Form 10
[Rule 3.25]

Clerk's stamp

CLERK OF THE COURT
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JUDICIAL CENTRE
OF CALGARY

Court File Number	1601- 05495
Court	Court of Queen's Bench of Alberta
Judicial Centre	Calgary
Plaintiff	NATIONAL BANK OF CANADA
Defendant	MOSAIC ENERGY LTD.
Document	**STATEMENT OF CLAIM**

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NOTICE TO DEFENDANT

You are being sued. You are a defendant.

Go to the end of this document to see what you can do and when you must do it.

Note: State below only facts and not evidence (Rule 13.6)

STATEMENT OF FACTS RELIED UPON:

The Parties

1. The Plaintiff, National Bank of Canada ("**NBC**"), is a bank organized pursuant to the provisions of the *Bank Act* (Canada) and has its head office in the City of Montreal in the Province of Quebec.

2. The Defendant, Mosaic Energy Ltd. ("**Mosaic Energy**"), is a body corporate incorporated pursuant to the laws of Alberta that carries on business in the City of Calgary in the Province of Alberta.

The Credit Agreement

3. Pursuant to a Credit Agreement dated June 20, 2013, as amended by Credit Agreement Amendment No. 1 dated November 22, 2013, Credit Agreement Amendment No. 2 dated June 17, 2014, Credit Agreement Amendment No. 3 dated June 12, 2015, and Credit Agreement Amendment No. 4 dated August 24, 2015 (as amended, the "**Original Credit Agreement**"), NBC, CIBC, Wells Fargo, and ATB (collectively, the "**Lenders**") agreed to make available to Mosaic Energy a revolving credit facility in the principal amount of $135,000,000 established by the Lenders in favour of Mosaic Energy (the "**Original Production Facility**"), and agreed to appoint NBC as administrative agent on behalf of all of the Lenders (in such capacity, the "**Administrative Agent**").

4. Pursuant to the Original Credit Agreement, NBC also agreed to make available to Mosaic Energy a revolving credit facility in the principal amount of $15,000,000 established by NBC in favour of Mosaic Energy (the "**Original Operating Facility**").

5. Pursuant to an Amended and Restated Credit Agreement dated January 22, 2016 (the "**Credit Agreement**"), Mosaic Energy, the Lenders, and the Administrative Agent agreed to amend and restate the Original Credit Agreement on the terms and conditions set forth in the Credit Agreement.

6. Pursuant to the Credit Agreement, the Lenders confirmed that NBC, in its capacity as Administrative Agent, would continue to act on their behalf with regard to the matters contemplated by the Credit Agreement.

7. The Credit Agreement provides, among other things, that:

   (a) The Lenders agreed to make available to Mosaic Energy, in a single drawdown on the effective date of the Credit Agreement, a non-revolving term credit facility in the principal amount of $40,000,000 established by the Lenders in favour of Mosaic Energy (the "**Term Facility**") (Section 2.5);

   (b) Any drawdowns made to Mosaic Energy in respect of the Original Production Facility, other than the drawdown of $40,000,000 that was converted to a drawdown under the Term Facility pursuant to Section 2.5, are deemed to be outstanding as drawdowns in respect of the revolving credit facility in the principal amount of $95,000,000 established the Lenders in favour of Mosaic Energy (the “**Production Facility**”) (Section 2.3(a)(ii)); and

(c) Any advances made to Mosaic Energy in respect of the Original Operating Facility are deemed to be outstanding as advances in respect of the revolving credit facility in the principal amount of $15,000,000 established by NBC in favour of Mosaic Energy (the “**Operating Facility**”) (Section 2.3(a)(i)),

(collectively, the “**Credit Facilities**”).

8. Section 11.1(f) of the Credit Agreement required Mosaic Energy to deliver to the Administrative Agent, on or before March 1, 2016, one or more uncommitted term sheets or letters providing for the receipt by Mosaic Energy of aggregate net proceeds of at least $40,000,000 to be used by Mosaic Energy to satisfy the aforementioned requirement to repay all outstanding principal under the Term Facility by March 31, 2016.

9. Section 2.5 of the Credit Agreement required Mosaic Energy to repay to the Administrative Agent on behalf of the Lenders all outstanding obligations in respect of the Term Facility by March 31, 2016.

The Security

10. In order to secure, among other things, all obligations owing to the Lenders by Mosaic Energy, whether present or future, Mosaic Energy granted the Administrative Agent on its own behalf and on behalf of the Lenders, a security interest in, among other things, all present and after-acquired personal property of Mosaic Energy, under and pursuant to the following security agreements:

(a) Debenture dated June 20, 2013 (the “**Debenture**”);

(b) Pledge Agreement dated June 20, 2013; and

(c) General Assignment of Book Debts dated June 20, 2013,

(collectively, the “**Security**”).

11. Pursuant to Section 12.11 of the Credit Agreement, Mosaic Energy acknowledged, confirmed, and agreed, among other things, that all security granted by it in favour of the Administrative Agent for and on behalf of itself and the Lenders pursuant to the Security continues in full force and effect and secures payment and performance by Mosaic Energy of all of Mosaic Energy's obligations under the Credit Agreement.

12. Section 16 of the Debenture provides, among other things, that NBC may appoint a receiver of all property and assets of Mosaic Energy.

13. Section 18.7(e) of the Credit Agreement provides, among other things, that Mosaic Energy is liable to and shall indemnify each of the Lenders and the Administrative Agent for reasonable fees, charges and disbursements of legal counsel on a solicitor and own client basis, including those arising from any litigation or other proceedings, relating to or arising from the administration or enforcement of, among other things, the Credit Facilities, the Credit Agreement, and the Security.

The Defaults

14. Mosaic Energy failed to deliver the uncommitted term sheets or letters of interest as required by Section 11.1(f) of the Credit Agreement (the "**Term Sheet Default**"). On March 7, 2016, NBC notified Mosaic Energy that, pursuant to Section 13.1(d) of the Credit Agreement, the Term Sheet Default would constitute an event of default if it remained unrectified for a period of 30 days from March 7, 2016.

15. Mosaic Energy failed to rectify the Term Sheet Default within 30 days from March 7, 2016 with the result that the Term Sheet Default has matured into an event of default pursuant to Section 13.1(d) of the Credit Agreement (the "**Term Sheet Event of Default**").

16. Moreover, Mosaic Energy has failed to repay to the Administrative Agent on behalf of the Lenders all outstanding obligations in respect of the Term Facility by March 31, 2016, which failure constitutes an event of default under section 13.1(a) of the Credit Agreement (the "**Payment Event of Default**").

17. Accordingly, pursuant to the terms of the Credit Agreement and the Security, Mosaic Energy has committed defaults, including, but not limited to, the Term Sheet Event of Default and the Payment Event of Default.

18. On April 15, 2016, NBC, in its capacity as Administrative Agent for the Lenders, demanded repayment by Mosaic Energy of the amounts owing under the Credit Agreement and delivered to Mosaic Energy a Notice of Intention to Enforce Security pursuant to and in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada).

19. Mosaic Energy has not repaid the amounts owed by it under the Credit Agreement as demanded by NBC. Mosaic Energy has defaulted on the Credit Agreement and the Security by failing, refusing, or neglecting to pay the amounts demanded by NBC in its capacity as Administrative Agent for the Lenders.

20. As of April 15, 2016, Mosaic Energy was indebted to the Lenders in the principal sum of $141,589,753,plus accrued interest of $347,793, exclusive of costs and legal fees on solicitor and own client full indemnity basis (the "**Indebtedness**"). The Indebtedness continues to accrue interest and other fees and expenses, including legal fees on a solicitor and his own client, full indemnity basis.

21. NBC proposes that the trial of this action be held at the Court House, in the City of Calgary, in the Province of Alberta, and does not anticipate that the trial of this action will exceed 25 days in length.

REMEDY SOUGHT:

22. NBC, in its capacity as Administrative Agent on behalf of itself and all of the Lenders, seeks the following relief:

    (a) A declaration that Mosaic Energy is in default and continues to be in default pursuant to the provisions of the Credit Agreement and the Security;

    (b) Judgment against Mosaic Energy in the amount of the Indebtedness, together with interest, fees, and expenses owing under the Credit Agreement and the Security;

    (c) A declaration that the Security granted in favour of the Administrative Agent and the Lenders is valid and enforceable and forms a first charge against all of the property of Mosaic Energy;

(d) The appointment of a receiver and manager over all of the property, assets and undertakings of Mosaic Energy;

(e) An order granting legal costs and expenses incurred by NBC on a solicitor and his own client full indemnity basis; and

(f) Such further and other relief as this Honourable Court may deem just.

NOTICE TO THE DEFENDANT(S)

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Lethbridge, Alberta, AND by serving your statement of defence or a demand for notice on the plaintiff(s)' address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff(s) against you.