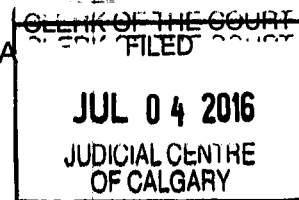


Clerk's Stamp

COURT FILE NO. 1501-01523
COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENT PALLISER OIL & GAS CORPORATION



IN THE MATTER OF THE BANKRUPTCY OF PALLISER OIL & GAS CORPORATION, a corporation incorporated pursuant to the laws of the Province of Alberta

DOCUMENT **APPLICATION FOR BANKRUPTCY ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2
Phone: +1 403.267.8222
Fax: +1 403.264.5973
Email: kyle.kashuba@nortonrosefulbright.com
Attention: Kyle D. Kashuba
File No. 01124572-0585

NOTICE TO RESPONDENT(S):

This Application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the Application is heard as shown below:

Date: Monday, July 11, 2016
Time: 11:30 a.m.
Where: Calgary Courts Centre
Before Whom: Madam Justice J. Strekaf, of the Commercial List

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

Remedy claimed or sought:

1. Abridging, if necessary, the time for service of this Application and deeming service to be good and sufficient.

2. An Order in substantially the same form as that attached as **Schedule "A"** to this Application, declaring and adjudging that:
 - 2.1 Palliser Oil & Gas Corporation ("**Palliser**"), a corporation incorporated pursuant to the laws of the Province of Alberta, be adjudged bankrupt and that a Bankruptcy Order be made in respect of the property of Palliser;
 - 2.2 FTI Consulting Canada Inc. be appointed as trustee in bankruptcy of Palliser; and
 - 2.3 National Bank of Canada ("**National Bank**") be granted costs of the within Application on a full indemnity, solicitor-client basis.
3. Such further and other relief, advice and directions as counsel may advise and this Honourable Court may deem just and appropriate.

Grounds for making this Application:

4. Palliser is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and has at some time during the year immediately preceding the filing of this Application resided or carried on business in the City of Lethbridge, in the Province of Alberta, and whose most recent address is 840 - 6 Avenue SW, Suite 600, Calgary, AB T2P 3E5, within the jurisdiction of this Honourable Court.
5. National Bank as lender entered into a series of loan agreements with Palliser, pursuant to which National Bank agreed to provide Palliser as borrower with certain credit facilities and advance funds all on the terms set out therein and all in related and amending documents, and National Bank made various loans to Palliser from time to time.
6. Palliser agreed to repay the principal and interest advanced from time to time by National Bank, and failed to repay the said indebtedness.
7. As at January 27, 2015, the total indebtedness outstanding under the loan agreements was approximately \$40,337,542.23 in principal, plus interest, associated costs, fees and disbursements with additional interest and other charges accrued and accruing thereon at the rates and on the terms established by the loan agreements.

8. On February 12, 2015, National Bank sought and obtained a Receivership Order in respect of the property, undertakings and assets of Palliser, which was granted by Mr. Justice S.J. LoVecchio. FTI Consulting Canada Inc. ("FTI") was appointed receiver and manager (the "**Receiver**") over Palliser.
9. The Palliser receivership proceedings remain ongoing as at the present date. FTI in its capacity as Receiver is in the process of attempting to arrange for sale of the assets of Palliser, and certain distributions are being contemplated to be made to Palliser's creditors.
10. As at June 21, 2016, Palliser was justly and truly indebted to National Bank in the approximate sum of \$44,915,466.54 plus interest, fees, costs and disbursements accrued and continuing to accrue.
11. Within the 6 months preceding the filing of this Application for Bankruptcy Order, Palliser has failed and continues to fail to meet its liabilities generally as they become due in that Palliser has failed to pay its obligations to National Bank and others, such obligations which exceed \$1,000.
12. National Bank will likely suffer a considerable shortfall under its secured debt owing by Palliser. In addition, Palliser owes a substantial amount of debt to its numerous unsecured creditors, who will suffer a significant shortfall in the Palliser receivership proceeding.
13. Derek Helkaa of FTI, of the City of Calgary, in the Province of Alberta, is a person qualified to act as trustee in bankruptcy of the property of Palliser and has agreed to act as such, and is acceptable to National Bank, a creditor of Palliser that is owed the following as at June 21, 2016:

CREDITOR	ADDRESS	AMOUNT OF DEBT
National Bank	130 King Street West, 8 Floor, Toronto, Ontario M5X 1J9	\$44,915,466.54 (plus interest, fees, costs and disbursements accrued and continuing to accrue.)

14. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

15. All pleadings, proceedings, orders, affidavits, reports and other materials filed in Alberta Court of Queen's Bench Action No. 1501-01523, and in particular the Receivership Order granted by Mr. Justice S.J. LoVecchio dated February 12, 2015.
16. The Affidavit of Verification of Karen Koury of National Bank sworn June 29, 2016, filed.
17. The proposed form of Bankruptcy Order attached hereto as Schedule "A".
18. The inherent jurisdiction of this Honourable Court to control its own process.
19. Such further and other material and evidence as counsel may advise and this Honourable Court may permit.

Applicable rules:

20. Part 6, Division 7, and in particular Rules 3.2 and 6.47(e) and (f), and, *Bankruptcy and Insolvency General Rules*, CRC 1985, c 368, as amended and in particular Rules 11, 69, 72 and 83, thereof, and such further and other Rules as counsel may advise and that this Honourable Court may permit

Applicable Acts and Regulations:

21. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, as amended, and in particular, Part II, sections 42, 43 and 45, thereof, the *Judicature Act*, RSA 2000, c J-2, as amended, and such further and other Acts and Regulations as counsel may advise and that this Honourable Court may permit.

Any irregularity complained of or objection relied on:

22. None.

How the Application is proposed to be heard or considered:

23. Oral submissions by counsel at an Application in Justice Chambers as agreed and scheduled by counsel, scheduled to be heard on Monday, July 11, 2016 at 11:30 a.m. before the Honourable Madam Justice J. Strekof, of the Commercial List.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT.**WARNING**

If you do not come to Court either in person or by your lawyer, the Court may give the Applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this Application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the Application is heard or considered, you must reply by giving reasonable notice of the material to the Applicant.

SCHEDULE "A"

COURT FILE NO. 1501-01523
COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENT PALLISER OIL & GAS CORPORATION

Clerk's Stamp

IN THE MATTER OF PALLISER OIL & GAS
CORPORATION, a corporation incorporated
pursuant to the laws of the Province of Alberta

DOCUMENT BANKRUPTCY ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2
Phone: +1 403.267.8222
Fax: +1 403.264.5973
Email: kyle.kashuba@nortonrosefulbright.com
Attention: Kyle D. Kashuba
File No. 01124572-0585

DATE UPON WHICH ORDER WAS PRONOUNCED: Monday, July 11, 2016
NAME OF REGISTRAR WHO MADE THIS ORDER: Madam Justice J. Strekof
LOCATION OF HEARING: Calgary, Alberta

BANKRUPTCY ORDER

UPON THE APPLICATION FOR BANKRUPTCY ORDER being made by National Bank of Canada (the "**Applicant**"), having an office at 130 King Street West, 8 Floor, Toronto, Ontario M5X 1J9, a creditor of Palliser Oil & Gas Corporation ("**Palliser**"), having an office at 840 - 6 Avenue SW, Suite 600, Calgary, AB T2P 3E5; **AND UPON** having read the Application for Bankruptcy Order filed July 4, 2016, and the Affidavit of Verification of Karen Koury sworn June 29, 2016 and filed July 4, 2016; **AND UPON** reading the consent of FTI Consulting Canada Inc.

to act as trustee in bankruptcy of the estate of Palliser; **AND UPON** hearing counsel for the Applicant, and from any other interested parties who may be present; **AND UPON** it appearing that all interested and affected parties have been served with notice of this Application; **AND UPON** it appearing to the Court that the following act of bankruptcy has been committed:

- (a) the debt owing by Palliser to the Applicant exceeds \$1,000; and
- (b) within the 6 months preceding the date of filing of the Application for Bankruptcy Order, Palliser has ceased to meet and has continued to fail to meet its liabilities generally as they become due.

THE COURT IS CONVINCED AND HEREBY ORDERS AND DECLARES THAT:

1. Service of the notice of this Application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this Application, and the time for service of this Application is abridged to that actually given.
2. Palliser, a corporation incorporated pursuant to the laws of the Province of Alberta, be and is hereby adjudged bankrupt and that a Bankruptcy Order is hereby made against Palliser.
3. FTI Consulting Canada Inc. be and is hereby appointed as trustee of the estate of the bankrupt Palliser, without security.
4. The costs of and incidental to this Application and of this Order be paid to the Applicant, on a full indemnity, solicitor and his own client basis, out of the assets of the estate of the bankrupt Palliser, forthwith after the review and approval thereof.

Justice of the Alberta Court of Queen's Bench