Horse Transaction (the "**SSP Approval Order**") certifying that no Superior Offers have been received, and shall proceed immediately to close the transactions described in the Stalking Horse Term Sheet. .

52. Concurrent with the SSP Approval Order, the Receiver is seeking an AVO and RVO approving the Proposed Stalking Horse Transaction and vesting the Assets defined therein in the names of the BEH and the Stalking Horse Bidder. Each of the forms of AVO and RVO sought by the Receiver provide that the AVO and RVO shall only be effective and come into force upon the filing of the Receiver's SSP Certificate and that the AVO and RVO may be set aside on further application by the Receiver if the Receiver's SSP Certificate is not filed as a result of one or more Superior Offers being received pursuant to the Sales Solicitation Process. In the event a Superior Bid is received, the Receiver will apply for the necessary order(s) to convey the purchased assets subject to the Superior Bid to the applicable purchaser.
53. The Receiver is of the view that the proposed filing of the Receiver's SSP Certificate if no Superior Offers are received within the SSP, thereby allowing the RVO and AVO to come into force and the transactions under the Stalking Horse Term Sheet to close without further Court intervention, is efficient and expedient, will avoid the delay and costs associated with an additional application, and will allow the immediate implementation of the RVO and the AVO in the absence of any Superior Offers or if the Stalking Horse Bidder is the Successful Bidder.

If a Superior Offer is Received

54. If the Receiver determines in its reasonable discretion that one or more of the Qualified Bids constitutes a Superior Offer, the Receiver shall provide the parties making the Superior Offers and the Stalking Horse Bidder an opportunity to make further bids through the auction process set out in the SSP and described below (the "Auction").

Auction

55. If the Auction is to be held, the Receiver will conduct an Auction commencing at 10:00 am (Mountain Standard Time) on May 4, 2022 at the offices of the Receiver’s Counsel, Osler Hoskin & Harcourt LLP, Suite 2700, Brookfield Place 225-6th Avenue S.W. Calgary, Alberta, or such other location as shall be timely communicated to all entities entitled to attend at the Auction.
56. The Auction will include the following procedures:
- (a) Each party that submitted a Superior Offer and the Stalking Horse Bidder will receive a copy of the Qualified Bid(s) by 5:00 pm (Mountain Standard Time) on May 2, 2022 and the highest or otherwise best Qualified Bid(s) will be used as the starting bid (the “**Starting Bid**”);
 - (b) each party that submitted a Superior Offer and the Stalking Horse Bidder must inform the Receiver whether it intends to participate in the Auction by 4:00 pm (Mountain Standard Time) on May 3, 2022. Those parties intending to participate are hereinafter referred to as “**Auction Bidders**”;
 - (c) the Receiver, Auction Bidders, and such other persons permitted by the Receiver are the only parties permitted to attend the Auction;
 - (d) the Receiver shall arrange to have a court reporter attend the Auction;
 - (e) each incremental bid shall provide additional cash value of at least \$250,000, and
 - (f) at the end of the Auction the Receiver shall select the highest bid (the “**Winning Bid**”).

57. Once a definitive agreement has been negotiated and settled in respect of the Winning Bid as selected by the Receiver (the “**Selected Superior Offer**”), the Selected Superior Offer shall be the “**Successful Bid**” and the person(s) who made the Selected Superior Offer shall be the “**Successful Bidder**”.
58. Unless the Successful Bid is the Stalking Horse Term Sheet (in which case the provisions of the SSP Approval Order shall govern and the transaction detailed in the Stalking Horse Term Sheet shall be closed in accordance with the requirements thereof), the Receiver shall apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bidder, as well as an order vesting title to the Property in the name of the Successful Bidder. The Approval Motion is currently scheduled to be heard by the Court at 2:00 p.m. on May 13, 2022.

PROPOSED STALKING HORSE TRANSACTION

59. The Receiver and the Stalking Horse Bidder have executed the Stalking Horse Term Sheet attached hereto as Appendix ‘**B**’. The Stalking Horse Term Sheet outlines the Proposed Stalking Horse Transaction that, if completed, will result in the following:
- (a) Certain Property of the Balanced Group entities will be conveyed to the Stalking Horse Bidder as follows:

- i. BCAN will be cleansed of the majority of its liabilities by the granting of an RVO whereby BEH will assume the Transferred Liabilities and take an assignment of the Transferred Assets (as those terms are defined in the Stalking Horse Term Sheet). All secured debt will be transferred to BEH with the same priority as they enjoyed previously.
 - ii. BCAN will retain the Retained Assets and Retained Liabilities (as those terms are defined in the Stalking Horse Term Sheet).
- (b) the Stalking Horse Bidder will purchase 100% of the common issued and outstanding shares (the “**Purchased Shares**”) of BCAN after BCAN has been cleansed by the RVO;
 - (c) the Stalking Horse Bidder will purchase certain operating assets (the “**Purchased Assets**”) from BUSA (prepaid charges and rent, inventory, tangible equipment, intellectual property books and records); and
 - (d) the purchase price paid by the Stalking Horse Bidder to BEH for the Purchased Shares, the Purchased Assets, and the Retained Assets is (i) \$11,250,000 in cash, plus (ii) the amount required to repay the LBEL Secured Debt in full, plus (iii) the amount required to repair a damaged coil tubing unit, purchase coil-tubing inventory and fund any net operating loss incurred from March 31, 2022, to closing. The total purchase price is estimated to be approximately \$13,300,000 (“**Aggregate Purchase Price**”).
60. The Proposed Stalking Horse Transaction contemplates a break-fee payable to the Stalking Horse Bidder of \$250,000. The Receiver is of the view that this break-fee is commercially reasonable for the following reasons:

- (a) Break fee is less than 2% of the Aggregate Purchase Price which is reasonable as compared to break fees historically paid to stalking horse bidders in similar insolvency transactions; and
 - (b) The Stalking Horse Bidder has expended time and resources negotiating the Proposed Stalking Horse Transaction which adds value to the overall process and sets a floor to protect downside risk. Being reimbursed for the time, resources and value added is reasonable and appropriate.
61. The recoveries to Balanced Group's creditors will consist of:
- (a) The Receiver collecting the BCAN accounts receivables transferred to BEH (which form part of the Transferred Assets under the RVO);
 - (b) The Receiver collecting the accounts receivable remaining in BUSA; and
 - (c) The Aggregate Purchase Price paid by the Stalking Horse Bidder for the Purchased Shares, the Purchased Assets, and the Retained Assets.

RECEIVER'S ANALYSIS OF THE PROPOSED STALKING HORSE TRANSACTION

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

Recoveries to stakeholders

63. The Receiver has considered the estimated recoveries to creditors under the Proposed Stalking Horse Transaction as compared with the alternative of a liquidation/auction of the Company's property. The Receiver concluded the following:
- (a) The Receiver has been provided with two recent independent appraisals of the equipment and other Property/Assets to be sold in the Proposed Stalking Horse Transaction. The Receiver utilized the forced liquidation values and the orderly liquidation value contained in these appraisals to complete an estimated realization analysis ("**Realization Analysis**") of the recoveries that are expected to be realized in the Proposed Stalking Horse Transaction. The Realization Analysis is contained in the Receiver's Confidential Supplement Report as it contains commercially sensitive information that if disclosed publicly could pose to the commercial interests of the Company's stakeholders. Based on this analysis, the Receiver concluded that the Proposed Stalking Horse Transaction results in recoveries that are in line with those expected to be realized in a liquidation/auction (if the appraised values were achieved at auction).
 - (b) In order to protect against the risks posed by the related party nature of the Proposed Stalking Horse Transaction, and in order to test the values contained in the independent appraisals, the Receiver determined that the abridged Sales Process was advisable and would allow the Receiver to test the market for Superior Bids, thereby providing creditors, stakeholders, and the Court with comfort that the highest price was realized, while protecting against the downside risk of a liquidating auction and creating an efficient process to close a transaction.

- (c) The proposed Sales Process also protects against the downside risk of an auction (including the risk that no transaction or a transaction of lesser value to the Proposed Stalking Horse Transaction would be realized), to the benefit of the senior secured creditor who is funding the costs of these Receivership proceedings.
 - (d) The proposed Sales Process and the Proposed Stalking Horse Transaction are supported by NBC, the senior secured creditor to the Balanced Group.
 - (e) The Proposed Stalking Horse Transaction has the following additional benefits to stakeholders:
 - i. a going concern sale of the business which results in approximately 65 employees maintaining their employment; and
 - ii. less disruption to customers and ongoing business for trade creditors who choose to maintain business relationships with the new entity (regardless of whether the entity is the Stalking Horse Bidder or a third-party Successful Bidder in the Sales Process).
64. For the reasons outlined above, the Receiver is of the view that the Proposed Stalking Horse Transaction offers fair value for the assets being sold and the Sales Process allows this value to be tested by the market to ensure it is ultimately the superior outcome. If no Superior Offer is obtained in the Sales Process, the approval of the Proposed Stalking Horse Transaction allows for an efficient and cost-effective process for the closing of the transactions under the Stalking Horse Term Sheet. Therefore, from an economic standpoint, the Receiver recommends that this Honourable Court approve the Proposed Stalking Horse Transaction subject to a Superior Offer being received pursuant to the Sales Process.

65. The Realization Analysis is contained in the Receiver's Confidential Supplement Report as it contains confidential and commercially sensitive information regarding the Appraisals. Publication or dissemination of the information contained in the Confidential Supplement would pose serious risk to the commercial interests of the Company and their stakeholders should the AVO Transaction and/or the RVO Transaction (or a Superior Bid) fail to close, thereby requiring the Receiver to remarket the Purchased Assets, the Retained Assets and/or the Transferred Assets. The Receiver is accordingly seeking a Restricted Court Access Order sealing this Confidential Supplement Report on the Court record until the earlier of: (a) the Receiver filing a Receiver's Certificate with the Court confirming the closing of the AVO Transaction and RVO Transaction and/or any Successful Bids received within the Sales Process; (b) the discharge of the Receiver; or (c) further Order of this Honourable Court.

The RVO is appropriate in the circumstances

66. 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

67. The Proposed Stalking Horse Transaction is a hybrid transaction that combines aspects of an asset sale with a going concern sale (hence the need for an AVO and an RVO). The end result of the Proposed Stalking Horse Transaction will be that BCAN will continue to carry on business with a new shareholder (the Stalking Horse Bidder), with ownership of the Retained Assets (generally the operating assets and business of BCAN) and the Purchased Assets (generally the operating assets of BUSA), and a restructured balance sheet (having been cleansed by the RVO).
68. While negotiating the Proposed Stalking Horse Transaction, the Stalking Horse Bidder was adamant that its ability to carry on business within BCAN was crucial as the Stalking Horse Bidder is not currently set up to run an oil field service coil tubing operation (i.e. it is not authorized to hold the necessary permits, licenses, etc.) and, as a result, it was willing to pay a higher purchase price if the BCAN entity could be restructured and certain intangible characteristics/assets preserved. These intangible characteristics/assets (which can only be conveyed to the Stalking Horse Bidder through the instrument of an RVO) include:

- (a) ***Contractor qualification:*** most customers manage their coil tubing vendor qualification through extensive online platforms such as ISN, ComplyWorks and Avetta. The Company maintains an extensive record and training history relative to the specific needs of each of its clients. A loss of continuity in the business process would negate the history and the acceptance of the processes, policies, and training documentation for BCAN relevant to each customer. Additionally, inherent to the qualification sites are rolling 12-month performance scores that must be maintained to qualify as an approved vendor. Loss of continuity would reset the rolling compliance scores to zero. The Company's qualified status would be revoked for the 12-month period required to accumulate the rolling 12-month key performance indicators. This would necessitate a negotiation for an exception with each of its clients individually with no guarantee of success.
- (b) ***Certificate of Recognition:*** BCAN maintains an audited standard for its safety program which is the industry benchmark as the minimum requirements for safety. A loss of continuity would negate the standing of this audited certification and require operating for a period of approximately one year without a certificate to reacquire sufficient operating experience to undergo an audit as a new company. This would substantially erode the ability of the Company to acquire new business, as the exception practices are onerous and routinely avoided by customer procurement teams.

- (c) ***National Safety Code Standards:*** BCAN has an audited transportation program that complies with National Standards. A loss of continuity will negate this and require the Stalking Horse Bidder to undertake substantial efforts to achieve new certifications for safety fitness authorization. The submission of a request for qualified status as a national carrier and achieve hours for oil field service cycle exemptions requires the acquisition of auditable operating data (~12 months). The Stalking Horse Bidder will be required to start this process from scratch absent the continuity provided by the RVO.

- (d) ***Insurance Contracts:*** absent the RVO, all insurance contracts will be negated and need to be renegotiated by the Stalking Horse Bidder without a history of prior operating data. This would require a lengthy negotiation absent the credentials BCAN currently maintains. Specific insurance is required by customers and a lengthy negotiation of new policies would disrupt revenue generation, eroding value to the Stalking Horse Bidder.

- (e) ***Software Licensing:*** software licensing for coil tubing rigs is required to operate the coil tubing rigs and has a costly annual subscription, is not transferable and, as a result, would have to be re purchased by the Stalking Horse Bidder if BCAN is not maintained.

- (f) ***Customer Relationships:*** BCAN's customer relations are governed by Master Service Agreements. To Qualify as a vendor, it is necessary to negotiate an agreement with each individual company. This is a time consuming and costly legal process. A loss of continuity in the process will re-open customer contract negotiations and impair the ability of the business to generate revenues.

- (g) ***Employee Relationships***: BCAN currently has ~65 employees all necessary to continue operations. Without the RVO and preservation of BCAN, all employees would be terminated and would have to be re-hired by the Stalking Horse Bidder, thereby disrupting ongoing operations.

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

69. The Proposed Stalking Horse Transaction is currently the best economic result available to the Receiver. The Stalking Horse Bidder has advised that without the RVO, it is not willing to proceed with its offer as currently drafted and at the current purchase price. Even though the Proposed Stalking Horse Transaction currently presents the best economic option, the Receiver has designed the Sales Process to test the market to determine if a Superior Offer is available. If no Superior Offer is received by the Receiver, it is reasonable to conclude that the Proposed Stalking Horse Transaction and the RVO structure produces the best economic result.

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

70. The Receiver is not aware of any stakeholder that would be worse off because of the RVO structure. If the Proposed Stalking Horse Transaction is determined to be the superior bidder, the proceeds will not be sufficient to repay the NBC Debt making NBC the fulcrum creditor. No other subordinate creditors will receive a return and therefore no creditors would be worse off because of the RVO structure. In contrast, if another transaction structure is adopted and the intangible characteristics/assets discussed above are lost, thereby resulting in a lower purchase price, NBC will be harmed as the fulcrum creditor in its realization of a lower amount.

71. In addition, certain stakeholders would be better off because of the RVO structure, including the ~65 employees that will maintain their employment at BCAN, rather than being terminated.

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?

72. The Stalking Horse Bidder has advised that the purchase price payable under its offer would be significantly reduced, or the transaction would potentially not proceed if it could not complete the RVO structure and maintain the BCAN corporate entity. These intangible characteristics/assets, and their crucial importance to the viability of the Proposed Stalking Horse Transaction, are discussed further above.
73. In the Receiver's view, all of the above considerations support utilizing the benefits of the RVO to complete the Proposed Stalking Horse Transaction and, as a result, the Receiver submits that this Honourable Court should approved the RVO, AVO and SSP Approval Process as sought.

RECEIVER'S RECOMMENDATIONS

74. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) Approving the Receiver's actions, conduct and activities since the Date of Appointment;
 - (b) Approving the proposed Sales Process;
 - (c) Approving the Proposed Stalking Horse Transaction;

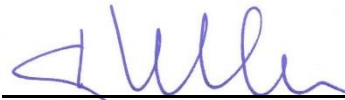
- (d) Approving the AVO and the RVO;
- (e) Approving the sealing of the Confidential Supplement Report; and
- (f) Amending the Receivership Order to increase the Receiver's Borrowing Charge from \$1,000,000 to \$1,750,000.

75. All of which is respectfully submitted this 21st day of March 2022.

FTI Consulting Canada Inc. in its capacity as
Receiver of the assets, property and undertaking
of the Balanced Group.



Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director,
FTI Consulting Canada Inc.



Name: Deryck Helkaa, CPA, CA, CIRP, LIT
Title: Senior Managing Director,
FTI Consulting Canada Inc.

First Report of FTI Consulting Canada Inc.,
In its capacity as Receiver of Balanced Energy Oilfield Services Inc., Balanced Energy Oilfield Services (USA) Inc.,
Balanced Energy Holdings Inc.

Appendix “A” – Sales Process

Sales Solicitation Process

1. On March 7, 2022, the Alberta Court of Queen's Bench (the “**Alberta Court**”) made an order (the “**Receivership Order**”) appointing FTI Consulting Canada Inc. (“**FTI**”) as receiver and manager (the “**Receiver**”) of the property, assets and undertakings of Balanced Energy Oilfield Services Inc. (“**BCAN**”), Balanced Energy Oilfield Services (USA) Inc. (“**BUSA**”) and Balanced Energy Holdings Inc. (“**BEH**”, and collectively with BCAN and BUSA, “**Balanced Energy**”).
2. The Receiver is requesting the Alberta Court's approval of the sale solicitation process (the “**Sales Process**”) set forth herein at a court application scheduled on March 30, 2022 (the “**SSP Approval Order**”).
3. Set forth below are the procedures (the “**Sales Process Procedure**”) to be followed with respect to the Sale Process to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.
4. All dollar amounts set out in this Sale Process shall be deemed to be in Canadian dollars unless otherwise noted.

Defined Terms

5. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order or the Stalking Horse Term Sheet. In addition, in these Sale Process Procedures:

“**Break Fee**” means the sum of \$250,000, which shall be paid to the Stalking Horse Bidder in the circumstances described herein;

“**Business Day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

“**Court**” means the Alberta Court of Queen’s Bench;

“**Damaged Unit Repair Costs**” means all costs incurred prior to closing of the Successful Bid or the transactions detailed in the Stalking Horse Term Sheet, as applicable, in connection with repairs to be made to that damaged coiled tubing unit of BCAN having serial No. 27124977-0435A-1013 and included in the Purchase Price, as specified in the Stalking Horse Term Sheet;

“**Laurentian**” means Laurentian Bank, a secured lender to BUSA holding first lien security over certain equipment held by BUSA;

“**Laurentian Debt**” means all secured debt of BUSA to Laurentian, currently estimated at \$900,000;

“**Minimum Incremental Overbid**” means cash (or a non-cash equivalent) value of at least \$250,000;

“**NBC**” means National Bank of Canada, the primary secured creditor of Balanced Energy;

“**Pre-Closing Expense Amount**” has the meaning given in the Stalking Horse Term Sheet and is included in the Purchase Price as specified in the Stalking Horse Term Sheet;

“**Pre-Closing Coiled Tubing Inventory Amount**” has the meaning given in the Stalking Horse Term Sheet and is included in the Purchase Price as specified in the Stalking Horse Term Sheet;

“**Property**” means all, substantially all, or certain of the assets, property, and undertakings of BCAN, BUSA, BEH, or any one of them;

“**Purchase Price**” has the meaning given in the Stalking Horse Term Sheet and in paragraph 21 below;

“**Purchased Assets**” means the assets of BUSA defined and enumerated in the Stalking Horse Term Sheet;

“**Purchased Shares**” means all of the issued and outstanding common shares in the capital of BCAN;

“**Receivership Obligations**” means the indebtedness, liabilities and obligations secured by the Receiver’s Charge and Receiver’s Borrowing Charge (as defined in the Receivership Order) granted in favour of the Receiver pursuant to the Receivership Order;

“**Retained Assets**” means all of the assets of BCAN proposed to be retained BCAN in accordance with the Stalking Horse Term Sheet, as further defined and enumerated in the Stalking Horse Term Sheet;

“**Retained Liabilities**” means all of the liabilities of BCAN proposed to be retained in BCAN in accordance with the Stalking Horse Term Sheet, as further defined and enumerated in the Stalking Horse Term Sheet;

“**Stalking Horse Bidder**” means XDI Energy Solutions Inc.;

“**Stalking Horse Term Sheet**” means the Binding Term Sheet between the Stalking Horse Bidder, the Receiver, and NBC dated March 21, 2022 and attached as Schedule “A” hereto;

“**Superior Offer**” means a credible, reasonably certain and financially viable third party offer for the acquisition of some or all of the Property, the terms of which offer are, in the determination of the Receiver, in its sole discretion acting reasonably, no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse Term Sheet, and which at a minimum includes a payment in cash of the Purchase Price under

Stalking Horse Term Sheet plus the Break Fee plus one Minimum Incremental Overbid as at the closing of such transaction;

“**Transferred Assets**” means all of the assets of BCAN proposed to be transferred to BEH in accordance with the Stalking Horse Term Sheet, as further defined and enumerated in the Stalking Horse Term Sheet;

“**Transferred Liabilities**” means all of the liabilities of BCAN proposed to be transferred to BEH in accordance with the Stalking Horse Term Sheet, as further defined and enumerated in the Stalking Horse Term Sheet;

Stalking Horse Term Sheet

6. The Receiver has entered into the Stalking Horse Term Sheet with the Stalking Horse Bidder and with NBC, pursuant to which, if there is no Successful Bid (as defined below) from a party other than the Stalking Horse Bidder, the Stalking Horse Bidder will, by virtue of the transactions set out in the Stalking Horse Term Sheet, acquire (directly or indirectly) the Purchased Assets, Purchased Shares, Retained Assets, and Retained Liabilities, but specifically excluding the Transferred Assets and Transferred Liabilities which will remain with BEH and be subject to the terms of the Receivership Order.

7. The Stalking Horse Term Sheet is attached hereto as **Schedule “A”**.

Sales Process Procedure

8. The Sales Process Procedure set forth herein describes, among other things, the Property available for sale, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the Courts' approval and recognition thereof. The Receiver shall administer the Sales Process Procedure. In the event that there is disagreement as to the interpretation or application of this Sales Process Procedure, the Court will have jurisdiction to hear and resolve such dispute.

9. The Receiver will use reasonable efforts to complete the Sales Process Procedure in accordance with the timelines as set out herein. The Receiver shall be permitted to make such adjustments to the timeline that it determines are reasonably necessary.

Purchase Opportunity

10. A non-confidential teaser letter prepared by the Receiver (the "**Teaser**") describing the

opportunity to acquire the Property be made available by the Receiver to prospective purchasers and will be posted on the Receiver's website as soon as practicable following the execution of the Stalking Horse Term Sheet.

11. The Receiver will also populate an electronic data room with detailed information regarding the Purchased Assets including, but not limited to, listings, photographs, financial information, technical specifications and other information required for prospective purchasers to perform due diligence on the Property.

"As Is, Where Is"

12. The sale of the Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or any of its agents, except to the extent set forth in the relevant final sale agreement with a Successful Bidder. The representations, warranties, covenants or indemnities shall not be materially more favourable than those set out in the Stalking Horse Term Sheet except to the extent additional tangible monetary value of an equivalent amount is provided by a Successful Bidder other than the Stalking Horse Bidder for such representations, warranties, covenants or indemnities.

Free of Any and All Claims and Interests

13. In the event of a sale pursuant to this Sales Process, all of the rights, title and interests of Balanced Energy in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively the "**Claims and Encumbrances**"), such Claims and Encumbrances to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to an approval and vesting order made by the Court, upon the application of the Receiver, except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder. The vesting out of Claims and Encumbrances by a Successful Bidder other than the Stalking Horse Bidder shall not be materially more favourable to the Successful Bidder than those set out in the Stalking Horse Term Sheet except to the extent additional tangible monetary value of an equivalent amount is provided for the vesting out of such Claims and Encumbrances.

Publication of Notice and Teaser

14. As soon as reasonably practicable after the execution of the Stalking Horse Term Sheet the Receiver will cause a notice of the Sales Process contemplated by these Sale Process Procedures, and such other relevant information which the Receiver considers appropriate, to be published in *The Daily Oil Bulletin* and *Insolvency Insider*. At the same time, the Receiver will

invite, pursuant to the Teaser, and by whichever means the Receiver deems appropriate, bids from interested parties.

Participation Requirements

15. In order to participate in the Sales Process, each person interested in bidding on the Property (a "**Potential Bidder**") must deliver to the Receiver at the address specified in **Schedule "B"** hereto (the "**Notice Schedule**") (including by email transmission), and prior to the distribution of any confidential information by the Receiver to a Potential Bidder, an executed non-disclosure agreement substantially in the form attached at **Schedule "C"** hereto, which shall inure to the benefit of any purchaser of the Property.

16. A Potential Bidder that has executed a non-disclosure agreement, as described above, and who the Receiver in its sole discretion determines has a reasonable prospect of completing a transaction contemplated herein, will be deemed a "**Qualified Bidder**" and will be promptly notified of such classification by the Receiver.

Due Diligence

17. The Receiver shall provide any person deemed to be a Qualified Bidder with access to the electronic data room and the Receiver shall provide to Qualified Bidders further access to such reasonably required due diligence materials and information relating to the Property as the Receiver deems appropriate. The Receiver makes no representation or warranty as to the information to be provided through the due diligence process or otherwise, regardless of whether such information is provided in written, oral or any other form, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Receiver and approved by the Court.

Seeking Qualified Bids from Qualified Bidders

18. A Qualified Bidder that desires to make a bid for the Property must deliver either:

- (a) a written final, binding proposal (the "**Final Bid**") in the form of a fully executed purchase and sale agreement substantially in the form attached hereto as **Schedule "D"** (the "**Template Sale Agreement**"); or
- (b) a signed letter confirming that the Qualified Bidder wishes to assume and perform the obligations of the Stalking Horse Bidder under the Stalking Horse Term Sheet, subject to the necessary adjustment to the Purchase Price to include the Minimum Incremental Overbid and the Break Fee, and detailing

any adjustments, revisions or other terms that the Qualified Bidder proposes be included in the Stalking Horse Term Sheet (a “**Confirmation of Term Sheet Assumption**”),

in each case to Receiver at the address specified in the Notice Schedule (including by email transmission) so as to be received by it not later than 4:00 p.m. Calgary time on April 27, 2022 (the "**Final Bid Deadline**").

Qualified Bids

19. A Final Bid will be considered a Qualified Bid only if it is submitted by a Qualified Bidder and the Final Bid complies with, among other things, the following conditions (a "**Qualified Bid**"):

- (a) it contains
 - (i) a duly executed purchase and sale agreement substantially in the form of the Template Sale Agreement and a blackline of the executed purchase and sale agreement to the Template Sale Agreement; or
 - (ii) a Confirmation of Term Sheet Assumption compliant with the requirements in paragraph 18(b) above;
- (b) it includes a letter stating that the Final Bid is irrevocable until there is a Selected Superior Offer (as defined below), provided that if such Qualified Bidder is selected as the Successful Bidder, its Final Bid shall remain an irrevocable offer until the earlier of (i) the completion of the sale to the Successful Bidder and (ii) the outside date stipulated in the Successful Bid;
- (c) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;
- (d) it provides a written confirmation that the Qualified Bidder has not engaged in any collusion with any other bidder;
- (e) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;
- (f) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Receiver), or such other form of payment acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to 10% of the total consideration in the Qualified Bid to be held and dealt with in accordance with these Sale Process Procedures;

- (g) the aggregate consideration, as calculated and determined by the Receiver in its sole discretion, to be paid in cash by the Qualified Bidder under the Qualified Bid exceeds the aggregate of the Purchase Price under the Stalking Horse Term Sheet, plus the Break Fee and plus one Minimum Incremental Overbid, upon completion of the transaction contemplated by the Stalking Horse Term Sheet;
- (h) it is not conditional upon:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder, and/or
 - (ii) obtaining financing;
- (i) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body); and
- (j) it is received by the Final Bid Deadline.

Stalking Horse Term Sheet

- 20. No deposit is required in connection with the Stalking Horse Term Sheet.
- 21. The purchase price for the Purchased Assets, Purchased Shares, and Retained Assets identified in the Stalking Horse Term Sheet includes the sum of:
 - (a) \$11,250,000 in cash;
 - (b) such amount as shall be required to pay out and satisfy, in full, the Laurentian Debt (estimated to be approximately \$900,000);
 - (c) such amount equal to the Damaged Unit Repair Costs;
 - (d) such amount equal to the Pre-Closing Coiled Tubing Inventory Amount; and
 - (e) such amount equal to the Pre-Closing Expense Amount;(collectively, the “**Purchase Price**”).

No Qualified Bids

- 22. If none of the Qualified Bids received by the Receiver constitutes a Superior Offer, the Receiver shall promptly file the Receiver's Certificate substantially in the form attached

as Schedule "A" to the SSP Order (the "**Receiver's SSP Certificate**") and shall proceed immediately to close the transactions enumerated in the Stalking Horse Term Sheet.

If a Superior Offer is Received

23. If the Receiver determines in its reasonable discretion that one or more of the Qualified Bids constitutes a Superior Offer, the Receiver shall provide the parties making Superior Offers and the Stalking Horse Bidder the opportunity to make further bids through the auction process set out below (the "**Auction**").

Auction

24. If an Auction is to be held, the Receiver will conduct the Auction commencing at 10:00 a.m. (Calgary time) on May 4, 2022 at the offices of the Receiver's legal counsel, Osler Hoskin & Harcourt LLP, Suite 2700 Brookfield Place, 225 6 Ave SW, Calgary Alberta, or such other location as shall be timely communicated to all entities entitled to attend at the Auction, which Auction may be adjourned by the Receiver. The Auction shall run in accordance with the following procedures:

- (a) prior to 4:00 p.m. Calgary time on May 2, 2022, the Receiver will provide unredacted copies of the Qualified Bid(s) which the Receiver believes is/are (individually or in the aggregate) the highest or otherwise best Qualified Bid(s) (the "**Starting Bid**") to the Stalking Horse Bidder and to all Qualified Bidders that have made a Superior Offer;
- (b) prior to 4:00 p.m. Calgary time on May 3, 2022, each Qualified Bidder that has made a Superior Offer and the Stalking Horse Bidder, must inform the Receiver whether it intends to participate in the Auction (the parties who so inform the Receiver that they intend to participate are hereinafter referred to as the "**Auction Bidders**");
- (c) prior to the Auction, the Receiver shall develop a financial comparison model (the "**Comparison Model**") which will be used to compare the Starting Bid and all Subsequent Bids (as defined below) submitted during the Auction, if applicable;
- (d) during the morning of May 4, 2022, the Receiver shall make itself available to meet with each of the Auction Bidders to review the procedures for the Auction, the mechanics of the Comparison Model, and the manner by which Subsequent Bids shall be evaluated during the Auction, and the Auction shall be held immediately thereafter;

- (e) only representatives of the Auction Bidders, the Receiver, and such other persons as permitted by the Receiver (and the advisors to each of the foregoing entities) are entitled to attend the Auction in person (and the Receiver shall have the discretion to allow such persons to attend by teleconference);
- (f) the Receiver shall arrange to have a court reporter attend at the Auction;
- (g) at the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale;
- (h) only the Auction Bidders will be entitled to make a Subsequent Bid (as defined below) at the Auction; provided, however, that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction, such Qualified Bidder's Qualified Bid, shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Winning Bid (as defined below);
- (i) all Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- (j) all Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- (k) the Receiver may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make a Subsequent Bid, requirements to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with these Sale Process Procedures, general practice in insolvency proceedings, or the Receivership Order and (ii) disclosed to each Auction Bidder at the Auction;
- (l) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (a “**Subsequent Bid**”) that the Receiver, utilizing the Comparison Model, determines is (i) for the first round, a higher or otherwise better offer than the Starting Bid, and (ii) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (as defined below), in

each case by at least the Minimum Incremental Overbid. After the first round of bidding and between each subsequent round of bidding, the Receiver shall announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (the “**Leading Bid**”). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

- (m) to the extent not previously provided (which shall be determined by the Receiver), an Auction Bidder submitting a Subsequent Bid must submit, at the Receiver's discretion, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Receiver), demonstrating such Auction Bidder's ability to close the transaction proposed by the Subsequent Bid;
- (n) the Receiver reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction of not more than 24 hours each, to among other things (i) facilitate discussions between the Receiver and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Receiver with such additional evidence as the Receiver, in its reasonable business judgment, may require that that Auction Bidder (including, as may be applicable, the Stalking Horse Bidder) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing overbid amount;
- (o) the Stalking Horse Bidder shall be permitted, in its sole discretion, to submit Subsequent Bids, provided, however, that such Subsequent Bids are made in accordance with these Sale Process Procedures;
- (p) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;
- (q) the Auction shall be closed within 5 Business Days of the start of the Auction unless extended by the Receiver; and
- (r) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

25. At the end of the Auction, the Receiver shall select the winning bid (the “**Winning Bid**”). Once a definitive agreement has been negotiated and settled in respect of the Winning Bid as selected by the Receiver (the “**Selected Superior Offer**”) in accordance with the provisions hereof, the Selected Superior Offer shall be the "Successful Bid" hereunder and the person(s) who made the Selected Superior Offer shall be the "Successful Bidder" hereunder. If the Successful Bidder is a bidder other than the Stalking Horse Bidder, the Stalking Horse Bidder shall be entitled to receive, and the Receiver shall pay to it, the Break Fee, immediately after closing, from the Successful Bidder's payment of cash at closing.

Alberta Court Approval Motion

26. Unless the Successful Bid is the Stalking Horse Term Sheet (in which case the provisions of the SSP Order shall govern and the transaction detailed in the Stalking Horse Term Sheet shall be closed in accordance with the requirements thereof), the Receiver shall apply to the Court (the "**Approval Motion**") for an order (the "**Sale Approval and Vesting Order**") approving the Successful Bid and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bidder, as well as an order vesting title to the Property in the name of the Successful Bidder.

27. The Approval Motion will be held on May 13, 2022 at 2:00 p.m., or such further and other date as may be agreed by the Receiver and the Successful Bidder.

28. All Qualified Bids and Subsequent Bids (other than the Successful Bid) shall be deemed rejected on and as of the date and of approval of the Successful Bid by the Court, but not before, and shall remain open for acceptance until that time.

Deposits

29. All Deposits shall be retained by the Receiver in a bank account specified by the Receiver. If there is a Successful Bid, the Deposit (plus accrued interest, if any) paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest, if any) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date on which the Sale Approval and Vesting Order is granted by the Court or, if the Successful Bid is the Stalking Horse Term Sheet, the date on which the Receiver files the Receiver's SSP Certificate. If there is no Successful Bid, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which the Sale Process is terminated in accordance with these procedures.

Approvals

30. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

No Amendment

31. Subject to paragraph 9 above, there shall be no amendments to these Sale Process Procedures without the consent of the Receiver.

Further Orders

32. At any time during the Sales Process, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

First Report of FTI Consulting Canada Inc.,
In its capacity as Receiver of Balanced Energy Oilfield Services Inc., Balanced Energy Oilfield Services (USA) Inc.,
Balanced Energy Holdings Inc.

Appendix “B” – Stalking Horse Term Sheet

BINDING TERM SHEET

RVO TRANSACTION

(All amounts expressed herein are in Canadian Dollars)

This Term Sheet sets forth the agreement of the parties hereto (the "**Parties**") with respect to the proposed transaction which is described herein (the "**Proposed Transaction**"). In the Proposed Transaction, the Purchaser will: (i) purchase the Purchased Shares of Balanced Canada; and (ii) purchase the Purchased Assets of Balanced USA. Pursuant to the AVO and RVO, those purchases shall be approved and: (i) the Purchased Shares will be transferred from Balanced Holdings to the Purchaser; (ii) the Transferred Assets will be transferred from Balanced Canada to Balanced Holdings, in consideration for Balanced Holdings assuming from Balanced Canada the Transferred Liabilities; and (iii) the Purchased Assets will be transferred to the Purchaser, free and clear of all claims of the creditors of the Debtors.

The Parties acknowledge that this Term Sheet is being provided as part of a SH SSP (as that term is defined below) being administered by the Receiver (as defined below).

Upon execution of this Term Sheet by the Parties, this Term Sheet shall create a binding legal obligation on the part of the Parties, subject only to the terms and conditions hereof and of the RVO and approval of the Court of Queen's Bench of Alberta. The terms and conditions set forth in this Term Sheet, together with the RVO, are intended to be comprehensive and are not subject to any further due diligence by any Party or to any further definitive documentation, except as expressly permitted or contemplated hereunder.

Purchaser:	The Purchaser will be XDI Energy Solutions Inc. (the " Purchaser ").
Seller:	FTI Consulting Canada Inc., in its capacity as the Receiver (the " Receiver ") of Balanced Energy Holdings Ltd. (" Balanced Holdings "), Balanced Energy Oilfield Services Inc. (" Balanced Canada ") and Balanced Energy Oilfield Services (USA) Inc. (" Balanced USA ") (collectively, the " Debtors "), and not in its personal or corporate capacity.
Secured Creditor:	National Bank of Canada, the primary secured creditor of the Debtors (" NBC ").
Closing Date:	Closing of the Proposed Transaction (the " Closing ") shall occur on or about three business days after the closing conditions have been satisfied or waived, or such earlier or later date as agreed by the Parties (the " Closing Date ").
Proposed Definitive Documents:	NBC has commenced proceedings in the Court of Queen's Bench of Alberta (the " Court ") and on March 7, 2022, the Court appointed the Receiver over all the business, assets and undertaking of the Debtors (the " Receivership Order ") in Action No. 2201-02699. On March 30, 2022 (the " Sale Approval Date "), the Receiver shall apply for a Sale Approval and Vesting Order, substantially in the form attached as Schedule A, approving the purchase and sale of the Purchased Assets (the " AVO ") and a Reverse Vesting Order, in substantially the form attached as Schedule B, approving the Proposed Transaction regarding Balanced Canada (the " RVO "), the effectiveness of the AVO and the RVO each being subject to the outcome of the SH SSP.
Balanced Canada Purchased Shares:	Concurrent with Closing, all of the issued and outstanding common shares in the capital of Balanced Canada (the " Purchased Shares ") shall be transferred to the Purchaser, pursuant to the RVO.
Balanced Canada Preferred Shares:	Concurrent with, and only in the event of, Closing, each of Balanced Holdings, Neil Schmeichel, Michelle Thomas, Codie Bellamy and Darren Miller hereby consent and agree to the cancellation, for no consideration other than the consideration contained in

	<p>this Term Sheet, of: (i) all preferred shares (the "Preferred Shares") in the capital of Balanced Canada which are issued and outstanding thereto; and (ii) all rights and entitlements in connection with the Preferred Shares and, for clarity, upon Closing all claims which the foregoing individuals may have against the Debtors in connection with the Preferred Shares shall be released.</p>
<p>Balanced Canada Transferred Assets:</p>	<p>Pursuant to the RVO, the following assets of Balanced Canada shall be transferred to Balanced Holdings (collectively, the "Transferred Assets"): </p> <ul style="list-style-type: none"> (a) all of the Debtors' cash and cash equivalents, including all cash collateral and deposits posted by or for the benefit of the Debtors as security for any obligation; (b) all accounts receivable, notes receivable and negotiable instruments of the Debtors; (c) all rights to receive any refund, rebate, credit, abatement or recovery of or with respect to taxes; (d) all of the right, title and interest of Balanced Canada in and to the intercompany loan agreement between Balanced Canada and Balanced USA which was entered into by the parties to facilitate the transfer of certain equipment from Balanced Canada to Balanced USA (the "Intercompany Loan"); and (e) subject to the prior written consent of the Receiver, any other assets of Balanced Canada designated by the Purchaser as Transferred Assets, prior to the Closing Date.
<p>Balanced Canada Transferred Liabilities:</p>	<p>Pursuant to the RVO, the following liabilities of Balanced Canada shall be assumed by Balanced Holdings on or prior to Closing (collectively, the "Transferred Liabilities"), in consideration for the transfer to Balanced Holdings of the Transferred Assets:</p> <ul style="list-style-type: none"> (a) all unpaid funded indebtedness, including all claims of NBC, BDC and EDC; (b) all unsecured claims; (c) all liabilities associated with the employees that are not retained, which employees shall be identified by the Purchaser prior to Closing (the "Excluded Employees"); (d) all of the right, title and interest of Balanced Canada in and to the Calgary office lease (the "Calgary Lease") and all liabilities associated with the Calgary Lease; (e) all of the right, title and interest of Balanced Canada in and to the Brooks facility lease (the "Brooks Lease") and all liabilities associated with the Brooks Lease; and (f) subject to the prior written consent of the Receiver, any other liabilities designated by the Purchaser as Transferred Liabilities, prior to the Closing Date.
<p>Balanced Canada Retained Assets:</p>	<p>The following assets of Balanced Canada shall not be transferred to Balanced Holdings and shall be retained by Balanced Canada (collectively, the "Retained Assets"): </p> <ul style="list-style-type: none"> (a) all prepaid charges and expenses, including all prepaid rent; (b) all inventory; (c) all equipment and other tangible assets, including all vehicles, tools, parts and supplies, fuel, machinery, furniture, furnishing, appliances, fixtures, office equipment

	<p>and supplies, owned and licensed computer hardware and related documentation, stored data, communication equipment, trade fixtures and leasehold improvements, in each case, with any transferable warranty and service rights of any Seller related thereto;</p> <p>(d) all contracts (except for accounts receivable payable to the Debtors under such contracts);</p> <p>(e) all licenses and permits used by Balanced Canada in connection with the operation of its business;</p> <p>(f) all employees of Balanced Canada which the Purchaser decides to retain, acting in its sole discretion (the "Retained Employees");</p> <p>(g) all intellectual property;</p> <p>(h) all goodwill and intangibles;</p> <p>(i) all books and records;</p> <p>(j) all rights under insurance contracts and policies;</p> <p>(k) all telephone numbers, fax numbers and email addresses;</p> <p>(l) all prepaid taxes and tax credits;</p> <p>(m) all bank accounts;</p> <p>(n) all non-disclosure agreements entered into by the Receiver on behalf of the Debtors in connection with the Stalking Horse SSP process;</p> <p>(o) all proceeds of insurance paid following Closing in connection with that damaged coiled tubing unit of Balanced Canada having serial No. 27124977-0435A-1013 (the "Damaged Unit");</p> <p>(p) NBC shall assign to the Purchaser all life insurance policies outstanding in respect of Mr. Neil Schmeichel and Ms. Michelle Thomas; and</p> <p>(q) all other or additional assets, properties, privileges, rights and interests relating to the business of Balanced Canada (the "Canadian Business"), the Retained Liabilities or the assets of Balanced Canada (other than any Transferred Assets) of every kind and description and wherever located, whether known or unknown, fixed or unfixed, accrued, absolute, contingent or otherwise, and whether or not specifically referred to in this Term Sheet.</p> <p>The Purchased Shares and the Canadian Business shall be acquired on an "as is where is" basis without any representation or warranty as to fitness or condition.</p>
<p>Balanced Canada Retained Liabilities:</p>	<p>The following liabilities of Balanced Canada shall remain with Balanced Canada and shall not be assumed by Balanced Holdings (collectively, the "Retained Liabilities):</p> <p>(a) all liabilities and obligations arising from the possession, ownership and/or use of the Purchased Shares and the Retained Assets following Closing;</p>

	<ul style="list-style-type: none"> (b) all liabilities associated with contracts included in Retained Assets; (c) all outstanding property taxes or obligations; (d) all liabilities of Balanced Canada with respect to the following shareholder loans made to Balanced Canada: (i) loan from 1821109 Alberta Ltd. in the approximate amount of \$181,931.71; and (ii) loan from Michelle Thomas in the approximate amount of \$508,286.15; (e) all liabilities associated with the Retained Employees; and (f) any other liabilities of Balanced Canada designated by the Purchaser as Retained Liabilities, prior to the Closing Date.
<p>Balanced USA Purchased Assets:</p>	<p>Pursuant to the AVO, the Purchaser shall purchase the following assets of Balanced USA (collectively, the "Purchased Assets"): </p> <ul style="list-style-type: none"> (a) all prepaid charges and expenses, including all prepaid rent; (b) all inventory; (c) all equipment and other tangible assets, including all vehicles, tools, parts and supplies, fuel, machinery, furniture, furnishing, appliances, fixtures, office equipment and supplies, owned and licensed computer hardware and related documentation, stored data, communication equipment, trade fixtures and leasehold improvements, in each case, with any transferable warranty and service rights of any Seller related thereto; (d) all intellectual property; (e) all goodwill and intangibles; (f) all books and records; (g) all rights under insurance contracts and policies; (h) all telephone numbers, fax numbers and email addresses; (i) all prepaid taxes and tax credits; (j) all bank accounts; and (k) all other or additional assets, properties, privileges, rights and interests relating to the business of Balanced USA (the "US Business"), excluding the US Excluded Assets. <p>The Purchased Assets shall be acquired free and clear of all claims of the creditors of Balanced USA, and on an "as is where is" basis without any representation or warranty as to fitness or condition. The Parties acknowledge that the following Balanced USA Purchased Assets are currently under seizure in North Dakota or are otherwise unable to be transferred into Canada in advance of Closing (the "Detained Assets"): </p> <ul style="list-style-type: none"> (a) Unit HCRT 2 (Trailer only, no tractor) ("Unit HCRT 2");

	<p>(b) Unit 804 (KW tractor only, no cryogenic trailer) (“Unit 804”); and</p> <p>(c) Unit 211 (200Ton Todano Crane) (“Unit 211”).</p> <p>The Parties shall work together to secure physical possession of the Detained Assets so that they may be transferred to the Purchaser in accordance with this Term Sheet.</p>
Balanced USA Excluded Assets:	<p>Pursuant to the AVO, the following assets of Balanced USA shall remain with Balanced USA and shall not be transferred to the Purchaser on Closing (the "US Excluded Assets");</p> <p>(a) all of Balanced USA's cash and cash equivalents, including all cash collateral and deposits posted by or for the benefit of Balanced USA as security for any obligation;</p> <p>(b) all accounts receivable, notes receivable and negotiable instruments of Balanced USA;</p> <p>(c) all contracts of Balanced USA; and</p> <p>(d) such additional assets as may be identified by the Purchaser on or prior to Closing.</p>
Balanced USA Liabilities:	<p>Pursuant to the AVO, no liabilities or obligations of Balanced USA shall be assumed by the Purchaser on Closing including, without limitation, any of the following:</p> <p>(a) all liabilities associated with the employees Balanced USA;</p> <p>(b) all liabilities associated with the contracts of Balanced USA; and</p> <p>(c) all of Balanced USA's liabilities and obligations in respect of the Intercompany Loan.</p>
Damaged Unit:	<p>NBC, Balanced Canada, the Receiver and the Purchaser agree that Balanced Canada and the Receiver may proceed with procuring the repairs to the Damaged Unit prior to Closing and in advance of confirmation of whether the costs of completing such repairs will be covered by insurance. NBC agrees to fund the cost of making such repairs, whether incurred before or after the appointment of the Receiver (the "Damaged Unit Repair Costs"), subject to reimbursement of all such costs by the Purchaser on Closing. Following Closing, the Purchaser, provided it has reimbursed NBC for the Damaged Unit Repair Costs, shall be entitled make an insurance claim in respect of the Damaged Unit Repair Costs and shall be entitled to retain all proceeds of insurance paid in connection therewith.</p>
Pre-Closing Inventory:	<p>NBC, Balanced Canada and the Purchaser acknowledge that Balanced Canada was required to purchase approximately \$300,000 of coiled tubing inventory in connection with ongoing business operations prior to Closing ("Pre-Closing Coiled-Tubing Inventory"). NBC agreed to and did fund the cost of procuring the Pre-Closing Coiled-Tubing Inventory. Two business days prior to the Closing Date, Balanced Canada shall deliver a report which details the remaining useful life, described as a percentage, of all Pre-Closing Coiled-Tubing Inventory which was funded by NBC. On Closing, the Purchaser shall reimburse NBC for the value of the remaining useful life of the Pre-Closing Coiled-Tubing Inventory, which amount shall be calculated by multiplying the purchase price of the Pre-Closing Coiled-Tubing Inventory by the percentage of useful life remaining in respect of the Pre-Closing Coiled-Tubing Inventory (the "Pre-Closing Coiled-Tubing Inventory Amount").</p>

<p>Pre-Closing Certification and Repairs:</p>	<p>NBC, Balanced Canada, the Receiver and the Purchaser agree that, between the Sale Approval Date and the Closing Date, Balanced Canada will incur certain expenses in respect of annual maintenance, repairs, inspection and re-certification of its equipment (the "Pre-Closing Work"). NBC agrees that the cost of the Pre-Closing Work shall be paid by Balanced Canada from cash on hand, accounts receivable which are collected by Balanced Canada or by NBC by extending additional funding to the Receiver through additional advances under the Receiver's Borrowing Charge established by the Receivership Order. On the date that is two business days prior to Closing, Balanced Canada shall deliver a report (the "Pre-Closing Expense Report") which details all costs incurred in connection with the Pre-Closing Work, together with a report of which items of Pre-Closing Work could reasonably be attributed to either: (i) routine annual maintenance, repairs, inspection and re-certification of equipment for future use by the Purchaser (collectively, "Annual Maintenance Expenses"); or (ii) generating additional revenue and accounts receivable during the period prior to Closing (collectively, "Revenue Generating Expenses"). The Pre-Closing Expense Report shall calculate the difference between the Annual Maintenance Expenses minus the Revenue Generating Expenses and, if such difference is positive, the Purchase Price shall be adjusted upward by the amount of such positive amount and, if such difference is negative, the Purchase Price shall be adjusted downward by such negative amount (the "Pre-Closing Expense Amount"). The Receiver and the Purchaser currently estimate that the Pre-Closing Expense Amount will result in an upward adjustment to the Purchase Price of approximately \$650,000.</p>
<p>Closing Sequence:</p>	<p>Closing shall be sequenced such that: (i) the Preferred Shares shall be cancelled by Balanced Canada; (ii) the Purchased Shares shall be transferred to the Purchaser; and (iii) immediately following the cancellation of the Preferred Shares and the transfer of the Purchased Shares, the Purchased Assets shall be transferred to Balanced Canada upon it becoming a wholly-owned subsidiary of the Purchaser.</p>
<p>Purchase Price:</p>	<p>The total aggregate purchase price for the Purchased Shares and Purchased Assets shall be:</p> <ul style="list-style-type: none"> (a) CA\$11,250,000 in cash; (b) such amount as shall be required to pay out and satisfy, in full, the first charge held by Laurentian Bank over certain equipment held by Balanced USA (currently estimated at approximately CA\$900,000); (c) increased, dollar for dollar, by an amount equal to the Damaged Unit Repair Costs; (d) increased, dollar for dollar, by an amount equal to the Pre-Closing Coiled-Tubing Inventory Amount; and (e) increased or decreased (as the case may be), dollar for dollar, by an amount equal to the Pre-Closing Expense Amount; <p>(the "Purchase Price").</p> <p>The Purchase Price shall not be subject to any additional increase or decrease.</p>
<p>Detained Assets:</p>	<p>Notwithstanding the foregoing, in the event that the Detained Assets have not been transferred into Canada on or prior to the Closing Date, Closing shall still occur, but the</p>

	<p>amount of the Purchase Price paid on Closing shall be reduced by the following amount, per unit, set forth below:</p> <p>(a) Unit HCRT 2 – \$CA551,000;</p> <p>(b) Unit 804 – \$CA68,000; and</p> <p>(c) Unit 211 – \$CA763,000.</p> <p>Following Closing, upon each Detained Asset being transferred into Canada, but in any event not later than two business days following completion of such transfer, the Purchaser shall pay the Receiver the applicable portion of the Purchase Price which corresponds to the individual Detained Asset which has been so transferred into Canada.</p>
Stalking Horse SSP Process:	<p>The Purchaser hereby agrees to allow for disclosure of this Term Sheet to the Court and all other parties by the Receiver as part of a stalking horse sales solicitation process (the “SH SSP”) to be commenced by the Receiver as soon as practicable following execution of this Term Sheet. Additionally, upon issuance of the AVO and the RVO, and subject to receiving approval of the Court to proceed with the SH SSP, the Receiver shall continue carrying out the SH SSP in accordance with the provisions set forth in Schedule C.</p>
Transfer Taxes:	<p>The Purchase Price is exclusive of all transfer taxes, including GST, and the Purchaser shall pay, or shall otherwise be responsible for, all transfer taxes and GST which may become payable in connection with the purchase of the Proposed Transaction.</p> <p>The Parties shall, acting reasonably, mutually agree upon an allocation of the Purchase Price among the Purchased Shares and the Purchased Assets in such a manner as will reduce transfer taxes payable by the Purchaser to the greatest extent possible.</p>
Distribution to Creditors:	<p>After Closing, the Receiver shall obtain one or more distribution orders from the Court in order to cause the assets in Balanced Holdings to be distributed to the creditors of the Debtors, in accordance with the priority of their claims against the Debtors.</p>
Representations and Warranties:	<p>The purchase and sale shall be on an "as is, where is" basis, with only such representations and warranties as are customary in receivership transactions.</p>
Conditions to Closing:	<p>The Purchaser's and the Receiver's obligation to close the Proposed Transaction will be subject to the following conditions precedent:</p> <p>(a) the granting of the AVO and the RVO, all in a form satisfactory to Purchaser, the Receiver and NBC, acting reasonably;</p> <p>(b) the release by NBC of all personal guarantees (the "Personal Guarantees") granted to NBC by shareholders, directors, officers or employees of the Debtors ("Key Debtor Personnel");</p> <p>(c) resolving all potential liability of the Key Debtor Personnel to Business Development Bank of Canada and Export Development Canada to the sole satisfaction of the Key Debtor Personnel;</p> <p>(d) this Term Sheet being the successful bid under the SH SSP or there is no Superior Offer under the SH SSP; and</p>

	(e) the RVO and AVO becoming final orders, not subject to any stay or filed appeal, no later than May 15, 2022.
Post-Closing Covenants:	<p>The parties acknowledge that the Receiver is commencing ancillary proceedings pursuant to Chapter 15 of the US <i>Bankruptcy Code</i> (the "US Bankruptcy Proceedings") to seek, among other things, recognition of the Receivership Order, AVO and RVO. If the Detained Assets are not transferred into Canada on or prior to the Closing Date, the Receiver shall continue its efforts in the US Bankruptcy Proceedings (or otherwise) to recover the Detained Assets and the Purchaser, the Receiver and NBC agree that, upon the transfer of the Detained Assets into Canada, a second closing will occur with respect to such assets for the purchase price per unit specified in the section titled "<i>Detained Assets</i>", above.</p> <p>All fixtures and leasehold improvements retained by Balanced Canada will be subject to all claims by the landlord under the Calgary Lease and Brooks Lease, as applicable, and Balanced Canada shall indemnify and hold Balanced Holdings harmless in respect of any claims made by either such landlord that relate to the fixtures or leasehold improvements retained by Balanced Canada.</p>
Covenants that continue whether or not Purchaser is not the Successful Bidder under the SSP	<p>The Purchaser shall provide reasonable assistance to the Receiver in connection with the collection of all accounts receivable owing to the Debtors including, without limitation, accounts receivable owing to Balanced USA by the United States Federal Government (approximately USD\$500,000) whether it is the successful bidder under the SH SSP or not.</p> <p>NBC agrees that in the event that the Successful Bidder chosen under the SH SSP is a party other than the Purchaser, the Key Debtor Personnel shall be released of all their obligations under the Personal Guarantees provided that the Key Debtor Personnel provide assistance to the Receiver in connection with the collection of the accounts receivable outlined above.</p>
No Post-Closing Adjustments:	<p>The Purchaser is not entitled to any claim, adjustment or abatement arising from any claim, as to the conditions, existence of or effective assignment or transfer of the Purchased Shares or the Purchased Assets, provided, however, that if following Closing:</p> <p>(a) any Transferred Asset or Transferred Liability is found to have been retained or received by Balanced Canada, Balanced Canada shall transfer such Transferred Asset or Transferred Liability to Balanced Holdings, including, for greater certainty, any amounts that may have been received by Balanced Canada in respect of any: (A) cash collateral and deposits posted by or for the benefit of the Debtors as security for any obligations, (B) accounts receivable, notes receivable, and negotiable instruments, and (C) refund, rebate, credit, abatement or recovery of or with respect to taxes, in each case which form part of the Transferred Assets;</p> <p>(b) any Retained Asset or Retained Liability is found to have been transferred to Balanced Holdings, Balanced Holdings shall transfer such Retained Asset or Retained Liability to Balanced Canada;</p> <p>(c) any Purchased Asset is found to have been retained or received by Balanced USA, Balanced USA shall transfer such Purchased Asset to Balanced Canada; and</p> <p>(d) any US Excluded Asset is found to have been transferred to or received by Purchaser, Purchaser shall transfer such US Excluded Asset to Balanced USA, including, for</p>

	greater certainty, any amounts that may have been received by Purchaser in respect of any: (A) cash collateral and deposits posted by or for the benefit of the Debtors as security for any obligations, and (B) accounts receivable, notes receivable, and negotiable instruments, in each case which form part of the US Excluded Assets.
Expenses:	Each Party shall pay its own expenses in connection with the Proposed Transaction, whether or not the Proposed Transaction is completed, unless otherwise mutually agreed by the Parties.
Governing Law:	This Term Sheet will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
Counterparts:	This Term Sheet may be executed and delivered electronically in two or more counterparts, any one of which need not contain the signature of more than one Party, but all such counterparts taken together shall constitute one and the same instrument.
Assignment:	This Term Sheet may not be assigned without the prior written consent of the other Parties hereto.
Further Assurances	Each of the Parties hereto shall at the request and expense of the other Party hereto so requesting execute and deliver such further or additional documents and instruments as may reasonably be considered necessary or desirable to properly reflect and carry out the true intent and meaning of this Term Sheet.
Prior Term Sheet:	All of the Parties hereby agree and acknowledge that this Term Sheet represents the final and binding agreement of the Parties with respect to the subject matter provided for herein and the Parties further agree that the prior term sheet dated as of the 28 th day of February, 2022, and executed by all Parties except the Receiver, shall be replaced in its entirety by this Term Sheet and shall of no further force or effect.

[Signature page follows]


Dated effective as of the ____ day of March, 2022

XDI ENERGY SOLUTIONS INC.

Per: _____
Name: Michelle Thomas
Title: Director

Agreed and accepted as of the 21st day of March, 2022, by:

FTI CONSULTING CANADA INC., in its capacity as Receiver of the Debtors, and not in its personal or corporate capacity

Per: 
Name: Dustin Olver
Title: Senior Managing Director

Agreed and accepted as of the ____ day of March, 2022, by:

NATIONAL BANK OF CANADA

Per: **Dana Ades-Landy**
Name: Dana Ades-Landy
Title: Senior Manager Special Loans

Digitally signed by Dana Ades-Landy
DN: cn=Dana Ades-Landy, o=Banque Nationale, ou=Special Loans/Unité d'Intervention,
email=dana.adeslandy@nbc.ca, c=CA
Date: 2022.03.21 17:45:20 -0400'

Agreed and accepted as of the ____ day of March, 2022, by:


Name: Chantal Tremblay
Title: Senior Manager Special Loans

Chantal Tremblay
2022.03.21 17:45:56 -04'00'

BALANCED ENERGY HOLDINGS INC.

Per: _____
Name: Neil Schmeichel
Title: Director

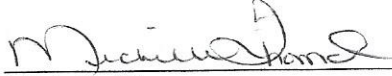
Agreed and accepted as of the ____ day of March, 2022, by:

BALANCED ENERGY OILFIELD SERVICES INC.

Per: _____
Name: Neil Schmeichel
Title: Director

Dated effective as of the ____ day of March, 2022

XDI ENERGY SOLUTIONS INC.

Per: 
Name: Michelle Thomas
Title: Director

Agreed and accepted as of the 21st day of March, 2022, by:

FTI CONSULTING CANADA INC., in its capacity as Receiver of the Debtors, and not in its personal or corporate capacity

Per: 
Name: Dustin Olver
Title: Senior Managing Director


Agreed and accepted as of the ____ day of March, 2022, by:

NATIONAL BANK OF CANADA

Per: _____
Name: _____
Title: _____


Agreed and accepted as of the 21 day of March, 2022, by:

BALANCED ENERGY HOLDINGS INC.

Per: 
Name: Neil Schmeichel
Title: Director

Agreed and accepted as of the 21 day of March, 2022, by:

BALANCED ENERGY OILFIELD SERVICES INC.

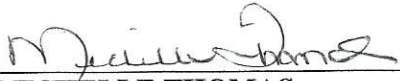
Per: 
Name: Neil Schmeichel
Title: Director

Agreed and accepted as of the 21 day of March, 2022, by:



NEIL SCHMEICHEL

Agreed and accepted as of the 21 day of March, 2022, by:



MICHELLE THOMAS

Agreed and accepted as of the ____ day of March, 2022, by:

CODIE BELLAMY

Agreed and accepted as of the ____ day of March, 2022, by:

DARREN MILLER

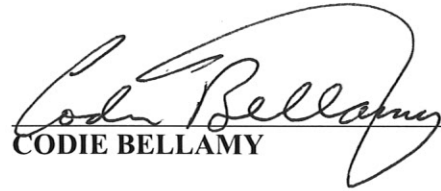
Agreed and accepted as of the ____ day of March, 2022, by:

NEIL SCHMEICHEL

Agreed and accepted as of the ____ day of March, 2022, by:

MICHELLE THOMAS

Agreed and accepted as of the 21st day of March, 2022, by:



CODIE BELLAMY

Agreed and accepted as of the ____ day of March, 2022, by:

DARREN MILLER

Agreed and accepted as of the ____ day of
March, 2022, by:

NEIL SCHMEICHEL

Agreed and accepted as of the ____ day of
March, 2022, by:

MICHELLE THOMAS

Agreed and accepted as of the ____ day of
March, 2022, by:

CODIE BELLAMY

Agreed and accepted as of the 21 day of
March, 2022, by:



DARREN MILLER

SCHEDULE A

FORM OF APPROVAL AND VESTING ORDER

(attached)

SCHEDULE B

FORM OF REVERSE VESTING ORDER

(attached)

SCHEDULE C

SALE SOLICITATION PROCESS

(attached)

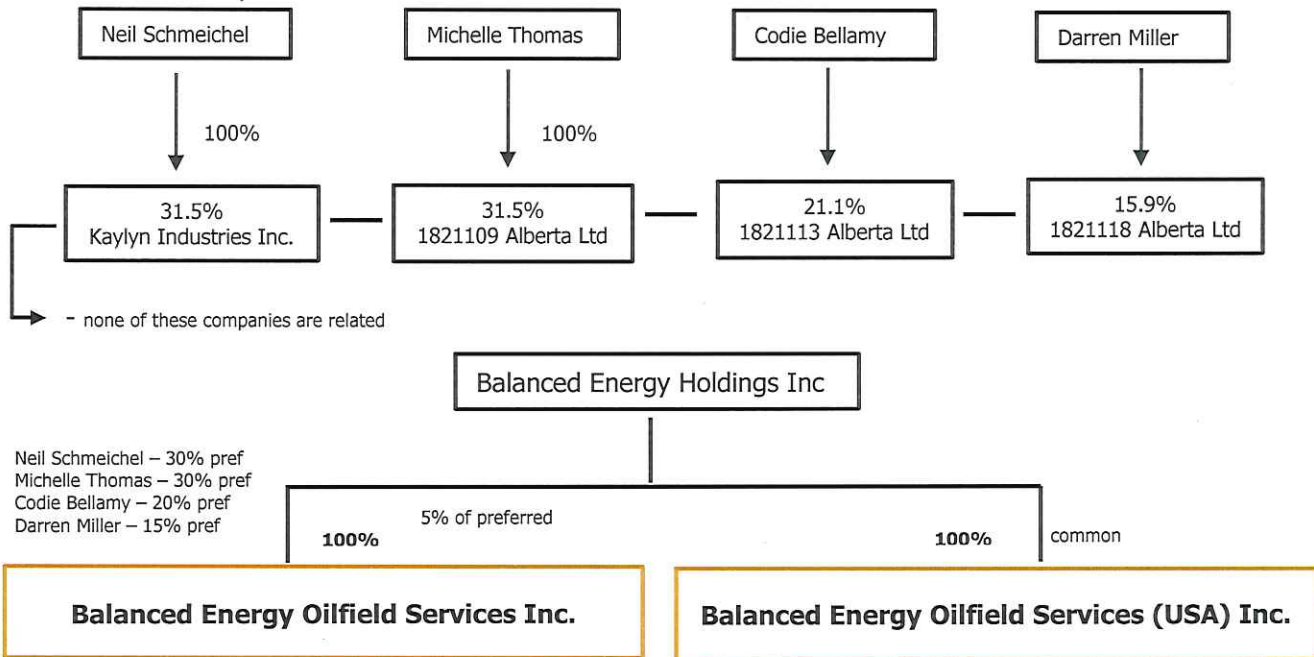
First Report of FTI Consulting Canada Inc.,
In its capacity as Receiver of Balanced Energy Oilfield Services Inc., Balanced Energy Oilfield Services (USA) Inc.,
Balanced Energy Holdings Inc.

Appendix “C” – Balanced Group Organization Chart



Balanced Energy Oilfield Services (USA) Inc.
 2716 Roughneck RD N.; Alexander, ND 58831

Balanced Energy Oilfield Services Group Organizational Chart



Date: September 30, 2021

Michelle Thomas

 Director