COURT/ESTATE FILE NUMBER	**24-3356741**
COURT	**COURT OF KING'S BENCH OF ALBERTA IN BANKRUPTCY AND INSOLVENCY**
JUDICIAL CENTRE	**EDMONTON**
FILING PARTY	**G. CHAN & ASSOCIATES INC.**
DOCUMENT	**FOURTH REPORT OF THE PROPOSAL TRUSTEE (MATERIAL ADVERSE CHANGE)**
	IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 C. B-3
	AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
	ENDRUM ENERGY CORP.
	DATED AUGUST 27, 2026
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**PROPOSAL TRUSTEE:**

G. CHAN & ASSOCIATES INC.
201, 9426 51 AVE NW
EDMONTON, ALBERTA T6E 5A6

ATTENTION:	**GARRETT CHAN, CIRP, LIT**
TELEPHONE:	**780.619.7616**
FACSIMILE:	**780.306.4986**
EMAIL:	**garrett@gcalit.ca**

COUNSEL:

WITTEN LLP
SUITE 2500, 10303 JASPER AVENUE
EDMONTON, ALBERTA T5J 3N6

ATTENTION:	**BREN CARGILL AMANDA COLEMAN**
TELEPHONE:	**780.701.3776 / 780.441.3242**
FACSIMILE:	**780.429.2559**
EMAIL:	**bcargill@wittenlaw.com acoleman@wittenlaw.com**

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Introduction

1. Endrum Energy Corp. (the **"Company"**) filed a Notice of Intention to Make a Proposal (**"NOI"**) pursuant to s. 50.4 of the *Bankruptcy and Insolvency Act* (**"BIA"**) on April 7, 2026 (the **"NOI Date"**), and G. Chan & Associates Inc. was appointed as proposal trustee (the **"Proposal Trustee"**).

2. The time within which the Company is required to file a proposal has been extended on three occasions. Most recently, by Order granted August 5, 2026 (the **"Third Extension Order"**), the Court extended that period to 11:59 p.m. (Mountain Time) on September 19, 2026.

3. The Company has also applied for an interim injunction and a preservation order against Jake Energy Inc., 2672682 Alberta Ltd. and Brad Peake (collectively, the **"Jake Parties"**) in respect of three oil wells (the **"Disputed Assets"**), which application has been adjourned on three occasions, most recently to August 28, 2026 (the **"Injunction Application"**). The Proposal Trustee set out its preliminary comments on the Injunction Application in its third report dated July 31, 2026 (the **"Third Report"**) and reserved the right to supplement its commentary.

4. The purpose of this report (the **"Fourth Report"**) is to report on a material adverse change in the Company's projected cash-flow and financial circumstances, in accordance with the Proposal Trustee's obligations under s. 50.4(7) of the BIA. This Fourth Report is not filed in support of any application by the Company.

5. The Proposal Trustee will advise the creditors of the filing of this Fourth Report and will post it to the Proposal Trustee's website in accordance with the Court-approved service protocol in these proceedings.

Background

Notice to reader

6. In preparing this Fourth Report, the Proposal Trustee has relied on unaudited financial information, the books and records of the Company, correspondence from and discussions with the Company's management (**"Management"**), and materials filed in these proceedings. The Proposal Trustee has not audited, reviewed, or otherwise

attempted to verify the accuracy or completeness of that information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*. The Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Fourth Report or relied upon by the Proposal Trustee in preparing it.

7. Certain of the information referred to herein consists of financial forecasts and projections. The financial forecasts referred to in this Fourth Report are the responsibility of Management. Future-oriented financial information is based upon assumptions regarding future events and conditions that are not ascertainable. Actual results achieved may vary from the forecasts and projections referred to herein, even if the assumptions materialize, and those variations may be material.

8. Where this Fourth Report sets out information provided by Management, it identifies that information as such. Except where expressly stated, the Proposal Trustee has not verified information provided by Management.

9. The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Fourth Report. Any use which any party makes of this Fourth Report, or any reliance or decision made based on it, is the sole responsibility of such party.

10. Capitalized terms used but not otherwise defined in this Fourth Report have the meanings ascribed to them in the Third Report.

11. All amounts included herein are in Canadian dollars unless otherwise stated.

Purpose and basis of this report

12. Section 50.4(7) of the BIA requires the Proposal Trustee to monitor the Company’s business and financial affairs and, on ascertaining a material adverse change in the Company’s projected cash-flow or financial circumstances, to report on that change and to notify the creditors.

13. The Canadian Association of Insolvency and Restructuring Professionals' *Standards of Professional Practice* define a "material adverse change" as a change which is material and, in the opinion of the trustee:

    a. has a significant adverse effect on the projected cash-flow;

    b. significantly impairs, or is reasonably expected to significantly impair, the debtor's financial circumstances or the ability of the debtor to carry on operations;

    c. significantly impairs the likelihood of success of a proposal; or

    d. significantly prejudices the rights or interests of one or more classes of creditors.

14. The determination of whether a material adverse change has occurred is that of the Proposal Trustee. For the reasons set out below, the Proposal Trustee has determined that a material adverse change has occurred (the **"MAC"**).

The Material Adverse Change

Gas compressor fire

15. By email dated August 4, 2026, Management advised the Proposal Trustee that in early July 2026 the Company's main gas compressor caught fire and was destroyed, rendering the Company with no ability to process and deliver natural gas, shutting down 100% of the Company's revenue. It was further advised that a temporary and smaller processor was brought in approximately one week later, and that monthly gas deliveries were then back to about 50% of prior levels.

16. Management has since advised that the compressor was located at 5-35-33-21-W4 (the **"Rumsey Facility"**) and has been deemed a write-off by the insurer's adjuster.

17. Management has provided the Company's incident investigation report in respect of the fire. According to that report the fire occurred on July 3, 2026, at the Company's gas plant at 5-35-33-21-W4, and originated in a mechanical failure of the first stage of the compressor, which released gas that ignited. The fire damaged the compressor and the compressor building. The report records that regular maintenance had been

performed on the compressor, that notification of the incident to the Alberta Energy Regulator was not required, and that activation of the Company's corporate emergency response plan was not required. Management has advised that the incident gave rise to no environmental impact and that no remediation is required.

Non-acceptance of the Company's oil production

18. Oil produced at the Company's well sites is collected in on-site storage tanks and hauled by tanker truck to one of two third-party receiving and processing facilities — Secure Waste Infrastructure Corp. (**"Secure"**) or Pine Cliff Energy Ltd.'s MudSprings Oil Battery (the **"Pine Cliff Facility"**) — following which the oil is purchased by the Company's oil buyer, Trafigura Canada Limited.

19. According to the Affidavit of John McMahon sworn August 21, 2026 (the **"McMahon Affidavit"**), Secure ceased accepting loads from the Company on or about July 30, 2026, and on August 20, 2026, the Pine Cliff Facility also began refusing to accept loads from both the Company and from the Jake Parties. Mr. McMahon deposes that, as a result, there is presently no facility available to receive and process oil production from the Company's oil wells, that the Company is unable to haul and sell its oil production for the month of August 2026, and that he estimates this will cause approximately $50,000 in lost revenue for that month.

20. Mr. McMahon further deposes that the refusals are a direct consequence of the Jake Parties' interference with the Company's operations and the dispute over the Disputed Assets. The Proposal Trustee has not been able to verify the reasons for the refusals. However, the text messages exhibited in the McMahon Affidavit records that, in respect of the Pine Cliff Facility, no oil was being accepted from both the Jake Parties and the Company, which may indicate some connection to the dispute between them.

Insurance

21. Management advised the Proposal Trustee that the claim in respect of the Rumsey Facility is for property damage only and that there is no business interruption component. The correspondence provided by Management indicates that the policy also includes extra expense coverage, subject to a limit of approximately $1,000,000.

22. Extra expense coverage of that kind is generally directed to the costs incurred to restore operations rather than to the revenue lost while operations are impaired. On the information presently available the revenue lost during the period in which gas processing was interrupted or reduced does not appear to be insured.

23. The adjuster's report and the proof of loss have not been provided to the Proposal Trustee, and the Proposal Trustee has not been advised of the quantum of the claim or of any settlement. The Proposal Trustee is unable to quantify the insurance recovery or its timing on the information presently available.

24. Management advises that the insurer is in the course of finalizing an arrangement under which vendors would invoice the insurer directly for the work required to restore gas processing. If implemented in that form, the arrangement would reduce the Company's cash outlay for the restoration work but would not result in a corresponding receipt of cash by the Company.

Current operating status

Gas

25. Management advises that gas deliveries are presently at approximately 60% of the rate achieved before the fire, by means of a temporary back-up compressor. Management further advises that the Company owns a surplus compressor located a short distance from the Rumsey Facility, which is sized to the desired gas rate, that the Company intends to relocate and install that unit at the Rumsey Facility, and that the work is expected to take two to three weeks and to restore gas deliveries to pre-fire levels.

26. The correspondence provided by Management indicates that the surplus unit has been out of service for several years and that a significant overhaul of the unit is considered necessary before it can be relied upon to deliver sales gas consistently. That correspondence indicates that the overhaul is to be performed after the unit is relocated and is estimated to require approximately two weeks once commenced, in addition to commissioning. The cost of the overhaul has not been provided to the Proposal Trustee. On that basis the Proposal Trustee is unable to confirm either the timeline for the restoration of gas deliveries to pre-fire levels or the cost of achieving it.

Oil

27. Management advises that, of the three Disputed Assets, only the 5-29 Well is shut in, having been taken down on July 2, 2026. Management advises that the 2-11 Well and the 6-34 Well continue to produce, and that at the date of Management's response the 2-11 Well had approximately 32 days of remaining tank capacity and the 6-34 Well approximately 81 days.

28. The Proposal Trustee further notes that, while oil production cannot presently be hauled or sold, production from wells that continue to produce is being accumulated in on-site storage. To the extent that a receiving facility becomes available before storage capacity is exhausted, the associated revenue would be deferred rather than lost. Conversely, on the information provided, storage capacity at the 2-11 Well would be exhausted in or about late September 2026, at which point that well would require to be shut in and the associated revenue would be lost.

The Jake Parties' ownership claim and s. 81 of the BIA

29. The Jake Parties assert ownership of the Disputed Assets. That assertion is, in substance, a claim to property in the possession of the Company of the kind contemplated by s. 81 of the BIA. Section 81 requires a person claiming property in the possession of a bankrupt to file a property proof of claim with the trustee, which the trustee is required to admit or dispute, with recourse to the Court where the claim is disputed. Although, in a bankruptcy context, s. 81 applies in these proposal proceedings by operation of s. 66(1) of the BIA, in so far as it is applicable and with such modifications as the circumstances require.

30. The Proposal Trustee expresses no view on the merits of the Jake Parties' ownership claim but notes with concern the chain of quit claims that purport to give rise to the Jake Parties' claimed ownership.

31. The Proposal Trustee notes that s. 81 affords a summary procedure for the determination of such claims, and that a summary determination of the competing claims to the Disputed Assets would assist in resolving, in a timely and cost-effective manner, the impasse presently affecting the Company's oil production.

Effect on the cash-flow projection

32. The revised cash-flow statement attached as Appendix “B” to the Third Report (the **“Revised Cash-Flow Statement”**) covers weeks seventeen to twenty-six of these proceedings, being the period from July 27 to October 2, 2026. It was prepared before the matters described in this Fourth Report were disclosed to the Proposal Trustee and assumes gas deliveries at pre-fire levels and uninterrupted oil sales.

33. The Revised Cash-Flow Statement therefore does not reflect either the destruction of the compressor or the non-acceptance of the Company’s oil production, and in the Proposal Trustee’s view it can no longer be relied upon as a projection of the Company’s liquidity through the current extension period.

34. The Proposal Trustee has requested that Management provide an updated cash-flow projection reflecting the matters described in this Fourth Report. The impact of the MAC events are anticipated to be significant. A high-level calculation from the Revised Cash-Flow infers that deferred oil revenue of approximately $45,500, excluding joint interests, is impacted by the oil not being able to be sold until tank capacity is reached and wells are shut-in, after which it ceases being a deferral and becomes an ongoing loss until tank capacity is relieved to allow the continuous flow of fluids. The Proposal Trustee is unable to fully quantify the effect of gas capacity reduction until it completes a review of an updated cash-flow projection.

Proposal Trustee’s determination and comments

35. The Proposal Trustee has determined that the matters described in this Fourth Report, taken together, constitute a material adverse change in the Company’s projected cash-flow and financial circumstances. In particular:

    a. the destruction of the compressor interrupted and then materially reduced the Company’s gas deliveries, and on the information presently available the revenue lost during that period is not insured;

    b. the Company presently has no facility available to receive its oil production, with the result that no oil revenue is being realized;

c. the Revised Cash-Flow Statement before the Court does not reflect either matter and overstates projected receipts for the balance of the current extension period; and

d. although no revised cash-flow is before the Proposal Trustee, the liquidity headroom projected is substantially reduced.

36. In considering whether it is appropriate to take additional measures to safeguard the interests of the creditors as a whole, including recommending to the Court that the stay of proceedings be terminated, the Proposal Trustee has weighed the following matters.

a. the Company's two revenue streams have both been impaired, and on the information presently available the revenue lost as a result of the compressor fire is not insured;

b. gas deliveries are presently at approximately 60% of pre-fire levels and Management has identified a specific plan to restore them using a compressor the Company already owns, in respect of which the policy may provide a source of funding under the extra expense coverage;

c. oil production from the wells that continue to produce is being accumulated in storage, so that the associated revenue would be deferred rather than lost until capacity is exhausted in approximately one month;

d. the restriction on the Company's oil production is the subject of the Injunction Application, the outcome of which may materially affect the Company's ability to resume hauling and sales;

e. the DIP facility remains available and undrawn; and

f. the proposal framework under discussion with the municipalities and other creditor constituencies was modelled on revenue assumptions that no longer reflect the Company's circumstances; and

g. the alternative to these proceedings is a deemed bankruptcy, which the Proposal Trustee continues to believe would subject the Company's oil and gas assets and its associated regulatory and environmental obligations to significant uncertainty, crystallize asset retirement liabilities, and likely result in distressed liquidation outcomes detrimental to the creditors as a whole.

37. On balance, and having particular regard to the identified restoration plan for gas processing, the storage capacity presently available at the producing oil wells, and the pending Injunction Application, the Proposal Trustee does not recommend at this time that the stay of proceedings be terminated. The Proposal Trustee does not, however, express any view at this time as to whether a further extension of the time to file a proposal should be granted, and expressly reserves its position in that regard.

38. The Proposal Trustee will monitor the following matters and will report further to the Court and the creditors as appropriate.

39. The Proposal Trustee's review of the matters described in this Fourth Report remains ongoing. The Proposal Trustee accordingly reserves the right to supplement, amend or refine this Fourth Report, including its findings and comments, as that review continues and as further information becomes available.

Conclusions and recommendations

40. For the reasons set out above, the Proposal Trustee has determined that a material adverse change has occurred in the Company's projected cash-flow and financial circumstances, and files this Fourth Report pursuant to s. 50.4(7) of the BIA.

41. The destruction of the compressor and the non-acceptance of the Company's oil production have impaired both of the Company's revenue streams. Neither matter is reflected in the Revised Cash-Flow Statement, which accordingly overstates projected receipts and can no longer be relied upon, and the Company's projected liquidity through the current extension period is substantially reduced.

42. The Injunction Application has bearing on the MAC. If the relief sought is granted and oil can again be hauled and sold, tank capacity would not be reached, the producing wells would not require to be shut in, and the associated revenue would be preserved and available to enhance creditor recoveries, whether or not that cash is available to the Company pending resolution of the ownership dispute.

43. If the relief is not granted, tank capacity will be reached, those wells will require to be shut in, and the revenue will be lost for so long as the dispute remains unresolved. As those funds would otherwise be available to the creditors in a proposal, that outcome would, in the Proposal Trustee's view, prejudice the creditors.

44. The Jake Parties' ownership claim to the Disputed Assets is, in substance, a claim to property in the possession of the Company of the kind for which s. 81 of the BIA affords a summary procedure. A summary determination of the competing claims would, in the Proposal Trustee's view, be a timely and cost-effective means of resolving the impasse presently affecting the Company's oil production.

45. The Proposal Trustee does not recommend at this time that the stay of proceedings be terminated and reserves its position as to any further extension of the time within which the Company is required to file a proposal.

Respectfully submitted this 27th day of August, 2026.

G. CHAN & ASSOCIATES INC.
In its capacity as Proposal Trustee of
Endrum Energy Corp.
And not in its personal capacity

Signed by:
Garrett Chan
8D032DF7978049E...
Per: ______________________________

Garrett Chan, CIRP, LIT
President