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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	**NATIONAL BANK OF CANADA**
RESPONDENTS	**MOSAIC ENERGY LTD.**
DOCUMENT	**FIRST REPORT OF THE RECEIVER** June 17, 2016
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. Calgary City Centre 2200 - 215 2nd Street SW Calgary AB T2P 1M4 Neil Narfason / Peter Chisholm Telephone: (403) 206-5067 / (403) 206-5061 Email: neil.narfason@ca.ey.com peter.chisholm@ca.ey.com **COUNSEL** Norton Rose Fulbright Canada LLP Howard Gorman, Q.C. 400 3rd Avenue SW, Suite 3700 Calgary AB T2P 4H2 Telephone: (403) 267-8144 E-mail: howard.gorman@nortonrosefulbright.com

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APPENDICES

INTRODUCTION

1. Ernst & Young Inc. was appointed as Receiver (the "**Receiver**") of the property, assets and undertakings (the "**Property**") of Mosaic Energy Ltd. ("**Mosaic**" or the "**Company**") pursuant to an Order of this Honourable Court (the "**Receivership Order**") dated April 26, 2016 (the "**Receivership Date**").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of Mosaic, to sell, convey, transfer lease or assign the Property out of the normal course of business, subject to approval of this Honourable Court for any transactions exceeding $1.0 million, or the aggregate of multiple transactions exceeding $5.0 million, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this first report (the "**First Report**") of the Receiver is to provide the Receiver's comments on:

   a) the activities of the Receiver since the Receivership Date;

   b) the retention of RBC Dominion Securities Inc., to act as the selling agent (the "**Selling Agent**") in the proposed sale and investment solicitation process ("**SISP**"); and

   c) the proposed SISP.

TERMS OF REFERENCE

4. Capitalized terms not defined in this First Report are as defined in the Receivership Order or the SISP.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. Mosaic is a privately owned company incorporated under the laws of the Province of Alberta and under the *Canada Business Corporations Act* on July 13, 2004. The Company is focused on the exploration for and the development, production and acquisition of, petroleum and natural gas reserves, and is primarily focused on multi zone horizons in the deep basin of the Western Canadian sedimentary basin.

7. At February 2016 the Company was producing approximately 8,190 barrels of oil equivalent per day of which 74% was comprised of natural gas, 8% oil and 18% oil and natural gas liquids.

8. Mosaic is the operator of its core properties which are described below:

   a) Kakwa / Resthaven Property: includes liquids-rich Montney natural gas, Dunvegan light oil and the Wilrich natural gas plays. Mosaic's reserve values as at December 31, 2015 of PDP NPV 10% - $90 million (9,200 Mboe) and 2P NPV 10% - $1.1 billion (143,000 Mboe); and

   b) West Central Property: predominantly represented by the liquids-rich Glauconite natural gas play in the Gilby area. Reserve values as at December 31, 2015 of PDP NPV 10% - $33.6 million (5,500 Mboe) and 2P NPV 10% - $78.6 million (14,800 Mboe).

9. Mosaic owes secured debt of approximately $111.6 million to a syndicate of financial institutions (the "Syndicate").

10. In addition to the borrowings outstanding to the Syndicate, Mosaic is party to a Gas Handling Agreement (the "GHA") with Pembina Gas Services Limited Partnership ("Pembina") for its natural gas from the Kakwa / Resthaven Property. Under the GHA, Mosaic has firm gas transportation and processing commitments to Pembina with minimum processing and capital charges of approximately $2.0 million per month for a 15 year term commencing October 2015. In the event the GHA is not assumed by a purchaser of Mosaic's assets Pembina would become a significant unsecured creditor of Mosaic.

11. Mosaic's business was negatively impacted by the recent decline in natural gas prices combined with its firm transportation and processing commitments under the GHA.

12. Additional background on Mosaic is available on the Receiver's website, www.ey.com/ca/Mosaic.

ACTIVITIES OF THE RECEIVER

Head Office

13. On the date of the Receivership Order, the Receiver attended at Mosaic's head office (the "**Head Office**"). The Receiver met with Mosaic's senior management team to discuss the transition to the receivership and communicated the receivership to Mosaic's employees.

Employees

14. At the Receivership Date, Mosaic had 35 employees at its Head Office in Calgary, Alberta, 4 full-time field staff and a further 15 contractors (the "**Field Operators**") in the field responsible for oil and gas production.

15. On April 28, 2016 the Receiver terminated all 39 employees of Mosaic and rehired 34 of the employees. The Receiver has retained all Field Operators to assist with continued operations of Mosaic's oil and gas properties during the SISP.

Receiver's Notice to Creditors

16. The Receiver mailed the Receiver's notice and statement in accordance with Section 245 and Section 246 of *the Bankruptcy Insolvency Act* on May 6, 2016 to the creditors of Mosaic as at the Receivership Date per its books and records.

Receiver's Borrowings

17. Pursuant to the Receivership Order, the Receiver has the ability to borrow up to $10 million for the purpose of funding the Receivership. The Receiver has made formal arrangements with the Syndicate to borrow up to $6.5 million which is estimated to be sufficient to operate Mosaic during the SISP. To date, the Receiver has borrowed $3.0 million of this $6.5 million.

Syndicate's Security

18. The Receiver understands that the Syndicate is Mosaic's primary secured creditor and holds general security against Mosaic pursuant to a debenture dated June 20, 2013.

19. The Receiver's legal counsel, Norton Rose Fulbright Canada LLP, has performed a review of the Syndicate's security and advised the Receiver that the Syndicate's security creates a valid and enforceable security interest in favour of the Syndicate in the Property of Mosaic.

SISP

Retention of Selling Agent

20. Prior to the Receivership Date, Mosaic had solicited proposal from five investment banks (the "**Investment Banks**") to act as Mosaic's financial advisor in a review of strategic alternatives. The Receiver requested that the Investment Banks submit revised proposals to the Receiver to act as the exclusive selling agent to market the Property of Mosaic on behalf of the Receiver.

21. The Receiver, in consultation with the Syndicate and Pembina, selected RBC Dominion Securities Inc., a member company of RBC Capital Markets, to act as the exclusive Selling Agent in the SISP. The Receiver retained the Selling Agent pursuant to an engagement letter dated May 13, 2016 (the "**Engagement Letter**").

22. The Engagement Letter contains sensitive commercial terms which, if made public, could cause serious commercial damage to the business of the Selling Agent. Therefore, a redacted version of the Engagement Letter has been attached hereto as Appendix A. The Receiver has issued a Confidential Supplemental Report to this First Report dated June 17, 2016 (the "**June 17, 2016 Confidential Supplemental Report**") which contains an unredacted version of the Engagement Letter and the Receiver will be seeking a motion to have the June 17, 2016 Confidential Supplemental Report sealed.

23. The Receiver is requesting an Order of this Honourable Court approving the Engagement Letter and declaring:

   a) that the fees and expenses payable to the Selling Agent (not including indemnity obligations) are secured by the Receiver's Charge granted by the Receivership Order; and

   b) that the Selling Agent shall incur no liability or obligation as a result of its engagement or the carrying out of its mandate, save and except for gross negligence or willful misconduct on its part.

Overview of SISP

24. The Receiver has developed, with input from the Selling Agent, Syndicate and Pembina, a proposed SISP with a view to maximizing the value of the Property for the benefit of Mosaic' broader stakeholder group. A copy of the proposed SISP is attached as Appendix B.

25. A high-level summary of the SISP is as follows:

Marketing Process

a) The process will commence as soon as reasonably practicable upon approval by this Honourable Court;

b) The SISP will be advertised in the *Daily Oil Bulletin* and a press release will be issued setting out relevant information about the SISP with Canada Newswire designating dissemination in Canada and major financial centres in the United States;

c) The Selling Agent will deliver a non-confidential teaser letter (the "**Teaser**") prepared by the Selling Agent and describing the opportunity to acquire the Property of Mosaic to prospective purchasers ("**Potential Bidders**"). The Teaser will be posted on the Receiver's website and the Selling Agent's RBC Rundle website as soon as practicable following the issuance of the Court approval of the SISP;

d) The Selling Agent will contact Potential Bidders via telephone and/or e-mail to describe the opportunity to acquire the Property of Mosaic; and

c) Prospective purchasers ("**Potential Bidders**") that execute a confidentiality agreement will be provided additional information via a confidential information memorandum ("**CIM**") and access to an electronic data room.

Material Contracts

a) Mosaic holds eight contracts related to oil and gas transportation, processing and marketing that have been identified as contracts material to Mosaic's business operations (the "**Material Contracts**"). The Material Contracts are identified in the defined terms of the SISP.

b) Potential Bidders will be prohibited from contacting counterparties to the Material Contracts (the "**Material Contract Counterparties**") during Phase I of the SISP to limit the volume of Potential Bidders contacting the Material Contract Counterparties.

c) Qualified Phase I Bids will be required to describe all assumptions and conditions relating to each of the Material Contracts which the Qualified Phase I Bidder has factored into the proposed purchase price per its Qualified Phase I Bid.

d) During Phase II, Phase II Bidders will be allowed to enter into discussions with any of the Material Contract Counterparties in respect of the Material Contracts but not with respect to the details of the Phase II Bidders' potential bid.

Phase I Bid Process

a) All Potential Bidders that are parties to a confidentiality agreement with the Receiver shall be deemed to be a qualified phase I bidder (a "**Qualified Phase I Bidder**") and will be promptly notified of such classification by the Selling Agent;

b) A Qualified Phase I Bidder, if it wishes to submit a bid, must deliver written copies of a non-binding letter of intent (a "**Phase I Bid**") to the Selling Agent and the Receiver by no later than 12:00 p.m. (Mountain Time) on August 17, 2016, or such other date or time as may be agreed by the Receiver (the "**Phase I Bid Deadline**").

c) A Phase I Bid will be deemed to be a "**Qualified Phase I Bid**" only if the Phase I Bid complies with the requirements pursuant to Paragraph 14 of the SISP. The Receiver reserves the right to waive compliance with one or more of the requirements of a Qualified Phase II Bidder.

d) The Receiver, in consultation with the Selling Agent and Syndicate, will assess the Phase I Bids received by the Phase I Bid Deadline and determine whether such bids constitute Qualified Phase I Bids;

e) The Receiver, in consultation with the Selling Agent and Syndicate, will consider any bid on behalf of a creditor of Mosaic under which all or a portion of the consideration being offered under the bid includes the compromise of all or a portion of indebtedness owing from Mosaic to the creditor; and

f) The Selling Agent shall notify each party that submits a Phase I Bid in writing as to whether such party has been determined to be a Phase II bidder (**"Phase II Bidder"**) and therefore shall be permitted to proceed to Phase II.

Phase II Bid Process

a) Phase II of the SISP will be limited to those parties that submitted a Qualified Phase I Bid and were identified by the Receiver as a Phase II Bidder. No party shall enter Phase II of the SISP without having participated in Phase I of the SISP;

b) The Selling Agent and Receiver shall allow each Phase II Bidder such further access to due diligence materials and information, management presentations and site visits as the Receiver deems appropriate in its reasonable business judgement and subject to competitive and other business considerations;

c) A Phase II Bidder that wishes to make a formal offer to purchase the Property shall submit a binding offer (a **"Phase II Bid"**) to the Selling Agent so as to be received by them no later than 12:00 p.m. (Mountain Time) on September 7, 2016.

d) Such Phase II Bid shall be a **"Qualified Phase II Bid"** (and such Phase II Bidder shall be a **"Qualified Phase II Bidder"**) only if the Phase II Bid meets all of the requirements of a Qualified Phase II Bid in accordance with Paragraph 24 of the SISP. The Receiver reserves the right to waive compliance with one or more of the requirements of a Qualified Phase II Bidder.

e) The Receiver, in consultation with the Selling Agent and Syndicate, will assess the Phase II Bids received by the Phase II Bid Deadline and determine whether or not each such bid constitutes a Qualified Phase II Bid.

26. The Receiver also reserves the right to:

a) request that certain Qualified Phase II Bidders revisit their Phase II Bids in the event that multiple Qualified Phase II Bids are competitive; or

b) commence an auction process (the **"Auction"**) with respect to multiple Qualified Phase II Bids, pursuant to and in accordance with the auction procedures (the **"Auction Procedures"**) as described in Exhibit "B" to the SISP attached here to as Appendix "B".

Auction

27. In the event that the Receiver elects to commence an Auction, the Receiver, in consultation with the Selling Agent and Lenders, shall determine which Qualified Phase II Bid represents the then highest and best value for the Business or Property (collectively the **"Starting Bid"**).

28. The Receiver, in consultation with the Selling Agent and Lenders, shall then proceed to negotiate and settle with the offeror of the Starting Bid the terms and conditions of a Definitive Agreement in respect of the Starting Bid.

29. The Receiver shall provide copies of the Starting Bid to all Auction Bidders who have indicated they will attend the Auction at least two business days before the Auction.

30. The Auction shall be governed by the Auction Procedures as described in as described in Exhibit "B" to the SISP attached here to as Appendix "B".

Election to waive Auction

31. In the event that the Receiver does not elect to commence an Auction, the Receiver, in consultation with the Selling Agent, may determine the most favourable of the Qualified Phase II Bids (the **"Successful Bid"**).

32. The Receiver, in consultation with the Selling Agent, may then proceed to negotiate and settle the terms and conditions of a Definitive Agreement in respect of the Successful Bid.

Definitive Agreement and Court Approval

33. Once a Definitive Agreement has been negotiated and settled in respect of a Successful Bid whether pursuant to Paragraph 31 or as a result of an Auction, the person who made the Successful Bid shall be the **"Successful Bidder"**.

34. Any Definitive Agreement entered into by the Receiver with a Successful Bidder shall contain as a condition of that agreement, that the agreement is subject to Court approval, and the

Successful Bidder will complete or waive all of its due diligence requirements prior to the Receiver's application for Court approval of the transaction.

35. The Receiver shall apply to this Court 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 Property in the name of the Successful Bidder.

RECEIVER'S RECOMMENDATIONS

Retention of Selling Agent

36. Based on the Receiver's previous experience with the retention of financial advisors in formal insolvency proceedings, the Receiver considers the terms and fees associated with the retention of the Selling Agent to be reasonable in the circumstances and the selection of the Selling Agent was based upon consultation with the Syndicate and Pembina.

37. The Receiver is recommending that this Honourable Court:

a) approve the Engagement Letter;

b) declare that the fees and expenses payable to the Selling Agent (not including indemnity obligations) are secured by the Receiver's charge; and

c) declare that the Selling Agent shall incur no liability or obligation as a result of its engagement or the carrying out of its mandate, save and except for gross negligence or willful misconduct on its part.

SISP

38. The Receiver believes that the SISP is the most commercially reasonable manner in which to maximize the value to all of Mosaic' stakeholders and recommends that this Honourable Court approve the SISP based upon the following:

d) the SISP was developed with input from the Selling Agent, an investment bank with extensive experience and knowledge advising on oil and gas transactions in Western Canada;

e) the SISP is supported by the Syndicate, Mosaic's primary secured creditor, and Pembina, a party possibly representing the significant majority of unsecured claims by value against Mosaic; and

f) the SISP will allow the Receiver to market all of Mosaic' assets for sale for the benefit of Mosaic's stakeholders.

All of which is respectfully submitted this 17th day of June, 2016.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver of Mosaic

Neil Narfason, CA, CIRP, CBV
Senior Vice-President

Peter Chisholm, CA, CIRP
Vice President

APPENDIX A

SELLING AGENT'S ENGAGEMENT LETTER - REDACTED

RBC Capital Markets®

RBC Dominion Securities Inc.
P.O. Box 50
Royal Bank Plaza
Toronto, ON M5J 2W7
Telephone: 416-842-2000

STRICTLY PRIVATE & CONFIDENTIAL

May 13, 2016

Ernst & Young Inc. as Receiver of Mosaic Energy Ltd.
Calgary City Centre
2200 – 215 2nd Street SW
Calgary AB T2P 1M4

Attention: Mr. Neil Narfason
Senior Vice President

Dear Sirs and Mesdames:

Pursuant to an Order of the Court of Queen's Bench of Alberta (the "Court") dated April 26, 2016 (the "Order"), Ernst & Young Inc. was appointed to act as receiver (the "Receiver") of Mosaic Energy Ltd. (the "Company"). This letter sets out the terms and conditions on which the Receiver has engaged RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, pursuant to Section 3(d) of the Order, as its exclusive marketing agent in connection with a potential transaction (each a "Transaction") involving the direct or indirect sale or disposition of the Company, including any Transaction advanced by any creditor of the Company to exchange all or a portion of their claims for equity in the Company or any successor entity, including without limitation pursuant to enforcement of any security or exercise of any remedies with or without Court process (a "Credit Bid"). A Transaction may involve (i) a sale of all or a substantial portion of the shares, business or assets of the Company to one or more third parties, (ii) an investment by a third party in the Company or (iii) an amalgamation, arrangement or other business transaction involving the Company and a third party to effect such sale or disposition.

1. Services

RBC's services in connection with a Transaction will include providing financial analysis and advice on structuring, planning and negotiating a Transaction. In consultation with the Receiver, RBC will assist the Receiver in data collection, preparing marketing materials, contacting prospective purchasers, evaluating offers and assisting in the completion of a Transaction.

2. Information

The Receiver will use its best efforts to assemble and make available or cause to be made available to RBC on a timely basis, all information (financial or otherwise), data, documents, opinions, appraisals, valuations or other information and materials of whatsoever nature or kind respecting the Company and its subsidiaries as RBC may reasonably require or consider appropriate in carrying out its services hereunder. The Receiver also agrees to use its best efforts to provide RBC with timely access to the officers, employees, independent auditors, consultants and financial, legal and other professional advisors of the Company and its subsidiaries as RBC may reasonably require or consider appropriate in performing its services hereunder.

RBC shall be entitled to rely upon such information and all other information that is filed by the Company or the Receiver on behalf of the Company with applicable securities regulatory or other similar authorities pursuant to applicable continuous disclosure obligations, and RBC shall be under no obligation to independently verify any such information so provided to or otherwise obtained by RBC. RBC shall also be under no obligation to determine whether there have been or to investigate any changes in any of such information occurring after the date any of the same were provided or obtained.

The Receiver agrees to furnish RBC with the names of all parties with which the Receiver has had discussions or contacts concerning a possible Transaction (or to the Receiver's knowledge, after due inquiry, any discussions or contacts regarding a potential Transaction that any party has had with any of the Company's directors, officers or employees) and to notify RBC promptly if any person contacts or approaches the Receiver (or to the Receiver's knowledge, after due inquiry, the Company or any of its directors, officers or employees) in connection with a possible Transaction or an expression of interest therein.

To the extent that a Transaction involves any non-cash consideration, the Receiver will also, make available to RBC on a timely basis all information (financial or otherwise), data, documents, opinions, appraisals, valuations and other information and materials of whatsoever nature or kind respecting the party offering such non-cash consideration and its subsidiaries, to the extent such information is available or made available to the Receiver, as RBC may reasonably require or consider appropriate in carrying out its services hereunder.

The Receiver also agrees to cause the party offering such non-cash consideration to provide RBC with timely access to the directors, officers, employees, independent auditors, consultants and financial, legal and other professional advisors of the party offering such non-cash consideration and its subsidiaries, to the extent such access is available or made available to the Receiver, as RBC may reasonably require or consider appropriate in performing its services hereunder.

3. **Fees**

"Gross Proceeds" for purposes of calculating the Success Fee shall include all amounts received by the Company or any affiliate, shareholder or creditor of the Company either from the purchaser or by way of special distributions or dividends, in connection with a Transaction, including cash, securities, property, joint venture partner's carry of the Company's portion of future capital commitments, delayed payments from earn-outs or the exercise of options or rights and debt or obligations assumed, forgiven or retired. For purposes of payment of the Success Fee with respect to any portion of the Gross Proceeds that are not received at the closing of a Transaction, RBC shall estimate at closing such proceeds receivable, and the Success Fee with respect to such proceeds shall be payable to RBC at closing based on such estimate. Any non-cash consideration shall be assessed at its fair market value as of the closing date of a Transaction. If all or a portion of the non-cash consideration is in the form of listed securities, the fair market value of such securities shall be assessed at the volume weighted average trading price of such securities on their principal trading exchange for the five consecutive trading days ending the last trading day immediately prior to the closing date of a Transaction.

RBC shall be entitled to the Success Fee above if a Transaction is completed involving any party, whether or not solicited by RBC, pursuant to an agreement to effect or otherwise complete a Transaction entered into during the term of its engagement or for a period of twelve months after termination of its engagement.

The Receiver will reimburse RBC for all reasonable out-of-pocket expenses incurred by RBC in entering into and performing this agreement, including but not limited to travel and communication expenses, database service expenses, courier charges, the reasonable fees and disbursements of counsel and any other advisors retained by RBC with the consent of the Receiver, such consent not to be unreasonably withheld.

All or part of the amounts payable under this paragraph or under paragraph 4 may be subject to the Goods and Services Tax, Harmonized Sales Tax or applicable provincial sales tax (collectively, "Tax"). Where Tax is applicable, an additional amount equal to the amount of Tax owing will be charged to the Receiver.

4. Related Engagements

To the extent that the Receiver requires any of the following additional services in connection with a Transaction, and the Receiver requests that RBC provide such services, the terms and conditions relating to such services will be outlined in a separate agreement and the fees for such services will be in addition to fees payable hereunder:

(a) the provision of a formal valuation or fairness opinion regarding a Transaction.

Any such agreement will be negotiated separately and in good faith and be consistent with then prevailing industry practice.

5. Term of Engagement

RBC will act for the Receiver as provided in this agreement until the earlier of (i) the termination of its engagement by either the Receiver or RBC upon written notice to the other and (ii) twelve (12) months from the date of this agreement, provided that the Receiver's obligations to indemnify, to pay any amounts due to RBC pursuant to this agreement including fees, expenses and Tax and to maintain the confidentiality of RBC's advice and opinions shall survive the completion of RBC's engagement hereunder, any withdrawal or termination of a Transaction or the expiry or other termination of this agreement. In addition, representations and warranties provided by the Receiver in connection with this agreement shall remain in full force and effect, regardless of any investigation made by RBC or on its behalf.

6. Indemnification

The Receiver hereby agrees to indemnify RBC in accordance with Schedule A hereto, which Schedule forms part of this agreement and the consideration for which is the entering into of this agreement. Such indemnity (the "Indemnity") shall be executed and delivered to RBC on the execution of this agreement and shall be in addition to, and not in substitution for, any liability which the Receiver or any other person may have to RBC or to other persons indemnified pursuant to the Indemnity apart from the Indemnity. The Indemnity shall apply to all services contemplated herein, including, without limitation, any additional services contemplated by paragraph 4 above. For greater certainty, the Receiver shall have no liability for such Indemnity in its personal or corporate capacity and any claim made by RBC pursuant to the Indemnity shall constitute an unsecured claim against the Company only.

7. Confidentiality

RBC acknowledges that all information provided to it by the Receiver pursuant to this agreement is confidential and that such information shall not be used or disclosed other than in furtherance of the purposes of this agreement, provided that this confidentiality obligation shall not apply to information now in the public domain, information which may subsequently become public other than through breach by RBC of its obligations hereunder, information disclosed to RBC by third parties in respect of which such third parties are not under an obligation of confidentiality or information which is required by law to be disclosed. RBC and its representatives, including professional consultants, shall be made aware of and be bound by this provision and RBC hereby agrees to be responsible for the actions of its representatives, in respect of the confidentiality obligations in this paragraph 7.

The advice or opinions of RBC, including any background or supporting materials or analysis, shall not be publicly disclosed or referred to or provided to any third party by the Receiver without the prior written consent of RBC.

8. Acknowledgement of RBC Capital Markets' Activities

The Receiver acknowledges that RBC Capital Markets is a global, full service securities firm engaged in securities trading and brokerage activities, and providing investment banking, investment management, financial and financial advisory services. In the ordinary course of its trading, brokerage, investment and asset management and financial activities, RBC and its affiliates may hold long or short positions, and may trade or otherwise effect or recommend transactions, for its own account or the accounts of its customers, in debt or equity securities or loans of the Company or any other entities that may be involved in a Transaction.

The Receiver further acknowledges that, as a global, full service financial organization, RBC and its affiliates may also provide a broad range of financial products and services to its customers (including, but not limited to, banking, lending, financing, securities placement or underwriting, credit derivative, hedging and foreign exchange products and services), including the Company or any other entities that may be involved in a Transaction.

RBC acknowledges its responsibility to comply with applicable securities laws as they relate to the trading of securities while in possession of material non-public information and further acknowledges that it has in place information barriers to protect the unauthorized transmission of this information to employees of RBC and its affiliates who do not have a legitimate need to know this information. Neither RBC nor any of its affiliates will have any duty to disclose to the Receiver or utilize for the Receiver's benefit any non-public information acquired in the course of providing products or services to any other party, including any entities that may be involved in a Transaction.

9. Publicity

The Receiver acknowledges and agrees that RBC may, subsequent to the announcement of a Transaction, make public its involvement with the Receiver and the Company in the Transaction, including the right of RBC at its own expense to place advertisements describing its services to the Receiver and the Company in financial, news or business publications. Furthermore, if requested by RBC, the Receiver shall include a mutually acceptable reference to RBC in any press release or other public announcement made by the Receiver regarding the matters described in this agreement.

10. Court Approval

The Receiver agrees to seek approval of this agreement by the Court in conjunction with and as part of the Receiver's application for approval of the Sale and Investment Solicitation Process (the "SISP") or any similar or analogous motion for approval of a process to sell or market the business or assets of the Company, including the fees and expenses payable to RBC hereunder. Motion materials filed in support of such relief shall include a redacted version of this agreement, redacting such commercially sensitive information as RBC may reasonably request. The Receiver shall also request that the order approving this agreement (i) declare that the fees and expenses payable to RBC hereunder (not including indemnity obligations) are secured by the Receiver's charge and (ii) declare that RBC shall incur no liability or obligation as a result of its engagement or the carrying out of its mandate, save and except for gross negligence or willful misconduct on its part. In conjunction with the motion seeking approval of the successful bid or bids in the SISP or other Court approved sales process, the Receiver shall also seek a Court order releasing and discharging RBC from any and all liability arising out of or connected with its engagement hereunder or the carrying out of its mandate. Notwithstanding any other provision of this agreement upon the granting of such final order and the expiry of any appeal period in respect thereof, the Receiver's indemnification obligations hereunder shall terminate.

11. Other Matters

The Receiver acknowledges that it has retained RBC solely to provide the financial advisory services as set forth in this agreement and that RBC is not acting as an advisor to the Receiver in respect of legal, tax, accounting or regulatory matters in any jurisdiction, and that RBC will not provide any legal, tax, accounting or regulatory advice, either pursuant to this agreement or otherwise. The Receiver will be solely responsible for engaging and instructing such advisors as it deems necessary for purposes of the subject matter of this agreement and is solely responsible for making its own independent investigation and appraisal of a Transaction contemplated under this agreement, and RBC has no responsibility or liability for the Receiver with respect to such matters. In rendering its services hereunder, RBC will act as an independent contractor, and RBC owes its duties arising out of this engagement solely to the Receiver and to no other person. The Receiver acknowledges that nothing in this letter is intended to create duties to the Receiver beyond those expressly provided for in this letter, and RBC and the Receiver specifically disclaim the creation of any partnership, joint venture, fiduciary, agency or non-contractual relationship between, or the imposition of any partnership, joint venture, fiduciary, agency or non-contractual duties on, either party.

This agreement incorporates the entire agreement between the parties with respect to the subject matter of this agreement, and may not be amended or modified except in writing. This agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta. All financial references in this agreement are to Canadian dollars unless otherwise indicated. If any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision hereof. Headings used herein are for convenience of reference only and shall not affect the interpretation or construction of this agreement. Unless otherwise defined herein, terms which are used in this agreement which are defined in the Securities Act (Ontario) shall have the meaning set forth therein for purposes of this agreement. This agreement may be executed in any number of separate counterparts (including by facsimile or other electronic means) and all such signed counterparts will together constitute one and the same agreement.

12. Acceptance

Please confirm that the foregoing is in accordance with the Receiver's understanding by signing and returning the attached duplicate copy of this letter, which shall thereupon constitute a binding agreement between the Receiver and RBC.

Yours very truly,

RBC DOMINION SECURITIES INC.

By: ____________________

Name (Print): Richard Grudzinski

Title (Print): Managing Director

Accepted and agreed to as of the 13th day of May, 2016.

ERNST & YOUNG INC. IN ITS CAPACITY AS RECEIVER OF MOSAIC ENERGY LTD. AND NOT IN ITS PERSONAL CAPACITY

By: ____________________

Name (Print): Neil Narfason

Title (Print): SVP.

SCHEDULE A

INDEMNITY

In connection with the engagement (the "Engagement") of RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, pursuant to an engagement letter (the "Engagement Letter") between RBC and Ernst & Young Inc. (the "Receiver") as receiver of Mosaic Energy Ltd. (the "Company") dated May 13, 2016, the Receiver agrees to indemnify and hold harmless RBC, each of its subsidiaries and affiliates and each of their respective directors, officers, employees, partners, agents, each other person, if any, controlling RBC or any of its subsidiaries, affiliates and each shareholder of RBC (collectively, the "Indemnified Parties" and individually, an "Indemnified Party"), from and against any and all losses, expenses, claims (including securityholder actions, derivative or otherwise), actions, damages and liabilities, joint or several, including without limitation the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the reasonable fees and expenses of their counsel (collectively, the "Losses") that may be suffered by, imposed upon or asserted against an Indemnified Party as a result of, in respect of, connected with or arising out of any action, suit, proceeding, investigation or claim that may be made or threatened by any person or in enforcing this indemnity (collectively the "Claims") insofar as the Claims relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, the Engagement. The Receiver agrees to waive any right the Receiver may have of first requiring an Indemnified Party to proceed against or enforce any other right, power, remedy or security or claim payment from any other person before claiming under this indemnity. The Receiver also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Receiver or any person asserting Claims on behalf of or in right of the Receiver for or in connection with the Engagement except to the extent any Losses suffered by the Receiver are determined by a court of competent jurisdiction in a final judgment that has become non-appealable to have resulted primarily from the negligence or wilful misconduct of such Indemnified Party. The Receiver will not, without RBC's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any Claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Party is a party thereto) unless the Receiver has acknowledged in writing that the Indemnified Parties are entitled to be indemnified in respect of such Claim and such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from any liabilities arising out of such Claim without any admission of negligence, misconduct, liability or responsibility by or on behalf of any Indemnified Party.

Promptly after receiving notice of a Claim against RBC or any other Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Receiver, RBC or any such other Indemnified Party will notify the Receiver in writing of the particulars thereof, provided that the omission so to notify the Receiver shall not relieve the Receiver of any liability which the Receiver may have to RBC or any other Indemnified Party except and only to the extent that any such delay in or failure to give notice as herein required prejudices the defense of such Claim or results in any material increase in the liability which the Receiver has under this indemnity. The Receiver shall have 14 days after receipt of the notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense of the Claim. If the Receiver undertakes, conducts and controls the settlement or defense of the Claim, the relevant Indemnified Parties shall have the right to participate in the settlement or defense of the Claim.

The foregoing indemnity shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that such Losses to which the Indemnified Party may be subject were primarily caused by the negligence or wilful misconduct of the Indemnified Party.

If for any reason the foregoing indemnity is unavailable (other than in accordance with the terms hereof) to RBC or any other Indemnified Party or insufficient to hold RBC or any other Indemnified Party harmless in respect of a Claim, the Receiver shall contribute to the amount paid or payable by RBC or the other Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Receiver on the one hand and RBC or any other Indemnified Party on the other hand but also the relative fault of the Receiver, RBC or any other Indemnified Party as well as any relevant equitable considerations; provided that the Receiver shall in any event contribute to the amount paid or payable by RBC or any other Indemnified Party as a result of such Claim any excess of such amount over the amount of the fees received by RBC under the Engagement Letter.

The Receiver hereby constitutes RBC as trustee for each of the other Indemnified Parties of the Receiver's covenants under this indemnity with respect to those persons and RBC agrees to accept that trust and to hold and enforce those covenants on behalf of those persons.

The Receiver also agrees to reimburse RBC for the time spent by its personnel in connection with any Claim at their normal *per diem* rates. RBC may retain counsel to separately represent it in the defense of a Claim, which shall be at the Receiver's expense if (i) the Receiver does not promptly assume the defense of the Claim no later than 14 days after receiving actual notice of the Claim, (ii) the Receiver agrees to separate representation or (iii) RBC is advised by counsel that there is an actual or potential conflict in the Receiver's and RBC's respective interests or additional defenses are available to RBC, which makes representation by the same counsel inappropriate.

The obligations of the Receiver hereunder are in addition to any liabilities which the Receiver may otherwise have to RBC or any other Indemnified Party. For greater certainty, the Receiver shall have no liability for such indemnity in its personal or corporate capacity and any claim made by RBC or any other Indemnified Party pursuant to the indemnity shall constitute an unsecured claim against the Company.

DATED as of May 13, 2016

Ernst & Young Inc. in its capacity as Receiver of Mosaic Energy Ltd. and not in its personal capacity	**RBC Dominion Securities Inc.**
By:	By:
Name (Print): Neil Narfason	Name (Print): Richard Grudzinski
Title (Print): SVP	Title (Print): Managing Director

APPENDIX B

SISP PROCEDURES

APPENDIX "B"

Procedures for the Sale and Investment Solicitation Process

1. On April 26, 2016, the Alberta Court of Queen's Bench (the "**Court**") made an order (the "**Receivership Order**") appointing Ernst & Young Inc. ("**EYI**") as Receiver and Manager (the "**Receiver**") of Mosaic Energy Ltd. ("**Mosaic**"), under Section 243(1) of the *Bankruptcy and Insolvency Act*, and Section 13(2) of the *Judicature Act*. The Receiver is requesting Court approval of the sale and investment solicitation process (the "**SISP**") set forth herein at a Court application scheduled on June 21, 2016.

2. Pursuant to Section 3 (d) of the Receivership Order, the Receiver engaged RBC Dominion Securities Inc. (the "**Selling Agent**"), a member company of RBC Capital Markets, pursuant to an engagement letter dated May 13, 2016 to act as the exclusive marketing agent in the SISP.

3. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

Defined Terms

4. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order. In addition, capitalized terms used but not otherwise defined in these SISP Procedures shall have the following meanings:

"**Business**" means the business being carried on by Mosaic;

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

"**Credit Bid**" means a bid on behalf of a creditor of Mosaic under which all or a portion of the consideration being offered under the bid includes the compromise of all or a portion of indebtedness owing from Mosaic to the creditor including, without limitation, any claim arising as the result of the disclaimer or resiliation of a Material Contract where such disclaimer is contemplated by a Phase I or Phase II Bid;

"**Credit Bid Party**" means a person submitting a Credit Bid. For further clarity, a Credit Bid Party is still required to execute a confidentiality agreement to qualify as a Qualified Phase I Bidder and meet the requirements of Paragraph 24 to qualify as a Qualified Phase II Bidder. Furthermore, a Credit Bid Party is required to participate in Phase I of the SISP in order to potentially qualify as a Qualified Phase II Bidder;

"**Lenders**" means the syndicate of secured lenders who are owed approximately $111.6 million by Mosaic;

"**Material Contracts**" means each of the following Mosaic agreements:

Title	Counterparty	Date
Gas Handling Agreement Resthaven 8-11-60-3W6 Gas Processing Facility	Pembina Gas Services LP	Nov-01-2014
Letter Agreement between Pembina Pipeline Corporation and Mosaic Energy Ltd. Regarding Pembina's Phase 3 Expansion Dated November 29, 2013, as amended September 15, 2014 (the "Transportation Agreement")	Pembina Pipeline Corporation	Nov-29-2014
C2+ NGL Mix Product Purchase at RFS	Pembina Infrastructure and Logistics LP	Nov-19-2014
Firm Transportation Receipt Service (FT-R) 12.5mmcf/d Secondary Service at Resthaven commencing Oct 1, 2015, Expiry 2023	Nova Gas Transmission Ltd	Jun-03-2014
Firm Transportation Receipt Service (FT-R) 37.5mmcf/d Primary Service at Resthaven commencing Oct 1, 2015, Expiry 2023; Gas EDI and Physical Gas Transaction Confirmation 2240747	Nova Gas Transmission Ltd Suncor Energy Marketing Inc	Jun-03-2014
Firm Transportation Receipt Service (FT-R) 12.5mmcf/d Secondary Service at Resthaven commencing April 1, 2018, Expiry 2026	Nova Gas Transmission Ltd	May-28-2015
Firm Transportation Receipt Service (FT-R) 37.5mmcf/d Primary Service at Resthaven commencing April 1, 2018, Expiry 2026	Nova Gas Transmission Ltd	May-28-2015
Gas EDI and Producer Services Transaction Confirmation (FT-R), various West Central locations and volumes	BP Canada Energy Group ULC	Oct-26-2015

"**Material Contract Counterparty**" means NGTL, Pembina, Suncor Energy Marketing Ltd. ("Suncor Marketing") and BP Canada Energy Group ULC ("BP Canada");

"**NGTL**" means NOVA Gas Transmission Ltd. and any of its affiliates;

"**Pembina**" means Pembina Pipeline Corporation and any of its subsidiaries or affiliates;

"**Prior Charges**" means all claims against Mosaic or the Property that rank in priority to the security securing the Secured Lender Debt;

"**Property**" means the undertaking, property and assets of Mosaic or any portion thereof;

"**Receivership Charges**" means the charges created by the Receivership Order that rank in priority to the security securing the Secured Lender Debt;

"**Receivership Obligations**" means the indebtedness, liabilities and obligations secured by the Receivership Charges; and

"Secured Lender Debt" means the debt owed by Mosaic to the secured syndicate of Lenders, including all principal, interest and costs.

Solicitation Process and Timeline

5. The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning Mosaic, its business and operations (the **"Business"**) and its assets, undertakings and properties (collectively, the **"Property"**), the manner in which a bid becomes a Qualified Phase I Bid or a Qualified Phase II Bid (each as defined herein), the receipt and negotiation of bids received, the possible use of an Auction (as defined herein), the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.

6. The Selling Agent shall implement these SISP Procedures with the assistance and supervision of the Receiver. Mosaic is required to assist and support the efforts of the Selling Agent and the Receiver, as provided herein. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.

7. The following table sets out the key milestones under this SISP, subject to extension by the Receiver pursuant to and in accordance with these SISP Procedures:

Milestone	**Deadline**
Phase I Bid Deadline	August 17, 2016
Phase II Bid Deadline	September 7, 2016

Solicitation of Interest

8. As soon as practicable following the issuance of the Court approval of the SISP, the Receiver, in consultation with the Selling Agent, shall cause a notice of the SISP to be published in the *Daily Oil Bulletin* and issue a press release setting out relevant information from such notice with Canada Newswire designating dissemination in Canada and major financial centres in the United States.

9. A non-confidential teaser letter prepared by the Selling Agent (the **"Teaser"**) describing the opportunity to acquire some, all or substantially all of the Business or Property will be made available by the Selling Agent to prospective purchasers or prospective strategic or financial investors and will be posted on the Receiver's website and Selling Agent's RBC Rundle website as soon as practicable following the issuance of the Court approval of the SISP.

10. In order to participate in the SISP, each person (a **"Potential Bidder"**) must deliver to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto and prior to granting of access to the electronic data room containing confidential information concerning the Business and Property (the **"Data Room"**) and the distribution of any such confidential information by the Selling Agent or the Receiver to a Potential Bidder, an executed confidentiality agreement, in form and substance satisfactory to the Receiver.

Phase I

11. All Potential Bidders that are parties to a confidentiality agreement with the Receiver in accordance with these SISP Procedures shall be deemed to be a qualified Phase I bidder (a "**Qualified Phase I Bidder**") and, upon notification from the Receiver to the Selling Agent, will be promptly notified of such classification by the Selling Agent.

12. Qualified Phase I Bidders shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Receiver, a management presentation, together with such further information as the Selling Agent and the Receiver may deem appropriate. The Selling Agent and the Receiver make no representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room. A Qualified Phase I Bidder will not be permitted to have any discussions with any of the Material Contract Counterparties in respect of the Material Contracts unless and unless until such Qualified Phase I Bidder becomes a Phase II Bidder.

13. A Qualified Phase I Bidder, if it wishes to submit a bid, must deliver written copies of a non-binding letter of intent (a "**Phase I Bid**") to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto to each of them by no later than 12:00 p.m. (Mountain Time) on August 17, 2016, or such other date or time as may be agreed by the Receiver (the "**Phase I Bid Deadline**").

14. A Phase I Bid will be deemed to be a "**Qualified Phase I Bid**" only if the Phase I Bid complies with all of the following:

(a) it includes a term sheet describing the terms and conditions of the proposed transaction, including identification of the Business or Property (including any liabilities to be assumed) proposed to be acquired, the purchase price for the Business or Property proposed to be acquired expressed in Canadian dollars (the "**Purchase Price**"), a detailed description of all assumptions and conditions relating to each of the Material Contracts which the Phase I Bidder has factored into its proposed Purchase Price, the effective date of the proposed transaction and the structure and financing of the proposed transaction;

(b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Receiver to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by its Phase I Bid;

(c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;

(d) it contains an outline of any additional due diligence required to be conducted by the Qualified Phase I Bidder in order to submit a final and binding offer;

(e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;

(f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;

(g) it contains such other information as may reasonably be requested by the Selling Agent or the Receiver; and

(h) it is received by the Phase I Bid Deadline.

15. The Receiver, in consultation with the Selling Agent and Lenders, will consider any Credit Bid. For further clarity, a Credit Bid will not prohibit a Potential Bidder from becoming a Qualified Phase I Bidder, Qualified Phase II Bidder or the Successful Bidder provided such Credit Bid is in accordance with these SISP Procedures.

16. The Receiver, in consultation with the Selling Agent and Lenders, will assess the Phase I Bids received by the Phase I Bid Deadline and determine which of such bids constitute Qualified Phase I Bids. The Receiver may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase I Bids.

17. Should any creditor submit a bid including a component of a Credit Bid to acquire the Business or Property; such bidder shall be barred from receiving any confidential data regarding the bids received prior to the Phase I Bid Deadline or the Phase II Bid Deadline, as may be applicable and will not be consulted by the Receiver in the selection of the Phase II Bidders or the Successful Bidder.

18. The Receiver may reject any Phase I Bid or Credit Bid if it determines that such bid does not constitute a Qualified Phase I Bid, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the Receivership Estate, Mosaic or any of its creditors or other stakeholders.

19. If it is determined by the Receiver that a person that has submitted a Qualified Phase I Bid (including where compliance with the bid requirements had been waived) has a bona fide interest in completing a transaction pursuant to these SISP Procedures and such bid has not been rejected pursuant to Paragraph 18, then such person shall be deemed to be a "Phase II Bidder". Notwithstanding anything else in this paragraph, any person that submits a Qualified Phase I Bid which contemplates payment in full in cash of the Secured Lender Debt (and which Qualified Phase I Bid is not subject to financing) shall be deemed to be a Phase II Bidder.

20. The Selling Agent or the Receiver shall notify each Phase I Bidder as to whether or not such person has been determined to be a Phase II Bidder and therefore shall be permitted to proceed to Phase II.;

Phase II

21. The Selling Agent and the Receiver shall allow each Phase II Bidder such further access to confirmatory due diligence materials and information regarding mineral titles, the Material Contracts and environmental diligence items as the Receiver deems appropriate in its reasonable business judgement and subject to competitive and other business considerations. After being advised by the Receiver that it has been determined to be a Phase II Bidder, the Phase II Bidder may enter into discussions with any of the Material Contract Counterparties in respect of the Material Contracts but not with respect to the details of its potential bid.

22. If requested by a Phase II Bidder, the Selling Agent shall arrange for a site visit, subject to compliance with health, safety and security measures reasonably required by the Receiver.

23. Phase II of the SISP will be limited to those persons, including a Credit Bid Party, that were identified by the Receiver as a Phase II Bidder. No person, including a Credit Bid Party, shall be permitted to participate in Phase II of the SISP without having participated in Phase I of the SISP and who were designated as a Phase II Bidder Herein.

24. A Phase II Bidder that wishes to make a formal offer to purchase the Business or Property shall submit a binding offer (a "**Phase II Bid**") and a copy of the purchase and sale agreement they are prepared to sign ("**Definitive Agreement**") to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto (including by email or fax transmission) so as to be received by each of them no later than 12:00 p.m. (Mountain Time) on September 16, 2016, or such other date or time as may be agreed to by the Receiver (the "**Phase II Bid Deadline**"). Such Phase II Bid shall be a "**Qualified Phase II Bid**" and such Phase II Bidder shall be a "**Qualified Phase II Bidder**" only if its Phase II Bid complies with all of the following:

(a) it complies with all of the requirements in respect of Qualified Phase I Bids, other than the requirements set out in Paragraphs 14(c), 14(d) and 14(h);

(b) it clearly identifies the form of consideration being proposed to satisfy the Purchase Price and estimated value of the consideration in Canadian dollars. The Receiver's preference is for cash consideration; provided that the Receiver will consider securities or other forms of consideration;

(c) it clearly identifies the contracts, agreements or other arrangements held by Mosaic including those of the Material Contracts that are to be assumed by the Qualified Phase II Bidder under its Qualified Phase II Bid;

(d) in respect of each Material Agreement that is to be assumed by the Qualified Phase II Bidder under its Qualified Phase II Bid, all amendments or other changes in respect of each such Material Agreement that have either been agreed to by the Qualified Phase II Bidder and the applicable Material Agreement Counterparty or are to be agreed to if the Qualified Phase II Bidder was to become the Successful Bidder (as defined herein).

(e) it includes a letter stating that its Phase II Bid is irrevocable until the earlier of: (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures; and (ii) thirty (30) calendar days following the

Phase II Bid Deadline, provided that if such Qualified Phase II Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(f) it includes written evidence of a firm irrevocable commitment for all required financing, or other evidence of the financial ability of such Qualified Phase II Bidder to consummate the proposed transaction, that will allow the Receiver to make a reasonable determination as to the Qualified Phase II Bidder's financial and other capabilities to consummate the transaction contemplated by its bid;

(g) it is not conditioned on: (i) the outcome of unperformed due diligence; and/or (ii) obtaining financing;

(h) it includes an acknowledgement and representation that the Qualified Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Business or Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Business or Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;

(i) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Qualified Phase II Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

(j) except in the case of a Credit Bid, 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 acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to ten percent (10%) of that total consideration set out in its Phase II Bid;

(k) in the case of a Credit Bid, it is accompanied by a Deposit in the form of a wire transfer (to a bank account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to ten percent (10%) of that total consideration set out in its Phase II Bid, less the value of the consideration allocated to the credit portion of the Credit Bid;

(l) the Phase II Bid includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Receiver), together with a blackline against the draft form of Definitive Agreement which will be prepared by the Receiver and posted in the Data Room;

(m) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment; and

(n) it contains such other information as may reasonably be requested by the Receiver.

Selection of Starting Bid

25. The Receiver, in consultation with the Selling Agent and Lenders (unless the Lenders, or their assignee, have submitted a Credit Bid), will assess the Phase II Bids received by the Phase II Bid Deadline and determine whether or not each such bid constitutes a Qualified Phase II Bid. The Receiver may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bid to be a Qualified Phase II Bid. The Receiver also reserves the right to: (i) request that certain Qualified Phase II Bidders revisit their Phase II Bids in the event that multiple Qualified Phase II Bids are competitive; or (ii) commence an auction process (the "**Auction**") with respect to multiple Qualified Phase II Bids, pursuant to and in accordance with the auction procedures described in Exhibit "B" (the "**Auction Procedures**").

26. In the event that the Receiver elects to commence an Auction, the Receiver, in consultation with the Selling Agent and Lenders, shall determine which Qualified Phase II Bid represents the then highest and best value for the Business or Property (collectively the "**Starting Bid**"). The Receiver, in consultation with the Selling Agent and Lenders, shall then proceed to negotiate and settle with the offeror of the Starting Bid the terms and conditions of a Definitive Agreement in respect of the Starting Bid. The Receiver shall provide copies of the Starting Bid to all Auction Bidders (as defined in the Auction Procedures) who have indicated they will attend the Auction at least two (2) Business Days before the Auction.

27. In the event that the Receiver does not elect to commence an Auction, the Receiver, in consultation with the Selling Agent, may determine the most favourable of the Qualified Phase II Bids (the "**Successful Bid**"). The Receiver, in consultation with the Selling Agent, may then proceed to negotiate and settle the terms and conditions of a Definitive Agreement in respect of the Successful Bid, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing within thirty (30) calendar days after the Phase II Bid Deadline, or such longer period as shall be agreed to by the Receiver.

28. Once a Definitive Agreement has been negotiated and settled in respect of a Successful Bid whether pursuant to Paragraph 27 or as a result of an Auction, the person who made the Successful Bid shall be the "**Successful Bidder**".

Court Approval

29. 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 Bid, as well as an order vesting title to the Business or Property in the name of the Successful Bidder.

30. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Receiver. The Approval Motion may be adjourned or rescheduled by the Receiver without further notice.

31. All Qualified Phase II Bids (other than a Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

Deposits

32. All Deposits shall be retained by the Receiver and deposited in a trust account. If there is a Successful Bid, the Deposit paid by the Successful Bidder whose bid is approved by the Approval Motion shall be applied to the Purchase Price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits of Phase II Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, whether pursuant to Paragraph 27 or as a result of an Auction, then all Deposits shall be returned to the Phase II Bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with these SISP Procedures.

33. If the Auction Bidder submitting the Successful Bid breaches its obligations to close it shall forfeit any and all deposits paid pursuant to such Successful Bid, provided that the forfeit of such deposits shall be in addition to, and not in lieu of, any other rights in law or equity that the Receiver may have against such Auction Bidder.

No Amendment

34. There shall be no amendments to the SISP Procedures, including for greater certainty, the process and procedures set out herein, without the consent of the Receiver.

"As Is, Where Is"

35. Any sale of the Business or Property will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Receiver or the Selling Agent or any of their respective affiliates, advisors, agents or representatives, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Receiver. Neither the Receiver nor the Selling Agent nor any of their respective affiliates, advisors, agents or representatives make any representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Receiver.

Free Of Any And All Claims and Interests

36. In the event of a sale of the Business or the Property, to the extent permitted by law, all of the rights, title and interests of Mosaic in and to the Business or the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests on or against the Property (collectively, the **"Claims and**

Interests") such Claims and Interests to attach only 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), except to the extent otherwise set forth in a Definitive Agreement with a Successful Bidder.

<u>No Obligation to Conclude a Transaction</u>

37. The Receiver has no obligation to agree to conclude a sale or investment arising out of this SISP, and it reserves the right and unfettered discretion to reject any offer or other proposal made in connection with this SISP. In addition, at any time during this SISP, the Receiver may determine to terminate these SISP Procedures, and shall provide notice of such a decision to all Qualified Phase I Bidders or Qualified Phase II Bidders, as applicable.

<u>Further Orders</u>

38. At any time during this SISP, the Receiver or the Selling Agent may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

EXHIBIT "A"

ADDRESSES FOR NOTICES

If to the Receiver:

Ernst & Young Inc.
1000 Ernst & Young Tower
440 - 2 Avenue SW
Calgary AB T2P 5E9

Attention:	Neil Narfason
Phone:	403-206-5067
Fax:	403-206-5075
E-Mail:	neil.narfason@ca.ey.com

With a copy to:

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary Alberta T2P 4H2 Canada

Attention:	Howard Gorman, Q.C.
Phone:	403-267-8144
Fax:	403-264-5973
E-Mail:	howard.gorman@nortonrosefulbright.com

If to the Selling Agent:

RBC Dominion Securities Inc.
Suite 3900 Bankers Hall West,
888 - 3rd Street SW
Calgary, AB T2P 5C5

Attention:	Jeff Meunier
Phone:	403-299-8461
Fax:	403-299-8440
E-mail:	jeff.meunier@rbccm.com

EXHIBIT "B"

AUCTION PROCEDURES

Introduction

1. Set forth herein are the procedures (the "**Auction Procedures**") that will be followed in the conduct an auction (the "**Auction**") permitted by the SISP Procedures. All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the SISP Procedures.

2. The Auction shall be conducted and these Auction Procedures shall be interpreted in a manner that is consistent with the SISP Procedures. In the event of any conflict between these Auction Procedures and the SISP Procedures, the SISP Procedures shall govern to the extent of such conflict.

Overview of the Auction

3. The Receiver, in consultation with the Selling Agent, reserves the right to: (i) request that certain Qualified Phase II Bidders (the "**Auction Bidders**") commence an auction process with respect to their Qualified Phase II Bids, pursuant to procedures approved by the Receiver as set out herein, in consultation with the Selling Agent and Lenders, that shall be distributed to those of the Qualified Phase II Bidders who are selected by the Receiver, in consultation with the Selling Agent and the Lenders, to participate in such auction (the "Auction Bidders") at least five (5) Business Days in advance of the proposed start time for the auction. The Receiver shall commence the Auction at 10:00 a.m. (Calgary Time) on September 16, 2016 at the offices of Norton Rose Fulbright Canada LLP in Calgary, Alberta, or such other time and location as may be determined by the Receiver and communicated to Auction Bidders in a timely manner.

4. The Receiver reserves the right to require separate auctions ("**Multiple Auctions**") for individual packages of the Property (the "**Packages**"). In order to facilitate Multiple Auctions, the Receiver may request that each Auction Bidder allocate the Purchase Price as set out in its Qualified Phase II Bid, including the Starting Bid, amongst the Packages. The Receiver will provide notice of the request for an allocation of such Purchase Price among Packages to the Auction Bidders at least five (5) Business Days in advance of the proposed start time for the Auction.

5. Only the Receiver, the Selling Agent, Lenders and Auction Bidders, and their respective legal and financial advisors, shall be entitled to attend the Auction.

6. Each Auction Bidder must inform the Receiver whether it intends to attend the Auction at least three (3) Business Days in advance of the proposed start time for the Auction. All Auction Bidders wishing to attend the Auction must have at least one individual representative with authority to bind such Auction Bidder attending the Auction in person and only Auction Bidders who have indicated that they will attend the Auction in accordance with these Auction Procedures shall be entitled to make bids (each, a "**Subsequent Bid**") at the Auction.

7. Prior to the commencement of the Auction, each Auction Bidder shall be required to certify to the Receiver that it has not engaged in any collusion with any other Auction Bidder with respect to the Auction or the acquisition of any of the Property.

8. 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 will be fully disclosed to all other Auction Bidders and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders at all times throughout the entire Auction.

Selection of the Successful Bid

9. Bidding at the Auction shall begin with the Starting Bid.

10. Any Subsequent Bid thereafter must not be less than the Starting Bid or Leading Bid (as defined below) plus the "**Minimum Overbid Increment**", which shall be 1.5% in excess of the Purchase Price under the Starting Bid or Leading Bid, as the case may be. The Receiver has the discretion to increase or decrease the Minimum Overbid Increment at any point during the Auction.

11. All Subsequent Bids shall be made and received on an open basis and all material terms of each Subsequent Bid shall be fully disclosed to all other Auction Bidders, including:

    (a) the Auction Bidder's value of its Subsequent Bid;

    (b) the acceptance of the terms and conditions under the Starting Bid or Leading Bid, unless the Auction Bidder is willing to offer more favourable terms than the Starting Bid or Leading Bid, as the case may be; and

    (c) the identity of the Auction Bidder that has submitted the Subsequent Bid.

12. Subject to Paragraph 11 of these Auction Procedures, the Receiver shall select the highest and best Subsequent Bid for a particular round of bidding (each such selected Subsequent Bid being the ("**Leading Bid**"). To be selected as a Leading Bid, the Subsequent Bid must, in the reasonable judgment of the Receiver:

    (a) constitute a higher and better offer than the Starting Bid or the Leading Bid selected in the immediately previous round, as the case may be; and

    (b) if there are multiple Subsequent Bids in a particular round, the highest and best of such Subsequent Bids.

13. In selecting a Subsequent Bid to be the Leading Bid, the Receiver may consider, among other things, which Subsequent Bid will provide the greatest amount of value and the speed and degree of certainty with which an Auction Bidder likely will be able to consummate the sale transaction.

14. In the event that:

    (a) no Subsequent Bids are submitted in a particular round of bidding; or

(b) the Receiver determines that no Subsequent Bid constitutes a Leading Bid in a particular round of bidding;

then the Starting Bid or the Leading Bid for the immediately previous round, as the case may be, shall be the "**Successful Bid**".

15. Upon the determination of the Successful Bid the Auction shall be deemed to be concluded. No bids shall be submitted or considered after the conclusion of the Auction.

16. The Auction Bidder with the next highest Subsequent Bid as determined by the Receiver in the exercise of its reasonable judgment at the Auction, shall be required to serve as a back-up bidder (the "**Back-Up Bidder**") and keep such bid open and irrevocable until twenty-four (24) hours after the scheduled closing of the sale transaction with the Auction Bidder submitting the Successful Bid. All Subsequent Bids submitted at the Auction will be deemed to include a commitment by the Auction Bidder submitting Subsequent Bid that such Auction Bidder will serve as the Back-Up Bidder, if applicable. If the Successful Bidder fails to consummate a sale as approved by the Court because of a breach or failure to perform on the part of such Successful Bidder, then the Back-up Bidder will be deemed to be the new Successful Bidder and the Receiver will be authorized, but not required, to consummate the sale with the Back-up Bidder without further order of the Court.

General

17. At all times the Receiver shall act reasonably so as to ensure the Auction is fair and in accordance with applicable commercial practice.

18. The bidding at the Auction shall be transcribed and/or videotaped.

19. The Receiver may, to the extent that the Receiver considers necessary, supplement, amend or modify these Auction Procedures or the manner in which the Auction is conducted, or may employ and announce additional procedures or rules for the conduct of the Auction.

20. Notwithstanding anything that may be contained in the Qualified Phase II Bid selected as the Starting Bid, the Starting Bid shall remain fully enforceable against the party which made the Starting Bid (including, without limitation, in the event that the party which made the Starting Bid elects not to attend the Auction) until the selection of a Leading Bid at the Auction.

21. Notwithstanding anything that may be contained in any Subsequent Bid selected as the Leading Bid, such Leading Bid shall remain fully enforceable against the Auction Bidder which made such Leading Bid until the selection of another Leading Bid at the Auction.

22. The Starting Bid and all Subsequent Bids (other than the Successful Bid shall be and shall be deemed to be rejected by the Receiver upon identification of the Successful Bid and the Back-up Bidder.