

COURT FILE NO. 2501-18462
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, RSC
1985, c C-36, as amended

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CANACOL ENERGY LTD., 2654044
ALBERTA LTD., CANACOL ENERGY
ULC, 2498003 ALBERTA ULC, CANTANA
ENERGY GMBH, CNE OIL & GAS, S.R.L,
CANACOL ENERGY COLOMBIA S.A.S.,
SHONA HOLDING GMBH, CNE ENERGY
S.A.S., and CNE OIL & GAS S.A.S.

APPLICANTS CANACOL ENERGY LTD., 2654044 ALBERTA LTD., CANACOL
ENERGY ULC, 2498003 ALBERTA ULC, CANTANA ENERGY
GMBH, CNE OIL & GAS, S.R.L, CANACOL ENERGY COLOMBIA
S.A.S., SHONA HOLDING GMBH, CNE ENERGY S.A.S., and CNE
OIL & GAS S.A.S.

DOCUMENT **BENCH BRIEF OF LAW**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY
FILING THIS
DOCUMENT

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5
Attn: Clifton Prophet/ Sam Gabor/ Katherine Yurkovich
Telephone (416) 862-3509/ (403) 298-1946/ (416) 862-4342
Facsimile (416) 862-7661
Email: clifton.prophet@gowlingwlg.com / sam.gabor@gowlingwlg.com
/ kate.yurkovich@gowlingwlg.com
File No. G10088627



**APPLICATION BEFORE THE HONOURABLE JUSTICE MAH
DECEMBER 10, 2025 AT 10:00 AM (M.T.) ON THE EDMONTON COMMERCIAL LIST**

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. FACTS 3

E&P CONTRACTS..... 5

OFFTAKE AGREEMENTS 6

FINANCIAL POSITION OF THE APPLICANTS 7

NOVEMBER PAYMENT DEFAULTS..... 10

OPERATIONAL CHALLENGES..... 11

EFFORTS TO RAISE CAPITAL 11

III. ISSUES..... 13

IV. LAW AND ARGUMENT..... 14

A. SERVICE SHOULD BE ABRIDGED..... 14

B. THE STAY SHOULD BE EXTENDED..... 15

C. THE DIP LENDER’S AGREEMENT AND DIP FINANCING SHOULD BE APPROVED, AND DIP LENDER’S CHARGE SHOULD BE GRANTED..... 18

D. THE LIMIT FOR PRE-FILING PAYMENTS TO CRITICAL VENDORS SHOULD BE INCREASED..... 28

E. THE MONITOR’S SECOND REPORT, AND ACTIVITIES OF THEREIN SHOULD BE APPROVED 29

V. CONCLUSION AND RELIEF SOUGHT..... 30

TABLE OF AUTHORITIES 31

I. INTRODUCTION

1. This Brief is filed on behalf of the Applicants, referred to herein as the “Canacol Group”, an integrated international group of companies engaged in gas and oil exploration and production, headquartered in Calgary and with operations in Colombia and financing through New York. The Applicants seek continued protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”)¹ and approval of critical interim financing to support their ongoing operations. The Applicants face a liquidity crisis, which includes repayment obligations on more than US\$700 million of financed indebtedness.
2. The Applicants were granted an initial order from the Honourable Justice B.B. Johnston of the Court of King’s Bench of Alberta (the “**Court**”) on November 18, 2025, pursuant to the CCAA (the “**Initial Order**”) which included an initial ten (10) day stay of proceedings (the “**Stay**”). KPMG Inc. (“**KPMG**”) was appointed Monitor of the Canacol Group pursuant to the Initial Order (the “**Monitor**”). KPMG, in its capacity as Monitor was also appointed as Foreign Representative (the “**Foreign Representative**”) for the purpose of cross-border recognition proceedings in the United States, Colombia or elsewhere. The Applicants were thereafter granted an amended and restated initial order from the Honourable Justice Bourque dated November 28, 2028 (“**ARIO**”), which included an extension of the Stay to December 18, 2025.
3. With the assistance of this Court, the Applicants intend at the hearing before the Honourable Justice Mah on December 10, 2025 (the “**DIP Hearing**”), to seek a second amended and restated initial order (“**SARIO**”) with appropriate relief allowing them to continue to stabilize their business, preserve the *status quo* and be granted the right to borrow interim financing. This relief will allow the Applicants to pursue a twin track strategy premised on both sale and investment process measures and discussions with their creditors with a view to achieving a financial restructuring while they maintain their business as a going concern.

¹ [Companies’ Creditors Arrangement Act](#), RSC 1985, c C-36 (“**CCAA**”) [TAB 1].

4. The Applicants, through the agency of the Monitor as Foreign Representative as approved pursuant to the Initial Order, have commenced recognition proceedings in the United States pursuant to Chapter 15 of the US Bankruptcy Code (the “**US Recognition Proceedings**”). On November 20, 2025, the United States Bankruptcy Court, Southern District of New York (the “**US Bankruptcy Court**”) granted the US Provisional Relief Order immediately imposing a preliminary injunction to stay proceedings against the Applicants, among other protections under the US Bankruptcy Code, to prevent creditors from asserting rights or taking enforcement actions against the Applicants’ U.S. Assets. Also on November 20, 2025, the US Bankruptcy Court granted the **US Recognition Scheduling Order** scheduling a hearing of the Foreign Representative’s motion to commence the US Recognition Proceedings on December 11, 2025. The US Bankruptcy Court has further scheduled a recognition hearing with respect to the DIP Lender’s Charge (as defined herein), if granted by this Honourable Court.
5. The Foreign Representative, through a power of attorney granted to Colombian counsel, is further in the process of making an application to the Superintendency of Companies of Colombia seeking the recognition of the CCAA Proceeding in Colombia as a foreign main proceeding, including provisional stays and related relief in Colombia (the “**Colombian Recognition Proceedings**”). The Applicants continue to make preparations for the Colombian Recognition Proceedings and a hearing in respect of the relief sought therein is anticipated to be scheduled in late December, 2025, or early January, 2026.
6. In parallel to the Colombian Recognition Proceedings, Colombian counsel to the Applicants has brought an application on behalf of the Applicants with operations located in Colombia (“**PRES Applicants**”) to the Chamber of Commerce of Bogotá pursuant to the Company Recovery Process (the “**PRES**”) which is a non-judicial proceeding that seeks agreement among the applicant entities and their debtors. The Chamber of Commerce of Bogotá has granted a commencement order of the PRES (the “**PRES Order**”) granting an automatic stay of all executory proceedings and guarantees in respect of the PRES Applicants. The Applicants continue to work to coordinate their approach to the Colombian Recognition Proceedings and the PRES proceeding.

7. In continuing their restructuring proceedings under the CCAA, and in the United States and Colombia, the Applicants are preserving value for their stakeholders by avoiding the harms that may occur should creditors pursue their right and remedies and disrupt the operation of their business. The stakes in this matter go beyond the financial interests of creditors. Due to the Applicants' role as a supplier of significant natural gas inputs into the Colombian electricity generation grid, the stability of their enterprise and their ability to continue to produce and supply natural gas has ramifications for many customers and households in that country.

II. FACTS

8. The relevant facts in support of the relief granted in the Initial Order and ARIO, and sought in the SARIO are only briefly described herein, and are more particularly set out in the Affidavit of Jason Bednar, sworn November 16, 2025 ("**Bednar Affidavit 1**"), Affidavit of Jason Bednar, sworn November 22, 2025 ("**Bednar Affidavit 2**"), and Affidavit of Jason Bednar, sworn December 5, 2025 ("**Bednar Affidavit 3**", with Bednar Affidavit 1 and Bednar Affidavit 2, the "**Bednar Affidavits**").²
9. All references to dollar amounts contained herein are to United States Dollars unless otherwise stated.

The Applicants

10. Canacol, the parent of the Canacol Group, was incorporated under the laws of British Columbia, and continued under the laws of Alberta. Canacol's Head Office and Registered Office are located in Calgary, Alberta. Canacol is a publicly traded company but has recently been delisted by the Toronto Stock Exchange, and operates as a holding company

² Affidavit of Jason Bednar sworn November 16, 2025 [**"Bednar Affidavit 1"**]; Affidavit of Jason Bednar sworn November 22, 2025 [**"Bednar Affidavit 2"**]; Affidavit of Jason Bednar sworn December 5, 2025 [**"Bednar Affidavit 3"**]. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Bednar Affidavit 3. All references to monetary amounts are in U.S. dollars unless otherwise noted.

for the following wholly owned direct and indirect subsidiaries, each of whom is an Applicant in these proceedings:³

(a) ***The “Canadian Subsidiaries”***: 2654044 Alberta Ltd, Canacol Energy ULC (“**Canacol ULC**”), and 2498003 Alberta ULC:

(i) Each of the Canadian Subsidiaries were incorporated pursuant to the laws of Alberta. The Canadian Subsidiaries operate as holding companies.⁴

(b) ***The “Colombian Subsidiaries”***: Canacol Energy Colombia S.A.S. (“**Canacol Colombia**”), CNE Energy S.A.S. (“**CNE Energy Colombia**”), and CNE Oil & Gas S.A.S. (“**CNE O&G Colombia**”):

(i) Each of the Colombian Subsidiaries are registered under the laws of Colombia. Each of Canacol Colombia and CNE O&G are contractors under certain exploration and production contracts (each an “**E&P Contract**”) with ANH (and, in respect of Canacol Colombia, the Rancho Hermoso Participation Agreement). CNE Energy is a holding company.⁵

(c) ***The “Swiss Subsidiaries”***: Cantana Energy GmbH (“**Cantana Switzerland**”) and Shona Holding GmbH (“**Shona Switzerland**”):

(i) Each of the Swiss Subsidiaries are registered under the laws of Switzerland. Cantana Switzerland (acting thorough its Colombian branch, Cantana Energy Sucursal Colombia (“**Cantana Colombia**”)) is the contractor under certain E&P Contracts with ANH. Shona Switzerland is a holding company.⁶

³ Bednar Affidavit 1, paras 24-26. The common shares of Canacol are listed on the TSX (trading symbol “**CNE**”), and the Bolsa de Valores de Colombia (trading symbol “**BVC**”).

⁴ Bednar Affidavit 1, at paras 28-29.

⁵ Bednar Affidavit 1, at paras 35-38.

⁶ Bednar Affidavit 1, at paras 30-32.

(d) **CNE Panama:** CNE Oil & Gas, S.R.L (“**CNE Panama**”):

(i) CNE Panama is registered under the laws of Panama. CNE Panama (acting through its Colombian branch, CNEOG Colombia Sucursal Colombia (“**CNEOG Colombia**”) is the contractor under certain E&P Contracts with ANH.⁷

11. CNE Panama, the Swiss Subsidiaries and the Colombian Subsidiaries are collectively referred to as the “Foreign Subsidiaries”. Cantana Colombia and CNEOG Colombia are collectively referred to as the “Sucursales”.⁸

The Applicants’ Business

12. The Canacol Group is engaged in the exploration, development, production, processing and sale of natural gas in Colombia (the “**Business**”). Financial control and reporting for the entire Canacol Group is based out of Canada.⁹ All financing activities are conducted through the parent Canacol, which is the issuer and a principal obligor in relation to the equity and debt financing that funds the group’s operations.

13. In the aggregate, the Canacol Group employs approximately 381 full-time employees across various jurisdictions. The majority of these employees are based in Colombia, and are employed by CNE Panama (through its Sucursal, CNEOG Colombia), CNE O&G Colombia and Canacol Colombia.¹⁰

E&P Contracts

14. Canacol holds, through its Subsidiaries CNE O&G Colombia, Canacol Colombia, CNE Panama (through its Sucursal, CNEOG Colombia) and Cantana Switzerland (through its Sucursal, Cantana Colombia), interests in onshore oil and gas production, development, appraisal and exploration properties across Colombia. These interests are documented

⁷ Bednar Affidavit 1, at paras 33-34.

⁸ Bednar Affidavit 1, at paras 39-40.

⁹ Bednar Affidavit 1, at paras 7-8.

¹⁰ Bednar Affidavit 1, at paras 55-58.

under E&P Contracts with the Colombian Agencia Nacional de Hidrocarburos (“**ANH**”) (the National Hydrocarbon Agency).¹¹

15. Canacol also holds oil assets in the Llanos Basin region of Colombia, known as the “Rancho Hermoso Field”. Oil production from the Rancho Hermoso Field is governed by a participation agreement with Hocol S.A. (a subsidiary of Ecopetrol, S.A., the national oil company of Colombia).¹²
16. Under the Canacol Group’s E&P Contracts, the group: (1) bears the risk and cost of exploration and development; (2) if commercial gas is discovered, owns the produced gas (subject to payment of royalties to the state) and may sell it under Colombian law; and (3) proceeds to explore, evaluate, and produce gas subject to specified timelines and work commitments.¹³

Offtake Agreements

17. The Canacol Group sells most of its gas under long term, fixed price, U.S. dollar denominated to standard form gas offtake agreements (collectively, the “**Offtake Agreements**”).¹⁴
18. Revenues from sales pursuant to Offtake Agreements are received by the Canacol Group into (1) bank accounts operated by the Canacol Group (approximately 10% of revenues); and (2) into a trust held for Promigas S.A. E.S.P. (“**Promigas**”),¹⁵ as beneficiary (approximately 90% of revenues). Promigas’ transport fees are deducted and the residual amounts are remitted to the Canacol Group into deposit accounts maintained by the Canacol Group in Colombia and New York (the “**Remittance Accounts**”).¹⁶ In accordance with the loan documents in effect between Canacol and Macquarie, the Remittance

¹¹ Bednar Affidavit 1, at para 10.

¹² Bednar Affidavit 1, at para 12.

¹³ Bednar Affidavit 1, at para 42.

¹⁴ Bednar Affidavit 1, at para 67

¹⁵ Promigas transports a large portion of Colombia’s natural gas, and has an arrangement with the Canacol Group for the transport of the majority of Canacol’s natural gas, through Promigas’ network of pipelines. Bednar Affidavit 1, paras 48-49.

¹⁶ Bednar Affidavit 1, at paras 47-50.

Accounts are subject to deposit account control agreements (each, a “**DACA**”). Until the DACAs have been triggered, Canacol Group deals with monies in the Remittance Accounts to fund its operations.¹⁷

Financial Position of the Applicants

Assets and Liabilities

19. As of September 30, 2025, the Canacol Group had combined total assets with a book value of approximately \$1,292,418,000, and total liabilities of approximately \$906,816,000.¹⁸

Secured Indebtedness

20. Canacol is the borrower under a credit agreement (the “**Macquarie Credit Agreement**”) with Macquarie Bank Ltd. (“**Macquarie**”). The credit facility thereunder (the “**Macquarie Credit Facility**”) is guaranteed by all of Canacol’s Subsidiaries.¹⁹
21. The Macquarie Credit Facility is a secured term loan facility for an aggregate commitment of \$75,000,000. Canacol has drawn an initial borrowing of \$50,000,000 from the Macquarie Credit Facility. To date, Canacol has not been able to request any subsequent borrowings under the Macquarie Credit Agreement as it has failed to achieve certain specified production targets that are a condition to any additional borrowings.²⁰
22. As security for the Macquarie Credit Facility, U.S. and Colombian collateral documents were executed by the Canacol Group giving Macquarie (i) a first-priority security interest against the Canacol Group’s assets in Colombia and the United States, (ii) springing control over certain US and Colombian collection accounts pursuant to the DACAs, and (iii) pledges of the shares of key Subsidiaries.²¹

¹⁷ Bednar Affidavit 1, at para 63.

¹⁸ Bednar Affidavit 1, at paras 80, 88.

¹⁹ Bednar Affidavit 1, at paras 89, 94.

²⁰ Bednar Affidavit 1, at para 91.

²¹ Bednar Affidavit 1, at para 95.

23. Macquarie has not filed financing statements in respect of Canacol or the Canadian Subsidiaries.²²
24. The maturity date of the Macquarie Credit Facility is September 15, 2026, subject to earlier maturity, triggered by the failure by the Canacol Group to meet certain specified production metrics. These production metrics have not been achieved, and as a result, the Macquarie Credit Facility began to amortize over eight equal monthly installments starting on September 15, 2025.²³
25. As at November 17, 2025, the indebtedness owing to Macquarie under this facility was \$37,500,000.²⁴

Unsecured Indebtedness

(1) Revolving Syndicated Credit Facility

26. Canacol is the borrower under the Syndicate Credit Agreement with, among others, Deutsche Bank Trust Company Americas, as Administrative Agent, and a syndicate of lenders. The facility is guaranteed by Canacol ULC, Canacol Colombia, CNE O&G Colombia, CNE Energy Colombia, CNE Panama, and Shona Switzerland.²⁵
27. The facility is an unsecured revolving credit facility with an aggregate commitment of \$200,000,000, available for multiple draws during the availability period.²⁶
28. Interest on the facility is payable monthly. During any event of default, interest accrues at a rate 2.00% per annum above the rate otherwise applicable.²⁷

²² Bednar Affidavit 1, at para 96.

²³ Bednar Affidavit 1, at para 93.

²⁴ Bednar Affidavit 1, at para 91.

²⁵ Bednar Affidavit 1, at paras 97, 101.

²⁶ Bednar Affidavit 1, at para 98.

²⁷ Bednar Affidavit 1, at para 99.

29. The facility under the Syndicate Credit Agreement matures on February 14, 2027. As at November 17, 2025, the indebtedness owing to the lenders under this facility was US\$200,000,000.²⁸

(2) Indenture

30. Canacol is the issuer under the Indenture with Citibank, N.A., as Trustee, Security Registrar and Paying Agent, providing for the issuance of Canacol's 5.750% Senior Notes due 2028. The notes are guaranteed by Canacol ULC, Canacol Colombia, CNE O&G Colombia, CNE Energy Colombia, CNE Panama, and Shona Switzerland.²⁹
31. The aggregate principal amount of the notes outstanding under the Indenture was on or around November 17, 2025, \$495,000,000. The notes mature on November 24, 2028.³⁰
32. The notes bear interest at a fixed rate of 5.750% per annum, payable semi-annually. A failure to pay any interest when due constitutes an event of default if it remains uncured for 30 days.³¹
33. The claims of the noteholders are not secured against the Canacol Group's assets.

Letters of Credit

34. The Canacol Group's E&P Contracts described above require Canacol to provide guarantees and financial assurances for work commitments related to each contract. As at October 31, 2025, the Canacol Group had letters of credit outstanding totaling \$61,272,727. Certain of these letters of credit in the amount of \$21,000,000 expire as of December 31, 2025 and discussions concerning their renewal of the resulting collateralization obligation of the Applicants are ongoing.³²

²⁸ Bednar Affidavit 1, at para 100.

²⁹ Bednar Affidavit 1, at paras 102, 107.

³⁰ Bednar Affidavit 1, at paras 105-06.

³¹ Bednar Affidavit 1, at para 104.

³² Bednar Affidavit 1, at para 108; Bednar Affidavit 2, at para 9, Bednar Affidavit 3, at para 26.

Litigation

35. The Canacol Group is subject to several litigation proceedings. The most material of these include:³³
- (a) a proposed class action (the “**Class Action**”) against Canacol, alleging secondary market misrepresentation in connection with a pipeline (the Medellin pipeline) project; and
 - (b) a dispute arising from CNE O&G Colombia’s and CNE Panama’s termination of three natural gas Offtake Agreements with VP Ingenergía. This dispute was resolved by the Arbitral Tribunal in Colombia who determined that a net amount payable by the Canacol Arbitration Parties of approximately \$22,000,000.

*Events Leading to this CCAA Proceeding**November Payment Defaults*

36. Payments of the following approximate amounts under the Macquarie Credit Agreement, the Syndicate Credit Agreement and the Indenture were due by Canacol in November 2025:
- (a) Under the Macquarie Credit Agreement: \$6,746,972.69 previously due on November 18, 2025;
 - (b) Under the Syndicate Credit Facility: \$4,454,312.89 previously due on November 21, 2025; and
 - (c) Under the Indenture: \$14,231,250.00 previously due on November 24, 2025;
- (collectively, the “**November Payments**”).³⁴

³³ Bednar Affidavit 1, at paras 114-19.

³⁴ Bednar Affidavit 1, at para 124.

37. Canacol did not, at the date of the Initial Order, and continues to not have sufficient liquidity to make the November Payments. As a result, Canacol group has defaulted under the Macquarie Credit Agreement, the Syndicate Credit Agreement, and Indenture.³⁵

Operational Challenges

38. In the normal course, the natural depletion of oil and gas reserves is offset by successful exploration and exploitation efforts (new reservoirs are discovered, and production follows as a result). Despite there being inherent geological risk that exploration and exploitation efforts will be unsuccessful, the Canacol Group has encountered unexpected challenges in its recent efforts. The lack of success in replacing 100% of produced reserves, along with limited exploration success and diminishing production from established wells, have directly impacted the Canacol Group's revenue generation while fixed operating costs have increased.³⁶
39. Absent continued CCAA protection and the ability to borrower interim financing, the Canacol Group does not have sufficient liquidity to continue normal course operations, let alone incur the extensive capital costs attendant on new exploration and exploitation processes. A disorderly shut down of operations at this time would not only destroy any prospect of the Canacol Group continuing as a going concern, it would also have significant and material impacts on the supply of gas to Colombia's electricity grid.³⁷

Efforts to Raise Capital

40. Since 2024, the Canacol Group has made significant and focused efforts to obtain additional liquidity from both current and outside lenders. Despite six out of seven of these efforts progressing to the term sheet phase, Canacol has not been able to successfully secure new financing. The Canacol Group ran out of time and alternatives to secure alternative cash sources in the immediate term in order to make the November Payments.³⁸

³⁵ Bednar Affidavit 1, at para 125.

³⁶ Bednar Affidavit 1, at para 127.

³⁷ Bednar Affidavit 1, at para 130.

³⁸ Bednar Affidavit 1, at paras 131-32.

41. The Canacol Group's attempts to negotiate financing arrangements prior to the commencement of these CCAA proceedings were significantly focused on discussions with the Canacol Group's sole secured lender, Macquarie.³⁹ These efforts resulted in the Canacol Group providing various forms of reporting and additional due diligence information to Macquarie in the months leading up to the Applicant seeking creditor protection under the CCAA.⁴⁰

DIP Solicitation Process and Status of CCAA Proceedings

42. The Canacol Group with the assistance of the Monitor, have prepared a 13-week cash flow forecast (the "**Cash Flow Forecast**") in which the estimated working capital expenditures, tax payments to the governments of Colombia, operational expenses, payroll and benefit expenses, royalty payments to ANH, payments for pre-filing critical expenses, and restructuring costs, including the professional fees and disbursements will, without additional funding, exceed the Applicants' estimated revenues by early January, 2026.⁴¹ According to the Cash Flow Forecast, the Applicants require an immediate cash injection and over the 13-week period.
43. In this regard, the Canacol Group developed with the Monitor, and its advisors, an orderly and transparent DIP selection process (the "**DIP Solicitation Process**") for the solicitation of offers, negotiation and ultimate selection of a debtor-in-possession lender to provide critical debtor-in-possession financing ("**DIP Financing**").⁴² The DIP Solicitation Process has allowed all potential interim lenders that have expressed interest and any other person coming forward to provide DIP Financing. All participants in the DIP Solicitation Process including the Applicants' primary creditors, have been provided with equal information and will have equal opportunities to submit proposals to provide potential DIP Financing.⁴³

³⁹ Bednar Affidavit 3, at para 56.

⁴⁰ Bednar Affidavit 3, paras. 57(d), 58, 61.

⁴¹ Bednar Affidavit 3, at paras 53 and 54.

⁴² Bednar Affidavit 3, at para 11.

⁴³ Bednar Affidavit, at paras 13, 14.

44. The DIP Solicitation Process ended on December 4, 2025. The Canacol Group has negotiated and entered into the DIP Loan Agreement with an Ad Hoc Bondholder Group represented by Cassels Brock & Blackwell LLP (the “**Bondholder DIP Group**”). The Applicants have determined that the Bondholder DIP Group’s DIP Financing offer provides the greatest benefit to the Applicants’ stakeholders and is thus the successful offer arising from the DIP Solicitation Process.
45. The Canacol Group has entered into a debtor-in-possession interim financing agreement the (“**DIP Loan Agreement**”) with the Bondholder DIP Group. The DIP Loan Agreement makes available to the Applicants a Canadian dollar aggregate equivalent of US\$67,000,000 pursuant to a debtor-in-possession interim financing facility (the “**DIP Facility**”) in three tranches, as discussed in more detail below.⁴⁴
46. The DIP Facility and DIP Lenders’ Charge are essential to provide the Applicants with the financing they require to continue to operate their Business and restructure their affairs for the benefit of their stakeholders.
47. The other relevant facts and status of the CCAA Proceedings since the granting of the Initial Order will be set out in detail below.

III. ISSUES

48. The issues to be determined by this Honourable Court at the Comeback Hearing are as follows:
- (a) Should this Court abridge the time for service of this Application and related materials?
- (b) Should the Stay granted under the Initial Order be extended from December 18, 2025 to February 6, 2026?

⁴⁴ Bednar Affidavit 3, at para 64.

- (c) Should the DIP Loan Agreement and DIP Facility be approved, and the DIP Lender's Charge be granted in priority over all Encumbrances (as defined in the ARIO Order) in favour of any person over the Property?
- (d) Should the maximum aggregate amount that the Applicants are entitled to pay, with the approval of the Monitor, for goods and services supplied to the Applicants by critical vendors prior to the date of the Initial Order, be increased from \$5,500,000 to \$10,000,000.
- (e) Should the Second Report of KPMG in its capacity as Monitor, be approved, and the activities and conduct of the Monitor referenced therein be approved?

IV. LAW AND ARGUMENT

A. SERVICE SHOULD BE ABRIDGED

49. Rule 13.5(2)(a) of the *Alberta Rules of Court* provides the Court the authority to abridge the time for service of this application.⁴⁵
50. The hearing before Justice Mah was confirmed by the Court on November 26, 2025, and direction from the Court provided that same day that the Applicants' materials be filed by December 5, 2025, and responding materials be filed by December 8, 2025. The ARIO was granted on November 28, 2025.
51. The DIP Solicitation Process concluded on December 4, 2025. The deadline for initial DIP bids was previously extended from November 26, 2025 to December 2, 2025, leaving only until December 5, 2025 for the Applicants to finalize DIP loan terms and prepare and file their court materials.
52. On December 5, 2025, the Applicants served their Application (with form of SARIO), the Bednar Affidavit 3 and a PDF compare of the SARIO to the ARIO on the service list for the DIP Hearing.⁴⁶

⁴⁵ *Alberta Rules of Court*, Alta Reg 124/2010, [Rule 13.5\(2\)\(a\)](#) [TAB 2].

⁴⁶ Affidavit of Service of Arriane Tano, sworn in support of the ARIO.

53. Based on the courts filing directions, it is appropriate and reasonable in the circumstances that the Court abridge the time for service of this application.

B. THE STAY SHOULD BE EXTENDED

54. The Applicants seek an extension of the Stay from December 18, 2025 to February 6, 2026 for the reasons set out below.

55. As referenced above, under s. 11.02 of the CCAA, a court may grant extensions of the stay of proceedings where the court is satisfied that: (i) circumstances exist that make the order appropriate; and (ii) the debtor has acted, and is continuing to act, in good faith and with due diligence.⁴⁷

56. A key purpose of the CCAA is to maintain the *status quo* to allow a debtor company the breathing room to deal with its liquidity issues, consult with stakeholders, and develop a viable restructuring plan with a view to continuing operations for the benefit of all stakeholders. The interests to be considered include those of employees, directors, and even other parties doing business with the insolvent company.⁴⁸

57. Courts have further noted that a stay of proceedings is appropriate:

- a) to allow the debtor to stabilize its operations and reorganize as a going concern to maximize value for stakeholders;⁴⁹
- b) to stabilize the activities and operations of the applicant while a sales process was underway and that stabilization via the stay was necessary to maximize the chances of recovery for stakeholders;⁵⁰
- c) where the remedial purposes of the CCAA are being met.⁵¹

⁴⁷ CCAA, ss 11.02 (2), 11.02(3) [TAB 1].

⁴⁸ *Century Services Inc. v Canada (Attorney General)*, 2010 SCC 60 at para 60 [TAB 3].

⁴⁹ *Target Canada Co, Re*, 2015 ONSC 303 at para 8 [TAB 4].

⁵⁰ *Re Hudson's Bay Company*, 2025 ONSC 1897 at para 19 [*Hudson's Bay I*] [TAB 5].

⁵¹ *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52 at para 42 [TAB 6].

58. The Applicants continue to require a stay of proceedings to maintain stability and continue operations during these CCAA proceedings. The Applicants are seeking an extension of the stay of proceedings until February 6, 2026, in accordance with the cash flow projections prepared by the Applicants with the assistance of the Monitor.⁵²
59. As discussed in more detail below, to achieve their restructuring goals, the Applicants require DIP Financing. The Applicants have developed with the Monitor and implemented the DIP Solicitation Process for the solicitation of offers, negotiation and ultimate selection of a DIP Lender to provide DIP Financing.⁵³ The Applicants have chosen the DIP Lender as the successful bidder, as also discussed below.
60. Since the granting of the ARIO, the Canacol Group has also, in close consultation with and with the assistance of the Monitor, been working in good faith and with due diligence, including:
- (a) maintaining the Applicants' business and operations, and manage their cash in accordance with the ARIO;
 - (b) consulting regularly with the Monitor and legal counsel;
 - (c) implementing the DIP Solicitation Process in consultation with their advisors (including Canacol's financial advisor, Plexus) and the Monitor, and communicate with interested parties, including the Canacol Group's lenders and above mentioned noteholder groups, regarding their participation in the DIP Solicitation Process;
 - (d) communicating with the Canacol Group's creditors regarding these CCAA proceedings and the granting of the Initial Order and the ARIO, and working with the Monitor and legal counsel to respond to numerous creditor and stakeholder inquiries;
 - (e) working closely with the Monitor to manage the Applicants' cash flows and prepare the Cash Flow Forecast (as defined in the Second Report);
 - (f) making payment in the aggregate amount of US\$5,169,000, in consultation with and on the approval of the Monitor, to certain suppliers on account of pre-filing amounts which are critical to the Applicants' business and operations continuing as a going concern;

⁵² Bednar Affidavit 3, at paras 45 and 46.

⁵³ Bednar Affidavit 2, at para 8

- (g) making payment of Colombian withholding taxes in the amount of US\$4,815,000 and royalties due to ANH in the amount of US\$1,770,000, each in accordance with the ARIO; and
- (h) working closely with U.S. and Colombian legal counsel and the Foreign Representative to (i) prepare for the December 11, 2025 hearing in respect of the US Recognition Proceedings, and (ii) obtain, on November 28, 2025, a stay of proceedings against Canacol Colombia, CNE O&G, Cantana Colombia (Sucursal of Cantana Switzerland) and CNEOG Colombia (Sucursal of CNE Panama) pursuant to the PRES Order.⁵⁴
61. Based on the forgoing, the Applicants have acted, and continue to act, in good faith and with due diligence during these CCAA proceedings. The extension of the Stay is necessary and appropriate in the circumstances to provide the Applicants with the continued breathing room required to maintain going concern operations with the goal of developing and implementing, under the supervision of and in consultation with the Monitor, a sales and investment solicitation process (“SISP”).⁵⁵
62. In the absence of continued protection provided by the typical broad-based stays being sought, there is a material risk that creditors of the Applicants may avail themselves of remedies that will deprive the Applicants of the ability to operate. If this were to occur, it is likely that there would be a substantial dissipation of value, to the prejudice of the general body of the creditors and the Applicants’ stakeholders. No creditor will be materially prejudiced by the requested extension of the Stay.
63. In the event of a disorderly wind-down of the Business in Colombia following an enforcement action against the Applicants’ assets, there is also a risk of supply disruption to counterparties and end-use energy customers in Colombia, including citizens whose electricity is generated using gas supplied by the Applicants.⁵⁶
64. The Monitor supports the extension of the Stay until February 6, 2026.⁵⁷

⁵⁴ Bednar Affidavit 3, at para 8.

⁵⁵ Bednar Affidavit 3, at para 49.

⁵⁶ Bednar Affidavit 1, at para 9.

⁵⁷ First Report of the Monitor.

65. In the circumstances, it is appropriate that the Applicants be granted a further extension of the Stay to February 6, 2026.

C. THE DIP LENDER’S AGREEMENT AND DIP FINANCING SHOULD BE APPROVED, AND DIP LENDER’S CHARGE SHOULD BE GRANTED

66. As discussed above, the Applicants, with the oversight of the Monitor, implemented the DIP Solicitation Process in order to seek critical interim financing for the preservation of the Business. The Bondholder DIP Group has been chosen as the successful DIP Lender and the Applicants are seeking approval of the DIP Loan Agreement it has entered into with the Bondholder DIP Group, and the extension of the DIP Lender’s Charge over the Property.

67. The DIP Loan Agreement provides for the following key terms and conditions⁵⁸:

Borrowers	Canacol, each of the Canadian Subsidiaries and each of the Colombian Subsidiaries
Guarantors	Cantana Switzerland, Shona Switzerland, CNE O&G Panama, Cantana Energy Sucursal Colombia, CECSA Midstream S.A. E.S.P. Sucursal Colombia, CNEOG Colombia Sucursal Colombia, CECSA Energy Inc. Sucursal Colombia
DIP Facility	<p>Credit facility up to a maximum amount of US\$67,000,000, comprised of the following sub-facilities:</p> <p>(i) delayed-draw term loan sub-facility in the maximum principal amount of US\$45,000,000 (the “Tranche A Sub-Facility”), by way of the following advances:</p> <ul style="list-style-type: none"> • “Initial Advance” up to the maximum amount of US\$15,000,000; • “Subsequent Advance” up to the maximum amount of US\$30,000,000 <p>(ii) letter of credit sub-facility to renew and/or replace certain Lapsing LCs (the “Tranche B Letters of Credit”), in the aggregate maximum amount of US\$20,000,000 (the “Tranche B Sub-Facility”); and</p>

⁵⁸ Bednar Affidavit 3, at para 64.

	(iii) letter of credit sub-facility for new letters of credit (the “ Tranche C Letters of Credit ”) to be issued for and on behalf of one or more of the Loan Parties as specified in the Cash Flow Forecast in the aggregate maximum amount of US\$2,000,000) (the “ Tranche C Sub-Facility ”)
Material Condition(s) to Advances	<p><i>All Facilities</i></p> <ul style="list-style-type: none"> • Delivery of a Cash Flow Forecast as approved by the Monitor <p><i>Tranche A Sub-Facility</i></p> <p>Initial Advance Conditions</p> <ul style="list-style-type: none"> • The US Recognition Order • The US DIP Approval Order • Borrowers’ compliance with the Cash Flow Forecast • Agreement between the Borrower and the DIP Lender as to the terms of a sale and investment solicitation process (a “SISP”). <p>Subsequent Advance Conditions</p> <ul style="list-style-type: none"> • All Initial Advance conditions satisfied • The Colombian Recognition Order • The Colombian DIP Approval Recognition Order • The Colombian DIP Security Documents <p><i>Tranche B Sub-Facility / Tranche C Sub-Facility</i></p> <ul style="list-style-type: none"> • Proceeds must be used for disbursements in accordance with the Cash Flow Forecast (including any Lapsing LCs to be replaced by a Tranche B Letter of Credit) • Delivery of a notice including all particulars of the Letter of Credit being requested
Permitted Variance (vs. Cash Flow Forecast)	a negative variance of (i) more than 15.0% actual receipts for such testing period; (ii) more than 15% actual receipts for the cumulative period commencing on the date of the initial Cash Flow Forecast and ending on the last day of such testing period; (iii) more than 10.0% actual disbursements for such testing period; and (iv) more than 10% actual disbursements for the cumulative period commencing on the date of the initial Cash Flow Forecast and ending on the last day of such testing period.
Interest	<p>Interest is payable by the Borrowers on the first Business Day of each calendar month:</p> <ul style="list-style-type: none"> • at the rate of 13% per annum on the outstanding principal amount of Tranche A Sub-Facility on account of interest accrued during the immediately preceding month to and including the date of the Subsequent Advance; and

	<ul style="list-style-type: none"> • at the rate of 11% per annum on the (full) outstanding principal amount of Tranche A Sub Facility on account of interest accrued from and after the date of the Subsequent Advance during the immediately preceding month or portion of such month.
Milestones	<p>By December 12, 2025:</p> <ul style="list-style-type: none"> • US Recognition Order shall have been issued by the US Court <p>By December 15, 2025:</p> <ul style="list-style-type: none"> • The SARIO (or an order approving of the DIP Loan Agreement) shall have been issued by the CCAA Court <p>By December 19, 2025:</p> <ul style="list-style-type: none"> • The US DIP Approval Order shall have been issued by the US Court <p>By December 22, 2025:</p> <ul style="list-style-type: none"> • Borrowers shall have retained a sale advisor to assist with the SISP <p>By December 28, 2025:</p> <ul style="list-style-type: none"> • Colombian Recognition Order shall have been issued by the Colombian Court <p>By January 7, 2026:</p> <ul style="list-style-type: none"> • Colombian DIP Approval Recognition Order shall have been issued by the Colombian Court <p>By January 20, 2026:</p> <ul style="list-style-type: none"> • The CCAA Court shall have issued a SISP approval order • The CCAA Court shall have issued an order, approving a key employee retention plan satisfactory to the Lenders <p>By January 23, 2026:</p> <ul style="list-style-type: none"> • Completion of the Colombian DIP Security Process <p>By February 14, 2026</p> <ul style="list-style-type: none"> • SISP approval order of the CCAA Court shall have been recognized and approved by a Colombian Court <p>By June 30, 2026:</p> <ul style="list-style-type: none"> • Closing of a transaction selected pursuant to the SISP; or • An Acceptable Plan of Arrangement has become effective.
Fees and Expenses	<p><i>Commitment Fee:</i> 5% of the maximum amount such Lender's DIP Facility Commitment Amount under the Tranche A Sub-Facility;</p> <p><i>LC Fees:</i> (1) participation fee to each Lender in respect of its participations in Letters of Credit, which shall accrue at 5% on the average daily amount of such Lender's LC Exposure; (2) the applicable Issuing Bank fronting fee, which shall accrue at the rate of 0.25% per annum on the average daily amount of the LC Exposure; and (3) the Issuing Bank's standard fees with respect to the issuance, amendment, renewal, extension of any LC.</p>

	<i>Lenders' Fees and Expenses:</i> all reasonable and documented fees, expenses and disbursements of the Tranche A Lenders, the Fronting Lender, and the DIP Agent (if applicable) and the fees, expenses, and disbursements of their advisors, and the Notes Trustee and counsel to the Notes Trustee incurred in connection with the Borrowers, the Restructuring Proceedings and the DIP Loan Agreement.
Maturity Date	The earliest of: <ul style="list-style-type: none"> • June 30, 2026; • the effective date of (a) the sale of all or substantially all of the assets, property or business of any of the Borrowers or (b) a Plan of Arrangement; • the consummation of a transaction pursuant to the SISP; • the termination of the CCAA Proceedings, the appointment of a receiver, the bankruptcy of one or more of the Loan Parties, or any similar or other types of liquidation proceeding in respect of any one or more of the Loan Parties in Colombia under Colombian law; or • the occurrence of an Event of Default
Security	<ul style="list-style-type: none"> • The DIP Lenders' Charge • The US DIP Approval Order; • The Colombian Recognition Order; and • The Colombian DIP Security Process.

68. For the reasons set out below, it is appropriate that the Court approve the DIP Loan Agreement and DIP Financing, and the DIP Lenders' Charge should be granted, in priority to all other security and encumbrances, other than the Administration Charge for the benefit of professionals.

(a) Interim Financing Factors

69. Section 11.2 of the CCAA allows this Court to approve interim financing and grant the DIP Lender's Charge on notice to those secured creditors that would be affected, and in an amount that the Court considers appropriate having regard to the cash flow forecast. The charge may not secure an obligation that exists before the order is made.⁵⁹

⁵⁹ [CCAA, s 11.2\(1\)](#) [TAB 1].

70. Section 11.2(4) of the CCAA provides a non-exhaustive list of factors to be considered by this Honourable Court in deciding whether this Honourable Court should declare the Applicants' Property be subject to the DIP Lender's Charge:

11.2(4) Factors to be considered: In deciding whether to make an order, the court is to consider, among other things,

- (a) the period during which the debtor is expected to be subject to proceedings under this Act;
- (b) how the company's business and financial affairs are to be managed during the proceedings;
- (c) whether the company's management has the confidence of its major creditors;
- (d) whether the loan would enhance the prospects of a viable proposal being made in respect of the company;
- (e) the nature and value of the company's property;
- (f) whether any creditor would be materially prejudiced as a result of the security or charge; and
- (g) the monitor's report referred to in paragraph 23(1)(b), if any.⁶⁰

71. In *Re Hudson's Bay Company*, a DIP facility was approved and DIP charge was granted because the applicants were facing an urgent and immediate liquidity crisis and would be unable to pay rent, make supplier commitments, or make payroll within days if the financing was not given.⁶¹
72. In *Tacora Resources Inc. (Re)* ("Tacora") the Ontario Superior Court approved the requested DIP financing because it would fund the company's anticipated business and financial affairs during the CCAA proceedings, and furthermore, the debtor company required the DIP facility to commence a solicitation process intended to enhance the prospect of a viable compromise or arrangement being made in respect of the company.⁶²

⁶⁰ [CCAA, s 11.2\(4\)](#) [Tab 1].

⁶¹ [Re Hudson's Bay Company](#), 2025 ONSC 1530 at para 89 [*Hudson's Bay* 2] [TAB 7].

⁶² [Tacora Resources Inc. \(Re\)](#), 2023 ONSC 6126 at para 126 [*Tacora*] [TAB 8].

73. Generally speaking, the Canacol Group's current operations do not generate sufficient funds to cover their day-to-day expenses including professional fees that are set to accrue during these CCAA proceedings, and therefore DIP Financing is critical to allow the Canacol Group to service its post-filing expenses.

(b) Length of CCAA Proceedings

74. In accordance with the DIP Loan Agreement, the Applicants are required by June 30, 2026, to either close a transaction selected pursuant to the SISP or an acceptable plan of arrangement to the DIP Lender must become effective pursuant to the CCAA. Accordingly, the period of time the Applicants would remain under CCAA creditor protection is commercially reasonable in the circumstances, and interim financing will be made available for a defined period of time thereunder.

(b) Management of the Applicants company's business and financial affairs during the CCAA proceedings

75. Courts will consider the business judgment rule and take into account the business judgment by the board of directors of a debtor corporation in considering its choice for DIP financing.⁶³
76. In this case, the Canacol Group's board of directors has received guidance and direction from Miller Thomson LLP, its independent Canadian legal counsel, Gowling WLG (Canada) LLP, its US and Colombian counsel, its financial advisor, Plexus, and has consulted directly with the Monitor and its counsel regarding the choice of a successful DIP Lender.⁶⁴ The Canacol Group will continue to be operated by its current management on a day to day basis with the oversight of its board of directors which remains in place and with the assistance of the professionals listed above. The Canacol Group is well suited and prepared to implement next steps in its restructuring using the DIP Financing so it can achieve a financial restructuring order and/or positive SISP results for the benefit of its

⁶³ *Crystallex International Corp., Re.*, 2012 ONSC 2125 [*Crystallex*], [paras 33-35](#) [TAB 9].

⁶⁴ Bednar Affidavit 3, paras 11, 34-35.

stakeholders. The business judgment of the Canacol Group in its negotiation and entering into the DIP Loan Agreement should thus be given deference by this Honourable Court.

(c) Confidence of Major Creditors

77. The Bond DIP Group is the successful DIP Lender and is made of a group of Ad Hoc Bond Holders which hold the majority of the approximately \$495,000,000 in debt owing by the Canacol Group and the relevant indenture. An inference can be drawn that the Bond DIP Group has the confidence of the Canacol Group, its management and advisors based on it being prepared to extend DIP Financing to the Canacol Group. The Canacol Group further understands that the RCF Lender supports the Canacol Group's restructuring efforts based on their representations to the Court in these CCAA proceedings to date.
78. With respect to Macquarie, although it has taken adverse positions to date against certain of the relief the Canacol Group has sought, in particular the priming charges the Applicants have been granted, Macquarie has not taken the position that it opposes the Applicants restructuring efforts generally. Macquarie was prepared to provide a non-binding term sheet to the Applicants for DIP Financing⁶⁵, which infers that it continues to not oppose the Canacol Group's overall restructuring efforts.

(d) Whether the loan would enhance the prospects of a viable proposal being made in respect of the company

79. In *Tacora*, the Ontario Superior Court cited *Great Basin, Re*, 2012 BCSC 1459, for the principle that the factors under section 11.2(4) of the CCAA should be applied when deciding who shall be the DIP lender and on what terms DIP financing ought to be provided.⁶⁶ Further, the Court held that when approving DIP financing it must determine which proposal is most appropriate and most importantly, which will best serve the

⁶⁵ Bednar Affidavit 3, paras 27-33.

⁶⁶ *Tacora*, [para 105](#) [TAB 8].

interests of the stakeholders as a whole by enhancing the prospect of a successful restructuring.⁶⁷

80. Based on these key terms in the DIP Loan Agreement set out above, the DIP Loan Agreement is commercially reasonable, appropriate and best serves the interests of the stakeholders as a whole, as it provides the Applicants with the necessary working capital to continue operations in accordance with the Cash Flow Forecast and move forward in its ability to implement a SISP. Without the DIP Loan Agreement being approved, or the Initial Advance being made, the Canacol Group will have no choice but to abandon its restructuring efforts and will be at risk of a disorderly shutdown of its gas production activities and business.⁶⁸

(e) The nature and value of the company's property

81. As stated above, as of September 30, 2025, the Canacol Group had combined total assets with a book value of approximately \$1,292,418,000, and total liabilities of approximately \$906,816,000.⁶⁹ Interim financing is absolutely essential to ensure that the Applicants' property has the necessary operating capital to continue operating and maintain value, in particular with a SISP needing to be commended in the short term. As found by Justice Bourque at the Comeback Hearing on the basis of the evidence on the record, the value of the Applicant's significant assets exceeds the indebtedness owing to Macquarie. To the extent that Macquarie holds valid first ranking security over these assets, it would not be prejudiced by being primed by the DIP loan contemplated.

(f) Whether any creditor would be materially prejudiced as a result of the security or charge

82. In *Canada v Canada North Group Inc.*, the Supreme Court of Canada endorsed prior authority from its decision in *Sun Indalex Finance, LLC v. United Steelworkers*, [2013 SCC](#)

⁶⁷ *Ibid*, [para 122](#) [TAB 8].

⁶⁸ Bednar Affidavit 3, at para 55.

⁶⁹ Bednar Affidavit 1, at paras 80, 88.

[67](#), stating that the granting of super-priority charges is critical as a “key aspect of the debtor’s ability to attempt a workout” ...⁷⁰.

83. DIP financing may be approved even if it potentially prejudices some creditors, as long as the prejudice is outweighed by the benefit to all stakeholders.⁷¹
84. The Applicants only secured creditor Macquarie has been on the service list for these CCAA proceedings and has been provided significant notice since the granting of the Initial Order that the Applicants would require and would be seeking interim financing through the DIP Solicitation Process.
85. The Canacol Group advised the prospective DIP lenders, including Macquarie, through the DIP Solicitation Process the amount of financing it required to stabilize its operations and other necessary terms.⁷²
86. Macquarie submitted a non-compliant bid in the DIP Solicitation Process to provide interim financing.⁷³
87. The DIP Loan Agreement includes specific tranches for specific capital requirements of the Canacol Group. For instance, only a specific sum is available to address expiring LC’s and the funds available under Tranche A from the Subsequent Advance only become available once the capital requirements of the Canacol Group necessitate those additional funds. The controlled usage of funds under the DIP Loan Agreement through tranche releases prevents the Canacol Group from overborrowing and over priming Macquarie as its only secured creditor.
88. Furthermore, the aggregate amount of the DIP Financing available is \$67,000,000, which is far short of the aggregate value of the Applicants assets with a book value of

⁷⁰ [Canada v Canada North Group Inc.](#), 2021 SCC 30 [Tab 10] at para 67.

⁷¹ [Springer Aerospace Holdings Limited](#), 2022 ONSC 6581 at para 15 [TAB 11].

⁷² Bednar Affidavit 3, paras 18, 23.

⁷³ Bednar Affidavit 3, paras 31-33.

approximately \$1,292,418,000.⁷⁴ Significant asset value remains which Macquarie's security will be encumbered upon.

89. Based on the foregoing, Macquarie will not be materially prejudiced by the granting of the DIP Lender's Charge for the benefit of the DIP Lender and any prejudice suffered by it is far outweighed by the benefit of all stakeholders overall on the basis that the Applicants will be able to continue to go on as a going concern entity and proceed forward with their restructuring efforts which provides significant benefit for stakeholders generally.

(g) The Monitor's Report

90. The Monitor in the Second Report has disclosed that without additional interim financing that the Canacol Group will be in a deficit cash flow position by early January, 2026.⁷⁵
91. The DIP Facility will provide the necessary working capital to fund the Applicants' operations and activities to the week of February 2, 2026 and is vital to the Applicants' ability to carry on Business as going concern entities, and provide the Canacol Group with the ability to prepare a SISP and commence a SISP. The DIP Facility is consistent with and supported by the 13-week cash flow set out in the Second Report.
92. The Monitor has recommended that this Court approve the DIP Loan Agreement and DIP Facility, and the granting of the DIP Lender's Charge over the Property.
93. For all of the above reasons, the Canacol Group respectfully submits that an Order approving the DIP Lender's Agreement and DIP Facility, granting the DIP Lender's Charge, and declaring that the Property be subject to the priority of the DIP Lender's Charge is necessary and appropriate in the circumstances.

⁷⁴ Bednar Affidavit 1, at paras 80, 88.

⁷⁵ Bednar Affidavit 3, para 54.

D. THE LIMIT FOR PRE-FILING PAYMENTS TO CRITICAL VENDORS SHOULD BE INCREASED

94. The Initial Order authorizes, but does not require, that the Applicants pay amounts owing for goods or services supplied to the Applicants prior to the date of the Initial Order, if in the opinion of the Applicants, with the consent of the Monitor, such payments are required to ensure the ongoing supply of critical goods and services. Such payments will only be made if they are necessary to avoid the disruption of the Applicants' Business. The limit of the pre-filing payments allowed under the Initial Order is \$2,000,000. This amount was increased under the ARIO to \$5,500,000.
95. The Applicants, in consultation with the Monitor, have identified that additional pre-filing payments to critical vendors will be required in the short term. The Applicants have reached tentative resolutions with these critical vendors to secure their continued supply. In order to provide for payment in respect of these arrangements, the Applicants have budgeted up to an additional approximate aggregate amount of US\$10,250,000, to be deployed only to the extent necessary and only with the prior consent of the Monitor. Together with amounts already paid, these budgeted amounts require an increase of the pre-filing critical vendor limit to a total of US\$15,500,000. As a result, the Applicants are requesting that the maximum aggregate amount that the Applicants are entitled to pay in respect of goods and services supplied to the Applicants prior to the date of the Initial Order by critical vendors be increased from US\$10,000,000 to US\$15,500,000.⁷⁶
96. The Court is empowered to grant this type of critical vendor relief by exercise of its general jurisdiction under section. 11 of the CCAA.⁷⁷ Courts have routinely granted orders allowing CCAA applicants to pay pre-filing amounts to critical suppliers with the consent of the Monitor.⁷⁸ In doing so, Courts have considered the following criteria: (a) whether the goods and services concerned are integral to the business; (b) the applicant's need for the uninterrupted supply of the goods or services; (c) the Monitor's support and willingness

⁷⁶ Bednar Affidavit 3, at para 75.

⁷⁷ [CCAA, s 11 \[TAB 1\]](#).

⁷⁸ [Cinram International Inc. \(Re\)](#), 2012 ONSC 3767 [at paras 23-24 \[TAB 12\]](#); [Springer Aerospace Holdings Limited](#), 2022 ONSC 6581 [at paras 25-27 \[TAB 11\]](#); and [McEwan Enterprises Inc.](#), 2021 ONSC 6453 [at paras 32-33 \[McEwan\] \[TAB 13\]](#).

to work with the applicant to ensure that payments to suppliers in respect of pre-filing liabilities are appropriate; and (d) the effect on the applicant's ongoing operations and ability to restructure if it were unable to make pre-filing payments to its critical suppliers.⁷⁹

97. The Applicants' critical vendors resident in Colombia who are proposed to be paid pre-filing amounts are essential, specialized service providers whose continued support is required to maintain safe, continuous operations in Colombia's oil and gas fields. These suppliers are not readily replaceable on short notice, often hold unique operational know-how and equipment, and many will withhold services or repossess critical assets absent payment of outstanding pre-filing amounts. Having regard to the above factors and the unique realities of operating oil and gas assets in Colombia, payment of these pre-filing obligations is therefore necessary to avoid operational interruptions, safety and environmental risks, and the cascading shutdown of operations. Paying these amounts will assist with stabilizing the Canacol Group's supply chain, preserve going-concern operations, protect the Applicants' licences and regulatory compliance, and maximize recoveries for all stakeholders.⁸⁰
98. The requested increase to the amount that the Applicants are entitled to pay to pre-filing critical vendors, subject to prior approval by the Monitor, has been determined in consultation with the Monitor, and is proportionate, targeted, and essential to maintain the status quo throughout the duration of these CCAA proceedings.⁸¹

E. THE MONITOR'S SECOND REPORT, AND ACTIVITIES OF THEREIN SHOULD BE APPROVED

99. In connection with the Application for the Initial Order, KPMG Inc. in its capacity as the Monitor, filed with the Court the Second Report. The Second Report describe the actions, activities and conduct of the of the Monitor in detail, and in particular regarding the DIP

⁷⁹ *JTI-Macdonald Corp. Re*, 2019 ONSC 1625 [at paras 24-25](#) [TAB 14]; McEwan [at paras 32-33](#) [TAB 13].

⁸⁰ Bednar Affidavit 2, at para 37.

⁸¹ Bednar Affidavit 2, at para 37.

Solicitor Process and the selection of the DIP Lender as the successful interim financing lender.⁸²

100. The Applicants are seeking the approval of the Second Report, and the actions, activities and conduct of the Monitor set out therein. The Monitor has acted honestly, in good faith, and in accordance with its Court-ordered and statutory duties prior to, and throughout the duration of these CCAA Proceedings to date.⁸³

V. CONCLUSION AND RELIEF SOUGHT

101. On the basis of the foregoing, the Applicants seek the relief set out in the Application for the DIP Hearing, on the terms set out in the form of SARIO attached as Schedule “A” to its Application.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 5th day of December, 2025.

Gowling WLG (Canada) LLP



Counsel to the Applicants

⁸² Bednar Affidavit 3, at para 79.

⁸³ Bednar Affidavit 3, para 80.

TABLE OF AUTHORITIES**TAB AUTHORITY**

Legislation

1. [Companies' Creditors Arrangement Act](#), RSC 1985, c C-36
2. [Alberta Rules of Court](#), Alta Reg 124/2010

Jurisprudence

3. [Century Services Inc. v Canada \(Attorney General\)](#), 2010 SCC 60
4. [Target Canada Co, Re](#), 2015 ONSC 303
5. [Re Hudson's Bay Company](#), 2025 ONSC 1897
6. [Delta 9 Cannabis Inc \(Re\)](#), 2025 ABKB 52
7. [Re Hudson's Bay Company](#), 2025 ONSC 1530
8. [Tacora Resources Inc. \(Re\)](#), 2023 ONSC 6126
9. [Crystallex International Corp., Re](#), 2012 ONSC 2125
10. [Canada v. Canada North Group Inc.](#), 2021 SCC 30
11. [Springer Aerospace Holdings Limited](#), 2022 ONSC 6581
12. [Cinram International Inc. \(Re\)](#), 2012 ONSC 3767
13. [McEwan Enterprises Inc](#), 2021 ONSC 6453
14. [JTI-Macdonald Corp, Re](#), 2019 ONSC 1625