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| COURT FILE NUMBER | 1901-16844 |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA |
| JUDICIAL CENTRE | CALGARY |
| APPLICANTS | ATB FINANCIAL (FORMERLY ALBERTA TREASURY BRANCHES) |
| RESPONDENTS | TRAVERSE ENERGY LTD. |
| DOCUMENT | **SECOND REPORT OF THE RECEIVER**<br><br>**APRIL 22, 2020** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **RECEIVER**<br><br>ERNST & YOUNG INC.<br>Calgary City Centre<br>2200, 215 2nd Street SW<br>Calgary, AB T2P 1M4<br>Attention: Peter Chisholm / Dylan Holwell<br>Telephone: (403) 206-5061 / (403) 206-5431<br>Fax: (403) 206-5075<br>Email: peter.chisholm@ca.ey.com / dylan.holwell@ca.ey.com<br><br>**RECEIVER'S COUNSEL**<br><br>MCCARTHY TÉTRAULT LLP<br>Suite 4000, 421 7th Avenue SW<br>Calgary, AB T2P 4K9<br>Attention: Sean Collins / Pantelis Kyriakakis<br>Telephone: (403) 260-3531 / (403) 260-3536<br>Email: scollins@mccarthy.ca / pkyriakakis@mccarthy.ca |

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## APPENDICES

## INTRODUCTION

1. Ernst & Young Inc. ("**EYI**") was appointed Receiver (the "**Receiver**") of the assets, undertakings and property (the "**Property**") of Traverse Energy Ltd. ("**Traverse**") pursuant to an Order of this Honourable Court (the "**Receivership Order**") dated December 6, 2019 (the "**Receivership Date**").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of Traverse, to take possession and control of the Property, to receive, protect and maintain control of the Property, and to market and solicit offers to purchase the Property.

3. On February 1, 2020, Barrel Oil Corporation entered into an asset purchase agreement (the "**Stalking Horse APA**") to purchase certain property and assets of Traverse (the "**Assets**"). The Receiver's motion and support for this Stalking Horse APA was presented in the first report of the Receiver (the "**First Report**").

4. Pursuant to an Order of this Honourable Court, the receiver obtain approval of the Stalking Horse APA as part of the sales and investment solicitation process (the "**SISP**") approved pursuant to the Order granted on February 14, 2020 (the "**SISP Order**").

5. The purpose of this second report of the Receiver (the "**Second Report**") is to provide this Honourable Court with the Receiver's comments with respect to:

   a) The activities of the Receiver since the First Report, including a statement of receipts and disbursements of the Receiver from the Receivership Date to April 15, 2020;

   b) An update as to the Receiver's actions and activities concerning the SISP and the results of same;

   c) The Receiver's request for an Order approving the sale and vesting title of the Assets of Traverse to Barrel Oil Corp. ("**Barrel**") pursuant to the Stalking Horse APA, as amended pursuant to the Asset Purchase Amending Agreement, attached hereto as Appendix 'A' (the "**APA Amending Agreement**", the Stalking Horse APA and the APA Amending Agreement are collectively referred to as, the "**Amended Stalking Horse APA**");

   d) The Receiver's request for the authority to issue distributions to ATB Financial ("**ATB**"), Traverse's senior secured creditor; and

   e) The Receiver's recommendations.

## BACKGROUND

6. Traverse is a publicly traded company incorporated pursuant to the laws of the Province of Alberta with its registered office in Calgary, Alberta. Traverse is in the business of exploration, development and production of oil and natural gas products in Alberta.

7. Traverse encountered financial difficulties primarily as a result of significant cost overruns associated with the drilling and completion of a well in the Chigwell area of the Duvernay formation in the Western Canadian Sedimentary Basin (the "**Chigwell Well**"). Since its completion in late-2017, the Chigwell Well has provided insignificant production of oil and natural gas products. The unsuccessful production of the Chigwell Well had a material adverse impact on Traverse's liquidity, and with restricted capital available for capital expenditures, production in Traverse's other operating areas declined and further negatively impacted Traverse's liquidity.

8. As at the Receivership Date, the aggregate indebtedness owed to ATB, the primary secured creditor of Traverse, totaled approximately $6.5 million.

9. ATB applied to this Honourable Court for an Order appointing EYI as receiver, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985. c. B-3.

10. Additional information on Traverse is available on the Receiver's website at www.ey.com/ca/traverse.

## TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this Second Report, the Receiver has relied upon unaudited financial information, Traverse's records, and discussions with management of Traverse. The Receiver has not performed an audit, review or other verification of such information that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the Chartered Professional Accountants Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of such information.

12. Capitalized terms not otherwise defined in this Second Report are as defined in the Receivership Order or the Stalking Horse Sales Process.

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

## ACTIVITIES OF THE RECEIVER

14. Since the First Report, the Receiver's primary goals have been to ensure that Traverse's operations are maintained and to execute the sales strategy as outlined in the SISP and approved by this Honourable Court.

### *Funding of the Receivership*

20. As at the date of the First Report, ATB had advanced $250,000 to the Receiver pursuant to the Receiver's Borrowings Charge, primarily for the purposes of funding Traverse's operations between the Receivership Date and the date the Receiver collected oil and natural gas revenue for the November 2019 production month (collected at the end of December 2019).

21. This advance of funds, including interest accrued, was fully repaid by the Receiver on February 5, 2020 in the amount of $252,571.

*Statement of Receipts and Disbursements*

22. The following is a summary of the receipts and disbursements (the "**Statement of Receipts and Disbursements**") that have occurred since the Receivership Date up to April 15, 2020 (the "**Reporting Period**"):

| **Traverse Energy Ltd.** | | **Table 1.0** |
|---|---|---|
| **Statement of Receipts and Disbursements** | | |
| **December 6, 2019 to April 15, 2020** | | |
| | ***Notes*** | |
| **Opening Cash Balance** | | - |
| **Receipts** | | |
| Oil and natural gas revenue | *a* | 1,444,910 |
| Receiver's certificate | *b* | 250,000 |
| **Total receipts** | | **1,694,910** |
| **Disbursements** | | |
| Operating and G&A expense | *c* | 484,208 |
| Payroll and contractor expense | *d* | 301,294 |
| Loan repayments on Receiver's certificate | *e* | 252,618 |
| Surface lease payments | *f* | 86,360 |
| Property tax | *g* | 80,000 |
| Vendor deposits | *h* | 55,750 |
| Legal fees | *i* | 48,253 |
| GST remitted to Receiver General | | 47,048 |
| Insurance | | 36,292 |
| Rent | | 26,250 |
| Royalties | | 14,626 |
| **Total disbursements**[1] | | **1,432,699** |
| **Cash on hand at April 15, 2020** | | **262,211** |

*Note 1 - Disbursements include approved payments that have not cleared the Receiver's segregated trust as at the date of this Second Report.*

23. Notes to the Statement of Receipts and Disbursements are as follows:

a) The Receiver collected approximately $1,445,000 in oil and natural gas production revenues during the Reporting Period, representing production for the months of December 2019 to February 2020. Since the Receivership Date, Traverse's actual production mix has been approximately 50% oil and 50% natural gas and natural gas liquids. Revenues include immaterial amounts collected from royalties and operating expense reimbursements;

b) ATB advanced $250,000 to the Receiver under the Receiver's Borrowings Charge, as permitted under the Receivership Order. Advances to the Receiver were used to fund Traverse's operations from the Receivership Date until the November 2019 oil and natural gas revenues were collected (at the end of December 2019). On February 5, 2020, these amounts were repaid, including interest;

c) The Receiver incurred approximately $484,000 in operating expenses during the Reporting Period, associated with the production of oil and natural gas products. Approximately $110,000 of these disbursements related to general and administrative expenses;

d) Payroll and consultant expenses of $301,000 incurred during the Reporting Period and relate to wages paid to employees and contractors retained by the Receiver to provide accounting, engineering and field operating services;

e) The total repayment on the Receiver's Certificate was $252,571 including interest and principle payments as of the repayment date (February 5, 2020).

f) The Receiver made surface lease payments to landowners of approximately $86,000 during the Reporting Period, to ensure continued access to Traverse's owned and operated well sites and facilities in Alberta;

g) As at the Receivership Date, Traverse had accrued but unpaid property taxes owing to the municipality of Hanna, Alberta, in the amount of $80,000. The Receiver settled the property tax balance in full in January 2020;

h) Vendor deposits of approximately $56,000 relate to payments made to certain vendors to ensure the continuation of critical services in Traverse's operations, including a work fee payable to the Selling Agent to prepare and implement the SISP; and

i) Legal fees of $48,000 were paid to the Receiver's legal counsel.

## STALKING HORSE SALES PROCESS

24. Pursuant to an Order of this Honourable Court dated February 14, 2020, the Receiver obtained approval of the Stalking Horse Sales Process to market the oil and gas properties of Traverse.

25. The deadline for the receipt of bids under the Stalking Horse Sales Process was March 20, 2020 (the "**Bid Deadline**"). In accordance with the terms of the SISP Order, the Receiver revised the SISP and the Bid Deadline to March 26, 2020 (the "**Amended Bid Deadline**") to provide Qualified Bidders an extended period to perform due diligence. A copy of the revised SISP is attached hereto in Appendix 'B'.

*Overview of the Stalking Horse Sales Process*

26. The Stalking Horse Sales Process was commenced on February 21, 2020 and the Receiver, with the assistance of the Selling Agent, undertook the following activities:

   a) Prepared a non-confidential teaser letter for the Property, describing the Stalking Horse Sales Process and providing a summary of key information related to the Property. The Receiver posted the teaser letter on the Receiver's website for access by interested parties;

   b) Contacted over 2,100 parties announcing the undertaking of the Stalking Horse Sales Process and details of the Property divestiture;

   c) Advertised the Stalking Horse Sales Process by publishing notice in the *Globe and Mail (National Edition)* on February 22, 2020, issued a press release describing the Stalking Horse Sales Process within the Canada Newswire (North American Market) on February 18, 2020, and announced details of the Stalking Horse Sales Process in the *BOE Report*, for dissemination in Canada and major financial centres in the United States;

   d) Prepared a Confidential Information Memorandum ("**CIM**"), a Confidentiality Agreement ("**CA**"), and established a secure, electronic data room (the "**Data Room**") for Traverse. The CIMs included general information related to the Stalking Horse Sales Process and provided detailed information specific to the Property. The CA's constituted an agreement of confidentiality regarding the information contained in the Data Room. Finally, the Data Room contained documents and materials to assist potential bidders in performing due diligence.

   e) Made it clear in the marketing material that Traverse had entered into a stalking horse agreement of purchase and sale with Barrel and that the consideration in any Qualified Bid (as defined in the Stalking Horse Sales Process) must constitute a Superior Offer, and that:

      i. it is received by the Receiver on or before the March 26, 2020;

      ii. it meets the requirements for a Superior Offer (as defined in the SISP), including:

         a) it provides for a purchase price of not less than $3,397,500, being at least $50,000 more than the consideration payable under the Stalking Horse APA plus a Break Fee of $97,500; and

b) it is accompanied by the Deposit of not less than 10% of the purchase price provided for in the corresponding Final Bid;

iii. The Qualified Bidder submitting the Final Bid is a licensee in good standing with the AER, such that any licenses, permits or authorizations related to the Property in the corresponding Final Bid are eligible to be transferred from Traverse to the Qualified Bidder, as applicable;

iv. It contains a duly executed purchase and sale agreement in the form of the Stalking Horse APA and a blackline of the executed purchase and sale agreement to the Stalking Horse APA;

v. It includes a letter stating that the Final Bid is irrevocable until a Successful Bid (as defined in the SISP) approved by the Court, *provided, however*, that if such Qualified Bidder is selected as the Successful Bidder (as defined herein), its Final Bid shall remain an irrevocable offer until the earlier of: (i) the completion of the sale to the Successful Bidder; and (ii) the outside date stipulated in the Successful Bid;

vi. It provides evidence of a firm, irrevocable financial commitment for all required funding or financing;

vii. It does not include any request for or entitlement to the Break Fee, expense reimbursement or similar type of payment;

viii. It is not conditional upon:

a) the outcome of unperformed due diligence by the Qualified Bidder; and/or

b) obtaining financing.

ix. It contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);

x. It provides for a completion of the transactions contemplated therein on or before the Closing Date; and

xi. Such other information reasonably requested by the Receiver.

27. As a result of the efforts undertaken through the Stalking Horse Sales Process, 30 potential bidders executed a CA and accessed the Data Room for Traverse.

28. The Receiver did not receive any Qualified LOIs or Superior Offers for the Property in advance of the Amended Bid Deadline. A list of Non-Qualifying Bids received are attached hereto in Confidential Appendix 'C'.

29. Pursuant to the Stalking Horse Sales Process, if a Qualified LOI or Superior Offer was not received for the Property, the Receiver was to apply to this Honourable Court for an Order approving the transactions contemplated under the Stalking Horse APA, and vesting title to the Assets in the name of Traverse.

**AMENDED STALKING HORSE APA**

30. Subsequent to the closing of the Stalking Horse Sales Process deadline, certain terms pursuant to the closing of the Stalking Horse APA were renegotiated at the request of Barrel. A copy of the Amended Stalking Horse APA hereto as Appendix 'A'.

31. Terms amended and agreed to by the Receiver and Barrel include:

a) Closing date extended to May 29, 2020 (the "**Closing Date**") from April 30, 2020, with the effective date remaining January 1, 2020;

b) On the Closing Date, Barrel will make a payment equal to the full purchase price of $3.25 million, pursuant to the following adjustments:

i. Less, the existing deposit of $325,000, paid upon executing the Stalking Horse APA;

ii. Less, $1.5 million, to be owed by way of a Promissory Note due December 5, 2020 (the "**Subsequent Closing Payment**");

iii. Less, any adjustments in favour of Barrel, as set out and in accordance with the terms of the Amended Stalking Horse APA;

iv. Plus, any adjustments in favour of Traverse, as set out and in accordance with the terms of the Amended Stalking Horse APA;

v. Plus any and all taxes and fees due and owing in connection with the entire Purchase

Price; and,

vi. Plus, any and all other amounts as may be required so that the sole remaining portion of the Purchase Price shall be equal to or less than $1,500,000

32. Barrel shall pay the Subsequent Closing Payment to Traverse or its assignee on or before December 5, 2020

33. Barrel shall grant to the Receiver as security for the Subsequent Closing Payment, the following:

a) A debenture, granting first ranking fixed charge over all of the property to be transferred from Traverse to Barrel subject to the Amended Stalking Horse APA;

b) A promissory note in the amount of $1.5 million which shall include the following covenants and requirements:

   i. Payment of the Subsequent Closing Payment on or before December 5, 2020;

   ii. that the Purchaser shall not sell, encumber, lien, grant a royalty, enter into any ventures or joint ventures, or dispose of any of its interests in and to the Assets sold by Traverse to Barrel prior to the payment and satisfaction of the Subsequent Closing Payment; and

   iii. monthly reporting, in a form and substance as is common for loans granted by ATB in connection with borrower's operating similar business as Barrel and the oil and gas properties being conveyed to Barrel;

c) A blocked account agreement in the favour of the Receiver with the following terms:

   i. All proceeds derived from the operation of the Assets sold to Barrel pursuant to the Amended Stalking Horse APA will be deposited into a designated blocked account with ATB Financial and subject to the terms and conditions prescribed by ATB Financial with respect to the designated blocked account;

   ii. Require Barrel to maintain a reserve of cash (which shall be restricted and blocked), equal to 20% of all amounts deposited into the designated blocked account;

   iii. Grant the Receiver a security interest in all cash, proceeds, intangibles, and personal property in or in respect of the designated blocked account, which shall become fully enforceable upon the occurrence of a default or event of default; and

d) A consent and acknowledgement of assignment of all of Traverse's interests in the aforementioned documents in a form acceptable to the Receiver.

34. Additionally, Barrel forfeits all interests, rights, or remedies, associated with the $325,00 deposit held by the Receiver pursuant to the Amended Stalking Horse APA and acknowledge Traverse's ongoing rights and remedies, should the Amended Stalking Horse APA not close on or before May 29, 2020.

35. ATB, Traverse's senior secured lender, was consulted by the Receiver during the negotiations to amended the terms of the Stalking Horse APA and ATB is supportive of the Amended Stalking Horse APA.

36. With the passing of the Amended Bid Deadline, and the negotiation of the Amended Stalking Horse APA, the Receiver considers the Stalking Horse Sales Process to have been carried out in accordance with its terms and as directed by this Honourable Court.

37. The Receiver is supportive of the sale of the Assets to Barrel pursuant to the revised terms of the Amended Stalking Horse APA based upon the following:

a) This Honourable Court granted the Stalking Horse Approval Order on February 14, 2020 approving the Stalking Horse Sales Process and Stalking Horse APA.

The amendments between the Stalking Horse APA and the Amended Stalking Horse APA are limited to deferring the payment of up to $1.5 million of the purchase price to December 5, 2020 and granting certain provisions in favour of the Receiver as security for the deferred payment.

The Receiver believes that the process leading to the Amended Stalking Horse APA were reasonable in the circumstances and followed the process approved and directed by this Honourable Court;

b) ATB, the senior secured creditor of Traverse, was supportive of the Stalking Horse Sales Process and supports the transaction contemplated under the Amended Stalking Horse APA. The Receiver's counsel has reviewed the security of ATB and concluded that it constitutes a valid and enforceable first-ranking security interest in the property of Traverse;

c) The Receiver considers a comprehensive marketing of the Property was undertaken, and that the market of potential purchasers was sufficiently canvassed;

d) The Receiver understands that the Amended Stalking Horse APA was negotiated between Traverse and Barrel in good faith on an arm's length basis; and

e) No Superior Offers were received in the Stalking Horse Sales Process to acquire the Property. The sale as proposed represent the greatest overall recovery to stakeholders of Traverse and would be more beneficial than a sale under a bankruptcy.

## ATB DISTRIBUTION

38. The Receiver's counsel has reviewed the security held on behalf of ATB as against the property of the Traverse in respect of the secured debt owed from the Traverse to ATB and has issued an opinion that, subject to usual and customary assumptions and qualifications, all security held is valid, enforceable. As of the Receivership Date, Traverse owed ATB approximately $6.5 million excluding interest and professional fees accruing during the Receivership Period.

39. The sale of the Property, pursuant to the Amended Stalking Horse APA, is scheduled to close on or before May 29, 2020, subject to the approval of this Honourable Court, with the purchase price of approximately $3.25 million payable in part at closing.

40. The net proceeds to be recovered through the receivership of Traverse will not be sufficient to fully settle the indebtedness outstanding from Traverse to ATB.

41. The Receiver is requesting the authority from this Honourable Court to distribute net proceeds to ATB (the "**ATB Distribution**") from the closing of proposed the sale of property to Barrel pursuant to the Amended Stalking Horse APA, subject to the Receiver maintaining a sufficient reserve to fund the remaining administration of the Receivership.

## SEALING ORDER

42. It is the view of the Receiver that the details of the Non-Qualifying LOIs or Superior Offers received at the close of the Stalking Horse Sales Process deadline, constitute commercially sensitive information. If made public, this information could negatively impact the monetization of the Assets in the event the Receiver is forced to re-market the Assets and cause serious and irreparable harm to the Receivership of Traverse and its stakeholders.

43. The Receiver is of the view that this information should remain confidential until the conclusion of the sale and vesting of the Assets to Barrel, in the event the transaction does not proceed. Therefore, the Receiver is seeking an Order of this Honourable Court (the "**Sealing Order**")

sealing the Non-Qualifying LOIs or Superior Offers (attached hereto Appendix 'C') submitted to the Receiver at the close of the Stalking Horse Sales Process deadline.

## RECOMMENDATIONS

44. The Receiver respectfully recommends that this Honourable Court approve:

1. The sale and vesting of the Assets to Barrel pursuant to the Amended Stalking Horse APA;

2. The ATB Distribution; and

3. The Sealing Order.

Dated at Calgary, this 22nd day of April, 2020.

**ERNST & YOUNG INC.**
**in its capacity as the Receiver of the Property**

Peter Chisholm, CPA, CA, CIRP, LIT
Vice President

# APPENDIX 'A'

# ASSET PURCHASE AMENDING AGREEMENT

**THIS AMENDING AGREEMENT** made effective as of the 22nd day of April, 2020.

**BETWEEN:**

> **TRAVERSE ENERGY LTD.**, by its court-appointed receiver and manager **ERNST & YOUNG INC.** (the "**Receiver**"), in its capacity as the court-appointed receiver and manager of the assets, properties, and undertakings of Traverse Energy Ltd. and not in its personal or corporate capacity (the "**Vendor**")

- and -

> **BARREL OIL CORP.**, a corporation incorporated pursuant to the laws of the Province of Alberta (the "**Purchaser**")

**WHEREAS** the Vendor and the Purchaser are parties to an asset purchase agreement (the "**APA**"), dated as of February 5, 2020, concerning the purchase and sale of the Assets;

**AND WHEREAS** the Vendor and the Purchaser have agreed to amend the APA, as set forth herein.

**NOW THEREFORE, THIS AMENDING AGREEMENT WITNESSES** that, in consideration of the promises, mutual covenants, agreements, and warranties contained herein, the payment of $10 from each Party to the other, other mutual covenants as set out herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows:

## ARTICLE 1
## INTERPRETATION

### 1.1 Interpretation

The following rules of construction shall apply to this Amending Agreement, unless the context otherwise requires:

(a) the headings in this Amending Agreement are inserted for convenience of reference only and shall not affect the meaning, interpretation, or construction of this Amending Agreement;

(b) whenever the singular or masculine or neuter is used in this Amending Agreement, the same shall be construed as meaning plural or feminine or referring to a body politic or corporate, and *vice versa*, as the context requires; and,

(c) "include" and all derivatives thereof shall be read as if followed by the phrase "without limitation".

### 1.2 Interpretation If Closing Does Not Occur

If Closing does not occur, each provision of this Amending Agreement which presumes that the Purchaser has acquired the Assets shall be construed as having been contingent upon Closing having occurred.

### 1.3 Capitalized Terms

All capitalized terms used herein and not otherwise defined shall have the same meaning as ascribed to such terms in the APA.

## ARTICLE 2
## AMENDMENTS

### 2.1 Amendments

The APA is hereby amended as follows:

(a) by adding, to the end of Section 1.1 of the APA, the following additional definitions as Sections 1.1(mmm) – 1.1(sss) to the APA:

"(mmm) "**Initial Closing Payment**" has the meaning given to it in Section 3.4(a).

(nnn) "**Purchaser's Blocked Account Agreement**" means a blocked account agreement to be executed and delivered by the Purchaser, to and in favour of the Vendor, in a form and substance acceptable to the Receiver, acting reasonably, which shall, among other terms and conditions: (i) contain a covenant that any and all net proceeds actually received from the operation of the Assets or which are otherwise actually received by the Purchaser in connection with, attributed to, or derived from the Assets, following the accounting and payment of all expenses associated with the operation of the Assets (collectively, the "**Proceeds**") will be deposited into a designated blocked account with ATB Financial and will be subject to the terms and conditions prescribed by ATB Financial with respect to the designated blocked account, provided that, for clarity, 80% of the Proceeds deposited shall not be restricted or otherwise blocked until the occurrence of a default or event of default; (ii) require the Purchaser, at all times, to maintain a reserve of cash (which shall be restricted and blocked) equal to 20% of all Proceeds; and, (iii) grant the Vendor a security interest in all cash, proceeds, intangibles, and personal property in or in respect of the designated blocked account, including, but not limited to, the Proceeds, which shall become fully enforceable upon the occurrence of a default or event of default.

(ooo) "**Purchaser's Consent and Acknowledgement of Assignment**" means the Purchaser's consent and acknowledgement of assignment, in a form and substance acceptable to the Receiver, acting reasonably, assigning any portion of or all of the Vendor's interests in the Purchaser's Debenture, the Purchaser's Blocked Account Agreement, the Purchaser's Promissory Note, and any and all other debt or security documents, agreements, or instruments concerning this Agreement, the sale or transfer of the Assets, the payment of the Purchase Price, or the Subsequent Closing Payment, as may be determined by the Receiver, acting reasonably.

(ppp) "**Purchaser's Debenture**" means a fixed and floating charge debenture, granted by the Purchaser to and in favour of the Vendor, granting a first ranking fixed and floating charge over all of the Assets, as security for all present and after-acquired indebtedness and obligations owed by the Purchaser to the Vendor, in a form and substance acceptable to the Receiver, acting reasonably.

(qqq) "**Purchaser's Promissory Note**" means a $1,500,000 promissory note, in a form and substance acceptable to the Receiver, acting reasonably, which shall, among other things, contemplate and include the following covenants and requirements: (i) payment of the Subsequent Closing Payment on or before December 5, 2020; (ii) that interest on all obligations, including the Subsequent Closing Payment, shall accrue at a rate of prime (ATB Financial's prime lending rate) plus 1.3%; (iii) that the Purchaser shall not sell, encumber, lien, grant a royalty, enter into any ventures or joint ventures, or dispose of any of its interests in and to the Assets prior to the payment and satisfaction of the Purchase Price, in full; and, (iv) monthly reporting, in a form and substance as is common for loans granted by ATB Financial in connection with borrower's operating similar business as the Purchaser and the Assets and which include, among other things, production and lease operating statements and an update as to the ongoing status and condition of the Assets.

(rrr) "**Purchaser's Loan and Security Documents**" means, collectively, the Purchaser's Consent and Acknowledgement of Assignment, the Purchaser's Debenture, the Purchaser's Blocked Account Agreement, the Purchaser's Promissory Notice, and any and all other documents, instruments, agreements, security agreements, or instruments entered into in connection with the foregoing, this Agreement, or the payment of the Purchase Price or the Subsequent Closing Payment.

(sss) "**Subsequent Closing Payment**" has the meaning given to it in Section 3.4(b)."

(b) by deleting Section 3.4 of the APA, in its entirety, and replacing it with the following:

"**3.4 Closing Payments**

(a) The Purchaser shall pay to the Vendor, at Closing, by certified cheque, bank draft, or electronic wire transfer, the Purchase Price:

(i) **less:** (1) any existing Deposit, which will be applied to the Purchase Price as at Closing; (2) $1,500,000; and, (3) any adjustments in favour of the Purchaser, as set out in accordance with the terms of this Agreement; and,

(ii) **plus:** (1) any adjustments in favour of the Vendor, as set out in accordance with the terms of this Agreement; (2) any and all taxes and fees (including GST), due and owing in connection with the entire Purchase Price, as payable under Section 3.5; and, (3) any and all other amounts as may be required so that the sole remaining portion of the Purchase Price, which shall be due as at December 5, 2020, shall be equal to or less than $1,500,000.

(collectively, the "**Initial Closing Payment**").

(b) The Purchaser shall also pay the Vendor or, alternatively, the holder of the Purchaser's Loan and Security Documents, by certified cheque, bank draft, or electronic wire transfer, any and all remaining portions of the Purchase Price, following payment of the Initial Closing Payment, on or before December 5, 2020 (the "**Subsequent Closing Payment**", the Subsequent Closing Payment and the Initial Closing Payment are collectively referred to as the "**Closing Payment**")."

(c) by amending Section 6.1 of the APA, by deleting the reference to "April 30, 2020" in the sixth (6) line thereof, as the definition of "Closing Date" and replacing it with "May 29, 2020", which shall be the amended "Closing Date" under the APA.

(d) by adding the following additional Vendor's Closing condition to Section 10.1 of the APA, as Section 10.1(h) of the APA:

(h) **Security:** The Purchaser shall provide the Purchaser's Loan and Security Documents, as at or before Closing, all in a form and substance acceptable to the Receiver, acting reasonably. The Purchaser's Loan and Security Documents shall be valid and enforceable, and the Receiver shall be satisfied that all steps, as determined by the Receiver, acting reasonably, that are required to perfect any and all interests under the Purchaser's Loan and Security Documents, have been taken."

(e) By deleting section 12.1(c) of the APA, in its entirety and replacing it with the following:

"(c) a receipt for the Initial Closing Payment, duly executed by the Vendor;"

(f) by deleting Section 12.2 of the APA, in its entirety, and replacing it with the following:

"**12.2 Purchaser's Closing Deliverables**

At Closing, the Purchaser shall table the following:

(a) the Initial Closing Payment;

(b) the Purchaser's Loan and Security Documents, fully executed by the Purchaser and in a form and substance acceptable to the Receiver, acting reasonably;

(c) a duly executed certificate of a senior officer of Purchaser substantially in the form attached hereto as Schedule "**F**" hereto, dated as of the Closing Date;

(d) the General Conveyance, fully executed by Purchaser; and,

(e) the Conveyance Documents, to the extent prepared on or by the Closing Date, in accordance with Section 13.1(a) hereto, fully executed by the Purchaser."

## ARTICLE 3
## REPRESENTATIONS AND WARRANTIES

### 3.1 Purchaser's Representations and Warranties

(a) The Purchaser hereby represents and warrants to the Vendor that the representations and warranties contained in Section 11.3 of the APA, other than those stated to be made as at a specific date, are true and correct in all material respects with the same effect as if made as of the date hereof and the Purchaser hereby reiterates all such representations and warranties, as of the date hereof.

(b) The representations and warranties made in this Amending Agreement shall have the same force, effect, and survivability as if made under the APA and, among others, Section 11.4 of the APA shall govern and apply to same.

## ARTICLE 4
## DEPOSIT FOREFEITURE AND REMEDIES

### 4.1 Deposit Payment to Vendor

The Purchaser agrees that, notwithstanding anything to the contrary in the APA and notwithstanding the contemplated extension of the Closing Date to May 29, 2020, pursuant and subject to the terms of this Amending Agreement, the Deposit of $325,000.00 is hereby immediately forfeited and released to the Vendor, for the account of the Vendor, absolutely, and for greater certainty without any further action or notice required whatsoever. In the event that the Transaction and the APA are consummated in accordance with the terms and conditions of the APA, as amended herein, and on or before May 29, 2020, the Deposit shall be credited to the Purchase Price, as contemplated and in the manner set out in the Section 3.4 of the APA, as amended herein.

### 4.2 Ongoing Rights and Remedies

The Purchaser hereby acknowledges and agrees that, notwithstanding anything to the contrary in the APA, immediately following the execution of this Amending Agreement, the Vendor and the Receiver shall be entitled to pursue and take all steps that may be required for the implementation and consummation of the Transaction, as contemplated by the APA, including, without limitation, applying to the Court for the Vesting Order. In the event that the Purchaser's Closing conditions, as set out under Article 10.2 of the APA, are met or are waived, in accordance with the terms and conditions set out in the APA, but Closing does not occur on or before May 29, 2020, the Parties hereby covenant, acknowledge, and agree that, notwithstanding anything to the contrary in the APA, in addition to the forfeiture and release of the Deposit, as contemplated herein, the Vendor shall be entitled to pursue any and all additional claims, rights, remedies, and damages associated with the Transaction, the APA, or the Purchaser's failure to close same.

## ARTICLE 5
## INCORPORATION AND RATIFICATION

### 5.1 Confirmation of APA

The APA and all covenants, terms, and provisions thereof, except as expressly amended and supplemented by this Amending Agreement, shall be and shall continue to be in full force and effect and the APA is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended and supplemented, with such amendments and supplements as set out in Article 2 herein being effective from and as of the date hereof.

### 5.2 Ratification

This Amending Agreement is supplemental to the APA and forms part of, and has the same effect as though incorporated in the APA. Except as amended herein, the APA remains in full force and effect and is hereby ratified and confirmed in all respects.

### 5.3 Incorporation

This Amending Agreement shall be read as forming an integral part of the APA, is deemed to be included therein, shall be read with and deemed to be part of the APA, and the APA shall from the date of this Amending Agreement be read in conjunction with this Amending Agreement. Furthermore, nothing in his Amending Agreement shall be construed as constituting novation with respect to the obligations of the Parties under the APA or in any other manner whatsoever.

## ARTICLE 6
## MISCELLANEOUS

### 6.1 Assignment

(a) Neither Party may assign their interest in or under this Amending Agreement or to the Assets prior to Closing without the prior written consent of the other Party, which consent may be withheld in such other Party's sole and unfettered discretion.

(b) No assignment, transfer, or other disposition of this Amending Agreement or the Assets or any portion of the Assets shall relieve the Purchaser from its obligations to the Vendor herein. The Vendor shall have the option to claim performance or payment of the obligations from the Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle the Vendor to receive duplicate performance or payment of the same obligation.

### 6.2 Governing Law

This Amending Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta and to the laws of Canada applicable therein.

### 6.3 Remedies Cumulative

No failure on the part of any Party to exercise any right or remedy will operate as a waiver thereof. A Party will not be precluded from exercising any right available to it at law, equity, or by statute because of its exercise of any single or partial right, and a Party may exercise any such remedies independently or in combination.

### 6.4 No Waiver

No waiver by any Party of any breach of any of the terms, conditions, representations or warranties in this Amending Agreement shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

### 6.5 Entire Agreement

This Amending Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and the Parties agree and confirm that this Amending Agreement cancels and supersedes any prior understandings and agreements between the Parties hereto with respect to the subject matter hereof. No modification of or amendment to this Amending Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties.

### 6.6 Further Assurances

From time to time, as and when reasonably requested by the other Party, a Party shall execute and deliver or cause to be executed and delivered all such documents and instruments and shall take or cause to be taken all such further or other actions to implement or give effect to the Transaction, provided such documents, instruments, or actions are consistent with the provisions of this Amending Agreement. All such further documents, instruments, or actions shall be delivered or taken at no additional consideration other than reimbursement of any expenses reasonably incurred by the Party providing such further documents or instruments or performing such further acts, by the Party at whose request such documents or instruments were delivered or acts performed.

### 6.7 Time of the Essence

Time shall be of the essence in this Amending Agreement.

### 6.8 Enurement

This Amending Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective heirs, executors, successors and permitted assigns.

### 6.9 Notices

Any notices given under this Amending Agreement may be delivered in accordance with the terms and conditions set out in the APA.

### 6.10 Severability

In the case any of the provisions of this Amending Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

### 6.11 Counterpart Execution

This Amending Agreement may be executed in counterpart and all executed counterparts together shall constitute one agreement. This Amending Agreement shall not be binding upon any Party unless and until executed by all Parties.

### 6.12 Electronic Execution

Delivery of an executed signature page to this Amending Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Amending Agreement by such Party.

**[*Remainder of page intentionally left blank*]**

**IN WITNESS WHEREOF** the Parties have executed this Amending Agreement as of the date first above written

**TRAVERSE ENERGY LTD.**, by and through its court-appointed receiver and manager, **ERNST & YOUNG INC.**, in its capacity as court-appointed receiver and manager of the assets, properties, and undertakings of Traverse Energy Ltd., and not in its personal or corporate capacity

Per: ______________________
Name: Peter Chisholm
Title: Senior VP

Per: ______________________
Name:
Title:

**BARREL OIL CORP.**

Per: ______________________
Name:
Title:

Per: ______________________
Name:
Title:

*This is the execution page to the Asset Purchase Amending Agreement, dated effective April 22, 2020, between Traverse Energy Ltd., by and through its court-appointed receiver and manager Ernst & Young Inc., solely in its capacity as court-appointed receiver and manager of the assets, properties and undertakings of Traverse Energy Ltd., and not in its personal capacity, and Barrel Oil Corp.*

# APPENDIX 'B'

# SALE AND INVESTMENT SOLICITATION PROCESS

## PREAMBLE

1. This Sale and Investment Solicitation Process (the "SISP") will be implemented as part of the receivership proceedings (the "Receivership Proceedings") commenced pursuant to the Receivership Order issued by the Court of Queen's Bench of Alberta (the "Court") on December 6, 2019 (the "Receivership Order"), pursuant to which Ernst & Young Inc. (the "Receiver") was appointed as receiver and manager of all of the assets, properties, and undertakings (collectively, the "Property") of Traverse Energy Ltd. (the "Debtor"). This SISP was approved by an order granted by the Court on February 14, 2020 (the "SISP Approval Order").

2. The SISP Approval Order, inter alia, approved this SISP together with the entering into of a purchase and sale agreement (the "Stalking Horse APA") between the Debtor, by and through the Receiver, as vendor, and Barrel Oil Corp. (the "Stalking Horse Purchaser"), as purchaser, pursuant to which the Stalking Horse Purchaser made an offer to purchase certain Property of the Debtor (the "Assets").

3. The SISP Approval Order, the procedures in respect of the SISP as contained herein (the "SISP Procedures"), and any subsequent order issued by the Court pertaining to the SISP or the SISP Procedures shall exclusively govern the process for soliciting and selecting offers and bids for the sale of the Property of the Debtor, or any refinancing, reorganization, recapitalization, restructuring, joint-venture, merger, or other business transaction involving the Debtor or the Property, or any combination thereof.

4. The SISP Approval Order provides that the Receiver is authorized and empowered to amend, extend, shorten, or modify any of the requirements, milestones, or deadlines set forth in the SISP, if the Receiver determines, in the Receiver's sole discretion and based on its reasonable business judgment, that such an extension or modification will generally benefit the Debtor's creditors and other stakeholders.

5. <u>The Receiver has accordingly modified the SISP to clarify certain requirements.</u>

6. <u>The SISP Procedures described herein shall exclusively govern the process for soliciting and selecting offers and bids, subject to any further order of the Court or further modification by the Receiver. Any further changes to the SISP Procedures, as applicable, will be communicated without delay by the Receiver to all Qualified Bidders (as defined herein).</u>

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

## DEFINED TERMS

8. All capitalized terms used herein without express definition shall have the same meanings herein as are ascribed to such terms in the SISP, the SISP Approval Order, or the First Report of the Receiver, as the context may require. In addition, in the SISP Procedures:

"Break Fee" means $97,500, calculated as three percent (3%) of the Stalking Horse Purchase Price (as defined herein);

"Business Day" means any day other than a Saturday, Sunday or a statutory holiday in the City of Calgary in the Province of Alberta; and

"Superior Offer" has the definition ascribed to such term in Section 13 herein.

STALKING HORSE APA

9. The Debtor, by and through the Receiver, as vendor, has entered into the Stalking Horse APA with the Stalking Horse Purchaser, pursuant to which, if there is no Superior Offer from a party other than the Stalking Horse Purchaser, the Stalking Horse Purchaser will acquire the Assets.

10. The Stalking Horse APA provides that the purchase price (the "Stalking Horse Purchase Price") for the acquisition of the Assets will be paid in cash.

11. The Stalking Horse Purchase Price is approximately $3,250,000.

12. The purpose of the SISP Procedures is to determine whether a higher or otherwise better offer than the Stalking Horse APA may be obtained by the Receiver in a formal Court-supervised marketing process, undertaken as part of these Receivership Proceedings and approved by the Court.

13. For the purposes of the SISP Procedures, a "Superior Offer" shall mean:

a) a credible, reasonably certain, and financially viable offer made by a Qualified Bidder (as defined herein) to acquire the Property (or any part thereof) or shares in the Debtor, or any refinancing, recapitalization, joint venture, merger or other business transaction involving the Debtor or some combination thereof, the terms of which are no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse APA;

b) an offer that provides for consideration that, in the reasonable business judgment of the Receiver, amounts to at least $3,397,500, being at least $50,000 more than the consideration payable pursuant to the Stalking Horse APA plus the Break Fee; and,

c) an offer which is accompanied by a deposit (the "Deposit") paid by way of certified cheque or bank draft payable to the Receiver, in trust, that is equal to ten percent (10%) of the purchase price or consideration to be paid under the corresponding offer.

CONDUCT OF SISP PROCEDURES

14. The Receiver shall conduct the SISP Procedures as outlined herein. In the event that there is a disagreement or clarification required as to the interpretation or application of the SISP or the SISP Procedures or the responsibilities of any person hereunder, the Court will have the jurisdiction to hear such matter and provide advice to and

directions upon application by the Receiver, the Stalking Horse Purchaser, or any other interested person.

"AS IS, WHERE IS"

15. Any transaction involving the Debtor, the shares of the Debtor, or the Property of the Debtor, will be on an "as is, where is" basis and without any surviving representations, warranties, covenants, or indemnities of any kind, nature, or description by the Debtor, the Receiver, or any of their agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the person who is a counterparty to such a transaction.

FREE OF ANY AND ALL CLAIMS AND INTERESTS

16. All of the right, title, and interest of the Debtor in and to any Property sold or transferred within the Receivership Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge, or other restriction (collectively, the "Claims and Interests") pursuant to approval and vesting orders made by the Court except for any security, charge, or other restriction expressly contemplated in the Stalking Horse APA, as part of any Superior Offer, or any corresponding purchase and sale agreements, or listed as a "permitted encumbrance" in any corresponding sale approval and vesting orders, as the case may be.

REGULATOR

17. The Debtor operates oil and gas wells and facilities in Alberta.

18. The Alberta Energy Regulator ("AER") has regulatory authority to transfer permits and licenses between oil and natural gas operators in Alberta. All Qualified Bidders (as defined herein) are required to be licensees in good standing with the AER, or to otherwise be eligible to obtain or hold the necessary licenses, permits or approvals with respect to the Property subject to their bid.

SISP COMMENCEMENT

19. The Receiver may commence the SISP Procedures immediately following the SISP Approval Order (the "SISP Commencement Date") by preparing, in consultation with Sayer Energy Advisors (the "Sales Agent"), a list of potential bidders (the "Known Potential Bidders") and generally marketing the Debtor's Property in an open, fair, and public manner. Additionally, the list of Known Potential Bidders shall include both strategic and financial parties who, in the reasonable business judgment of the Receiver and the Sales Agent, may be interested in and have the capacity to make a Superior Offer.

20. The Receiver or the Sales Agent will give notice of these SISP Procedures to Known Potential Bidders (including the Participation Requirements as specified below) shortly after the SISP Commencement Date. In addition, the Sales Agent will continue to market and publicly advertise the Debtor's Property.

21. The SISP Commencement Date shall be February 21, 2020.

PARTICIPATION REQUIREMENTS

22. Unless otherwise ordered by the Court, any person (including Known Potential Bidders) who wishes to participate in this SISP must deliver the following to the Receiver or Sales Agent:

a) an executed form of confidentiality agreement that is satisfactory to the Receiver, acting reasonably, and which shall enure to the benefit of any person who completes a transaction with the Receiver;

b) a specific indication of the anticipated sources of capital and/or credit for such person and satisfactory evidence of the availability of such capital and/or credit so as to demonstrate that such person has the financial capability to complete a transaction which constitutes a Superior Offer; and

c) evidence to demonstrate that such person is a licensee in good standing with the AER and has the ability to meet all regulatory requirements to hold, or otherwise be eligible to obtain, the necessary licenses, permits or approvals,

(collectively, the "Participation Requirements").

23. If, in the opinion of the Receiver, a person has complied with each of the Participation Requirements described in section 23 herein, such person shall be deemed a "Qualified Bidder" hereunder.

24. The Sales Agent will provide each Qualified Bidder with a confidential information memorandum and access to an electronic data room (the "Data Room") containing due diligence materials and financial, tax, and operational information, including oil and gas production volumes and reserve estimates, relating to the Property and the business of the Debtor, as soon as practicable after the determination that such person is a Qualified Bidder.

25. Neither the Receiver, the Debtor, nor the Sales Agent is responsible for, and such parties will have no liability with respect to, any information obtained by or provided to any Qualified Bidder(s). The Receiver, the Debtor, the Sales Agent, and their advisors do not make any representations or warranties whatsoever as to the information or materials provided.

DUE DILIGENCE

26. The Receiver shall, in its reasonable business judgment, afford each Qualified Bidder (including, in certain circumstances, representatives of such Qualified Bidders) access to due diligence materials through the Data Room and information relating to the Property and the Debtor as it deems appropriate. Due diligence may further include management presentations, on-site inspections, and other matters which a Qualified Bidder may reasonably request and to which the Receiver, in its reasonable business judgment, may agree.

27. Neither the Receiver nor the Sales Agent shall be obligated to furnish any information relating to the Property or the Debtor to any person other than a Qualified Bidder. Further and for the avoidance of doubt, selected due diligence materials may be withheld from Qualified Bidders.

SEEKING SUPERIOR OFFERS FROM QUALIFIED BIDDERS

28. A Qualified Bidder that wishes to submit a Superior Offer for the Property must deliver to the Receiver a fully executed purchase and sale agreement ("Qualified PSA") in the form of the Stalking Horse APA on or before 12:00 p.m. (Calgary time) on March 26, 2020 (the "Phase 1 Bid Deadline"). Subject to Section 29 of these SISP Procedures, a fully executed purchase and sale agreement will only qualify as a Qualified PSA in the event that it contains, meets, or includes all of the following:

a) it is received by the Receiver on or before the Phase 1 Bid Deadline;

b) it meets the requirements for a Superior Offer as defined herein, including:

    i. it provides for a purchase price of not less than $3,397,500; and

    ii. it is accompanied by the Deposit of not less than 10% of the purchase price provided for in the corresponding Qualified PSA;

c) the Qualified Bidder submitting the Qualified PSA is a licensee in good standing with the AER, such that any licenses, permits or authorizations related to the Property in the corresponding Qualified PSA are eligible to be transferred from the Debtor to the Qualified Bidder, as applicable;

d) it contains a duly executed purchase and sale agreement in the form of the Stalking Horse APA and a blackline to the Stalking Horse APA;

e) it includes a letter stating that the Qualified PSA is irrevocable until there is a Successful Bid (as defined herein) approved by the Court, provided, however, that if such Qualified Bidder is selected as the Successful Bidder (as defined herein), its Qualified PSA shall remain an irrevocable offer until the earlier of: (i) the completion of the sale to the Successful Bidder; and (ii) the outside date stipulated in the Successful Bid (as defined herein);

f) it provides evidence of a firm, irrevocable financial commitment for all required funding or financing;

g) it does not include any request for or entitlement to the Break Fee, expense reimbursement or similar type of payment;

h) it is not conditional upon:

    i. the outcome of unperformed due diligence by the Qualified Bidder; or

    ii. obtaining financing.

i) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);

j) it provides for a completion of the transactions contemplated therein on or before April 30, 2020; and

k) such other information reasonably requested by the Receiver.

29. The Receiver, acting reasonably, may waive non-compliance with any one or more of the requirements specified in paragraph 28 of these SISP Procedures and deem any non-compliant fully executed purchase and sale agreement to be a Qualified PSA.

30. If a Qualified PSA, which also constitutes a Superior Offer, is received, these SISP Procedures shall proceed to the next phase.

NO SUPERIOR OFFERS

31. If no Qualified PSA which constitutes a Superior Offer is received by the Phase 1 Bid Deadline:

a) these SISP Procedures shall immediately terminate; and

b) the Receiver shall, within five (5) Business Days of the termination of these SISP Procedures, confirm that the Receiver has scheduled an application with the Court seeking approval, after notice and hearings, to implement the Stalking Horse APA.

IF A SUPERIOR OFFER IS RECEIVED

32. Following the Phase 1 Bid Deadline, if a Superior Offer is received, as determined by the Receiver, the Receiver shall proceed to conduct an auction, at a date/time to be determined by the Receiver (the "Auction"), but within ten (10) days following the Phase 1 Bid Deadline.

33. The Receiver will prepare an auction process letter (the "Auction Process Letter") to be sent to Auction Bidders (as defined herein) in advance of the Auction, setting out the Auction process and specific procedures to be included.

THE AUCTION

34. The Auction will include the following procedures, provided that the Auction Process Letter shall ultimately govern the process undertaken at the Auction:

a) each Qualified Bidder that submitted a Superior Offer and the Stalking Horse Purchaser will receive a copy of the highest Superior Offer which will be used as the starting bid (the "Starting Bid");

b) each party that submitted a Superior Offer and the Stalking Horse Purchaser must inform the Receiver whether such party intends to participate in the Auction, by a date/time to be determined by the Receiver. Those parties that elect to participate in the Auction are referred to as "Auction Bidders";

c) the Receiver, the Auction Bidders, and such other persons permitted by the Receiver are the only parties able to attend the Auction;

d) each Auction Bidder shall be required to confirm it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale, such confirmation, in each case, in form and substance satisfactory to the Receiver;

e) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one bid (a "Subsequent Bid") is submitted by an Auction Bidder that the Receiver determines is:

    i. for the first round, a higher or otherwise better offer than the Starting Bid; and,

    ii. for subsequent rounds, a higher or otherwise better offer than the Leading Bid (defined below),

f) after the first round of bidding, and in between each subsequent round of bidding, the Receiver shall announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (the "Leading Bid"). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the previous round's Leading Bid or the Starting Bid, as applicable;

g) each Subsequent Bid shall provide an incremental cash value of at least $50,000 over the Starting Bid or the Leading Bid, as applicable;

h) the Stalking Horse Purchaser shall be permitted, in its sole discretion, to submit Subsequent Bids, provided, however, that each Subsequent Bid must be made in the same manner as all Subsequent Bids are made by other Auction Bidders; and,

i) if, in any round of bidding, no new Subsequent Bid is made which is determined to be better than the previous round's Leading Bid, the Auction shall be closed.

35. At the end of the Auction, the Receiver shall select the winning Leading Bid (the "Winning Bid"). Once a definitive agreement has been settled in respect of the Winning Bid, as selected by the Receiver, in its sole and unfettered discretion, the Winning Bid shall be considered the "Successful Bid" and the Auction Bidder who made the Successful Bid shall be the "Successful Bidder".

36. If the Successful Bidder is a party other than the Stalking Horse Purchaser, the Receiver shall pay the Stalking Horse Purchaser the Break Fee from the proceeds of the Successful Bid, within five (5) Business Days following the completion and the closing of all transaction(s) contemplated by the Successful Bid.

DEPOSITS

37. All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account in a Schedule I Bank in Canada or ATB Financial. With respect to the Successful

Bid, the corresponding Deposit (plus accrued interest) paid by the Successful Bidder shall be applied to the consideration to be paid by the Successful Bidder upon the closing of the transactions constituting the Successful Bid.

38. The Deposit(s) (plus applicable interest) of all persons who did not make the Winning Bid shall be returned to such persons within five (5) Business Days following the date that the Court approves the Successful Bid.

39. If the Successful Bidder breaches or defaults on its obligation to close the transaction in respect of such Successful Bid, it shall forfeit its Deposit to the Receiver for and on behalf of the Debtor, provided, however, that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Debtor has in respect of such breach or default.

NOTICE

40. The addresses used for delivering documents as prescribed by the terms and conditions of these SISP Procedures are set out in Schedule “A” hereto. All Qualified PSAs and all associated documentation shall be delivered to the Receiver by electronic mail, personal delivery, or courier. Persons requesting information about these SISP Procedures should contact the Receiver or the Sales Agent at the contact information contained in Schedule “A”.

VESTING ORDER

41. In the event that the Debtor, by and through the Receiver, enters into any agreement with a Successful Bidder (which, for certainty includes the Stalking Horse Purchaser, in the event that no Superior Offer is received during the course of the SISP Procedures) concerning a transaction involving the purchase and sale of the Property, the Receiver shall subsequently apply for an order from the Court approving such transaction and vesting title in the Property, subject to such Successful Bid and in accordance with the corresponding agreement for purchase and sale.

ADVICE AND DIRECTIONS

42. At any time during these SISP Procedures, the Receiver, the Sales Agent, or the Stalking Horse Purchaser may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

<u>SCHEDULE “A”</u>

ADDRESS FOR NOTICES AND DELIVERIES

To the Receiver:

Ernst & Young Inc.
2200, 215 – 2nd Street SW
Calgary, AB  T2P 1M4

Attention: Dylan Holwell
Email: dylan.holwell@ca.ey.com

To the Sales Agent:

Sayer Energy Advisors
1620, 540 – 5th Avenue SW
Calgary, AB  T2P 0M2

Attention: Tom Pavic
Email: TPavic@sayeradvisors.com

# APPENDIX ‘C’