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 <u>on or before 12:00 p.m. (Calgary time) on March 26, 2020</u> (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 <u>and</u> 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