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COURT FILE NUMBER 1701-13518  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE  
CALGARY  
APPLICANT STREAM ASSET FINANCIAL SPARK LP  
RESPONDENTS BLAZE ENERGY LTD. and WILD ROSE ENERGY LTD.  
DOCUMENT **REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF BLAZE ENERGY LTD. AND WILD ROSE ENERGY LTD.**

November 15, 2017

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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## INTRODUCTION

1. On October 12, 2017 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of certain assets, undertakings and properties (the “**Property**” or “**Business**”) of Blaze Energy Ltd. and Wild Rose Energy Ltd. (collectively, the “**Debtors**” or “**Company**”) pursuant to an Order of the Honourable Justice Jones (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the Business of the Company, to market any or all the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other publically available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/Blaze> (the “**Receiver’s Website**”).
4. The purpose of this report (“**First Report**”) is to inform the Court of the following:
  - (a) the activities of the Receiver since the Date of Appointment;
  - (b) an update with respect to the unsuccessful efforts to finalize the previously proposed sale of certain of the Company’s assets to the Tidewater Brazeau Gas Storage LP (“**Tidewater Transaction**”); and

- (c) the need for the Receiver to launch an expedited sale and marketing process and the Receiver's comments and recommendations with respect to a proposed sales and investor solicitation process (the "SISP"). The procedures for the SISP ("SISP Procedures") provide details outlining timelines and participation requirements for interested parties to participate in the SISP and are attached as Appendix "A".
5. The Receiver is requesting the following relief from this Honourable Court:
- (a) approval of the activities of the Receiver since the Date of Appointment; and
  - (b) approval of the proposed SISP and SISP Procedures.

#### **TERMS OF REFERENCE**

6. In preparing this First Report, the Receiver has relied upon audited and unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "Information").
7. Except as described in this First Report:
- (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
  - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.

8. Future oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
9. The Receiver has prepared this First Report in connection with the Receiver's Application dated November 17, 2017. This First Report should not be relied on for other purposes.
10. Information and advice described in this First Report that has been provided to the Receiver by its legal counsel, Fasken Martineau DuMoulin LLP (the "**Receiver's Counsel**"), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## **CURRENT STATUS OF THE RECEIVERSHIP PROCEEDINGS**

### **Background**

12. On October 11, 2017 the Receiver filed a pre-filing report ("**Pre-filing Report**") as Proposed Receiver. The intention of the Pre-filing Report was to provide this Honourable Court with:
  - (a) background information with respect to the Company's sales and marketing processes ("**Pre-filing Sales Processes**") that were undertaken prior to these Receivership Proceedings; and

- (b) its recommendation respecting the approval of the Tidewater Transaction within these Receivership Proceedings. As described in the Pre-filing Report, the Tidewater Transaction was the superior offer received from the Company's Pre-filing Sales Processes and provided, in the Receiver's view, the best possible return to the creditors in the circumstances.
13. Prior to the initial application for the Receivership Proceedings four third party gas storage customers of the Company (collectively, the "**Concerned Gas Storage Customers**") expressed concerns over the Tidewater Transaction (one other gas storage customer was related to the proposed Purchaser). This related party, together with the Concerned Gas Storage Customers, shall be referred to as the "**Gas Storage Customers**"). By way of background, the Gas Storage Customers have natural gas stored in the Company's natural gas storage facilities ("**Gas Storage Facilities**"). Title to the natural gas is held by the Gas Storage Customers. However the storage, injection and removal of the natural gas stored in the Gas Storage Facilities is governed by various agreements between the Gas Storage Customers and the Company ("**Material Storage Agreements**"). The Tidewater Transaction included a condition precedent requiring the Receiver to disclaim the Material Storage Agreements and various other material contracts (collectively, the "**Material Contracts**"). The Concerned Gas Storage Customers expressed concern over the provision requiring the Material Storage Agreements to be disclaimed.
14. In an attempt to address the concerns raised by the Concerned Gas Storage Customers, a meeting ("**Gas Storage Meeting**") was held prior to the initial receivership application. In attendance at the meeting were members (including their respective legal counsels) from:
- (a) Stream Asset Financial Spark LP and Maxam Opportunities Fund II Limited Partnership, the secured lenders of the Company (the "**Secured Lenders**");

- (b) Tidewater Midstream and Infrastructure Ltd. (“**Tidewater Midstream**”), a party to the Tidewater Transaction;
  - (c) the Concerned Gas Storage Customers; and
  - (d) the Receiver.
15. During the Gas Storage Meeting, it was agreed that the Company would not pursue the intended Court approval of the Tidewater Transaction in the form contemplated in the Pre-filing Report but that the receivership application would proceed unopposed and the parties would continue discussions after the Receivership Proceedings had commenced with the goal of arriving at an acceptable transaction structure.
16. The Receivership Order was granted on October 12, 2017. Since that time, the parties have been in discussions attempting to discuss and negotiate the Tidewater Transaction with terms acceptable to the Secured Lenders, Tidewater Midstream, the Gas Storage Customers and the Receiver.
17. The Receiver understands that the deal issues with respect to the Master Storage Agreements had been substantially addressed, however, certain additional transactional issues were subsequently raised by Tidewater Midstream and ultimately a binding agreement could not be completed between the parties.
18. Accordingly, the Receiver, in consultation with the Secured Lenders, has determined it is necessary to launch an expedited sales and investment solicitation process and accordingly is proposing and requesting approval of the SISP and SISP Procedures, as discussed in detail below.
19. The Receiver has held regular meetings with the a number of the Gas Storage Customers, including the most significant one, advising them of status of the Tidewater Transaction and the potential of running the SISP.

## **OTHER RECEIVERSHIP MATTERS**

### **Custody, control and employees**

20. On the Date of Appointment, the Receiver met with the Company's management to advise them that the Receivership Order had been granted and to advise it was taking possession of the Property and Business in accordance with the terms of the Receivership Order. It was determined that, given the circumstances, a significantly reduced workforce was required to operate through the Receivership Proceedings. The Receiver terminated 10 of 13 employees on the Date of Appointment. Terminated employees were paid their accrued wages and accrued vacation pay up to a maximum of \$7,500. Additionally, all of the Directors of the Company but one have resigned as of the Date of Appointment.
  
21. On or around the Date of Appointment, the Receiver also completed the following administrative tasks:
  - (a) investigated the status of the Company's insurance coverage and negotiated extensions;
  - (b) contacted the Company's landlord to facilitate discussions surrounding the Company's occupied leased office premises and moving to a smaller space;
  - (c) discussed ongoing litigation matters involving the Company with the Company's litigation counsel; and
  - (d) communicated with numerous creditors and stakeholders regarding the Receivership Proceedings.

22. Pursuant to a Notice to Suspend dated October 16, 2017, NOVA Gas Transmission Ltd. (“NOVA”) purported to terminate an Operational Balancing Agreement dated November 1, 2012 between itself and the Company. The Receiver is currently reviewing the Notice and will consider its position concurrently with the running of the SISP.
23. Pursuant to a Non-Critical Notice dated October 26, 2017, NOVA advised that service delivery with respect to gas stored by the Company would be disrupted. This disruption affected scheduled withdrawals to be made by two of the Gas Storage Customers and, accordingly, the Receiver delivered force majeure notices to these Customers.

#### **Statutory Compliance**

24. On October 13, 2017, the Receiver established the Receiver’s Website, where it will post periodic updates on the progress of the Receivership Proceedings, materials filed in connection with the Receivership Proceedings and other relevant information for the Company’s stakeholders.
25. The Receiver has notified Canada Revenue Agency (the “CRA”) of the Receiver’s appointment and to establish new remittance accounts for the goods and sales services tax and employee-related obligations arising subsequent to the Date of Appointment.
26. On October 20, 2017, the Receiver mailed the Notice and Statement of Receiver in accordance with subsection 245(1) and 246(1) of the BIA to the Superintendent of Bankruptcy and to all known creditors of the Company.



## **PROPOSED SALES AND INVESTOR SOLICITATION PROCESS**

27. Appendix “A” contains the detailed SISP Procedures that set out the timelines and parameters pursuant to which the Receiver, in consultation with the remaining employees of the Company, will market and solicit offers to purchase the Property and Business of the Company. The SISP was developed in consultation with the Receiver, the Receiver’s Counsel and the Secured Lenders and has been designed to set broad parameters allowing interested parties to advance any sort of restructuring or purchase proposal for consideration by the Receiver with the goal of maximizing value to the Company’s stakeholders.
28. Generally, the SISP contemplates approximately three weeks from formal launch to the deadline to receive non-binding bids and an additional six weeks to obtain binding offers to purchase. This will result in, approximately, a nine week process. The following summarizes the proposed timeline for the major steps contemplated in the SISP:
- (a) November 17 to 22, 2017 – collect data to update the virtual data room (“VDR”); prepare for marketing presentations; prepare marketing materials, teaser, and confidential information memorandum such that the process can be launched shortly following Court approval;
  - (b) November 22, 2017 – formally launch sales process; targeted phone calls; e-mail blast; post teaser; advertisement and open VDR;
  - (c) November 23 to December 14, 2017 – work with interested parties towards submitting bids; complete management presentations; field and address due diligence questions from interested parties;
  - (d) December 14, 2017 – Phase I bid deadline for non-binding letters of intent;

- (e) December 14, 2017 to January 31, 2018 – negotiate formal binding purchase and sale agreement with interested parties; assist with the completion of final due diligence;
- (f) January 24, 2018 – Phase II bid deadline to submit binding offers with deposit; and
- (g) February 2018 – seek Court approval and close transaction.

***Marketing and Advertising***

29. The SISP contemplates that as soon as reasonably practicable after obtaining Court approval the Receiver shall formally launch the SISP by:
- (a) posting marketing materials on the Receiver's website;
  - (b) distributing a teaser by way of e-mail blast to as data base of potential interested parties;
  - (c) posting advertisements in the Daily Oil Bulletin;
  - (d) initiating targeted phone calls; and
  - (e) establishing a confidential VDR that will be made available to prospective purchasers that have executed a non-disclosure agreement with the Receiver.
30. The estimated launch date is November 22, 2017.

### *Participation Requirements*

31. In order to participate in the SISP, each potential bidder must deliver to the Receiver an executed non-disclosure agreement in a form and substance satisfactory to the Receiver, at which time the potential bidder shall be deemed a qualified bidder (“**Qualified Phase I Bidder**”).
32. The Receiver shall provide any person deemed to be a Qualified Bidder with access to the VDR.

### *Timing and Status*

#### *Phase I – Qualified Bids*

33. A Qualified Bidder wishing to submit a bid, will deliver written copies of a non-binding proposal, including any restructuring proposal (a “**Qualified Phase I Bid**”) by no later than 5:00 p.m. (Mountain Standard Time) on December 14, 2017, or such other date or time as may be agreed to by the Receiver (the “**Phase I Bid Deadline**”);
34. A Qualified Phase I Bid will be considered as such only if it complies at a minimum with the following:
  - (a) it includes a term sheet describing the terms and conditions of the proposed transaction, including identification of the Business and Property proposed to be acquired (including any liabilities to be assumed), the purchase price for the Business or Property proposed to be acquired in Canadian Dollars (the “**Purchase Price**”), a detailed description of all assumptions and conditions relating to each of the Material Storage Agreements which the Qualified Phase I Bidder has factored into the proposed Purchase Price, the effective and closing date of the proposed transaction, and the structure and financing of the proposed transaction;

- (b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Receiver to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by its Qualified Phase I Bid;
  - (c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal, or regulatory approvals required to close the transaction, an estimate of the anticipated time frame, and any anticipated impediments for obtaining such approvals;
  - (d) it contains an outline of any additional due diligence required to be conducted by the Qualified Phase I Bidder in order to submit a final and binding offer;
  - (e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;
  - (f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement, or similar type of payment;
  - (g) it contains such other information as may reasonably be requested by the Receiver; and
  - (h) it is received by the Phase I Bid Deadline.
35. With the written consent of the Receiver, Phase I Bidders may be permitted to enter into discussions with any of the Material Contract counterparties in respect of the Material Contracts, but not with respect to the details of its potential bid.

36. The Receiver, in consultation with the Secured Lenders, may, following the receipt of any Qualified Phase I Bid, seek clarification with respect to any of the terms or conditions of such Qualified Phase I Bid and/or request and negotiate one or more amendments to such Qualified Phase I Bid before determining whether any of the Qualified Phase I Bids may advance to Phase II.
37. The Receiver may waive any of the Qualified Phase I Bid requirements outlined above and advance any bidder to Phase II if the Receiver determines it to be appropriate.

*Phase II – Due Diligence and Definitive Purchase Agreement*

38. Once Qualified Phase I Bids have been chosen to advance to Phase II, the selected bidders (“**Phase II Bidders**”) will be informed that their bids were chosen and will be invited to participate in Phase II. Phase II Bidders will be granted continued access to the VDR, due diligence materials, management presentations and site visits.
39. With the written consent of the Receiver, Phase II Bidders may be permitted to enter into discussions with any of the Material Contract counterparties in respect of the Material Contracts, but not with respect to the details of its potential bid.
40. Phase II Bidders that wish to present a binding offer to purchase (collectively, “**Qualified Phase II Bid**”) will be required to present their bid to the Receiver by no later than 5:00 p.m. (Mountain Standard Time) on January 24, 2018.
41. Qualified Phase II Bid must be accompanied by a 10% deposit or other amount acceptable to the Receiver and comply with all of the requirements in paragraph 28 of the SISP Procedures.

42. The Deposit will only be refundable if the Phase II Bidder's Qualified Phase II Bid is not selected or, if selected as the successful bid, Court approval is not obtained.
43. The Receiver reserves the right to request that Phase II Bidders revisit their offers in the event several competitive Qualified Phase II Bids are received. The Receiver will review the Binding Phase II Bids in consultation with the Secured Lenders. If a Qualified Phase II Bid is determined to be acceptable ("**Successful Bid**") the successful bidder ("**Successful Bidder**") will be notified by the Receiver who will seek Court approval for the Successful Bid. Deposits received from Phase II Bidders who are not selected as the Successful Bidder will have their Deposits refunded according to the SISP Procedures.

*Receiver's comments on the SISP timelines*

44. In the Receiver's view, the proposed SISP timelines are sufficient to fully market the Property and/or Business of the Company with consideration given to the Pre-filing Sales Processes. As outlined in detail in the Pre-filing Report, the Company completed several Pre-filing Sales Processes prior to the Receivership Proceedings and the Receiver has a general idea of the parties who previously expressed, or did not express, interest in the Property.
45. The Receiver is of the view that the Property has already been adequately exposed to the market and that the most likely buyers are familiar with the Property and the Business. In addition most of the interested parties were contacted during the Pre-filing Sales Processes. Furthermore, the Receiver understands that the Company is relatively well prepared to re-launch a sale process with much of the required financial and marketing information already prepared. Furthermore, the Receiver has been provided by management of the Company with a listing of interested parties previously contacted in the Pre-filing Sale Processes.

46. Accordingly, while the timelines in the proposed SISP have been slightly expedited compared to typical sales and marketing processes, the Receiver believes the three week timeline from launch to the Phase I Bid Deadline will provide sufficient time for new potential parties to consider the opportunity and formulate a non-binding bid, as well as for previous participants to re-fresh their bids.
47. Furthermore, the Receiver is of the view that the additional six weeks after the Phase I Bid Deadline to submit a Phase II Bid is sufficient for interested parties to complete due diligence and enter a binding agreement (even taking into consideration delays due to the upcoming holiday season) as the Property and Business are concentrated in one central location from a geographical perspective, which should streamline field due diligence.

## **RECOMMENDATIONS**

48. The Receiver respectfully requests that this Honourable Court grant the following relief:
  - (a) approving the Receiver's actions, conduct and activities since the Date of Appointment as reported herein; and
  - (b) approving the proposed SISP and SISP Procedures.

All of which is respectfully submitted this 15<sup>th</sup> day of November, 2017.

FTI Consulting Canada Inc.,  
in its capacity as receiver and manager  
of certain assets, undertakings and properties  
of Blaze Energy Ltd. and Wild Rose Energy  
Ltd.



Deryck Helka  
Senior Managing Director, CA, CPA, CIRP



Dustin Oliver  
Managing Director, CA, CPA



# **Appendix A**

## **SISP Procedures**

## Appendix "A"

### Sale and Investment Solicitation Process

#### Procedures for the Sale and Investment Solicitation Process

1. On October 12, 2017, the Alberta Court of Queen's Bench (the "**Court**") made an order (the "**Receivership Order**") appointing FTI Consulting Canada Inc. ("**FTI**") as Receiver and Manager (the "**Receiver**") over certain assets, undertakings, and properties of Blaze Energy Ltd. and Wild Rose Energy Ltd. (collectively, the "**Company**"). The Receiver is requesting the Court's approval of the Sale and Investment Solicitation Process (the "**SISP**") set forth herein at a Court application scheduled on November 17, 2017.
2. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP to seek a Successful Bid (as defined herein), and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

#### Defined Terms

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

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

"**Lenders**" means Stream Asset Financial Spark LP and Maxam Opportunities Fund II Limited Partnership;

"**Material Contracts**" means each of the Company agreements set out in the attached **Schedule "A"**; and

"**Material Contract Counterparty**" means NOVA Gas Transmission Ltd., J.P. Morgan Commodities Canada Corporation (Mercuria Commodities Canada Corporation), NBC Commodities (2015) Inc., Tidal Energy Marketing Inc., PetroChina International (Canada) Trading Ltd., and Tidewater Midstream and Infrastructure Ltd.

**SISP Procedures and Timeline**

4. The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Company, and that portion of its business and its operations (the “**Business**”) and its assets, undertakings, and property that are subject to the Receivership Order granted by the Court on October 12, 2017 in Action No. 1701-13518 (collectively, the “**Property**”), the manner in which a bid becomes a Qualified Phase I Bid or a Qualified Phase II Bid (each as defined herein), the receipt and negotiation of bids received, the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.

5. The Receiver shall administer the SISP Procedures. The Company is required to assist and support the efforts of the Receiver, as provided herein. In the event that there is disagreement as to the interpretation or application of the SISP Procedures, the Court will have jurisdiction to hear and resolve such dispute.

6. The following table sets out the key milestones under this SISP:

<b>Milestone</b>	<b>Deadline</b>
Phase I Bid Deadline	December 14, 2017
Phase II Bid Deadline	January 24, 2018

7. The Receiver will use their reasonable efforts to complete the SISP in accordance with the timelines as set out herein. The Receiver shall be permitted to make such adjustments to the timeline that it determines are reasonably necessary, in accordance with these SISP Procedures.

**Solicitation of Interest**

8. As soon as practicable following Court approval of the SISP, the Receiver shall cause a notice of the SISP to be published in the Daily Oil Bulletin.

9. A non-confidential teaser letter prepared by the Receiver describing the opportunity to acquire some, or substantially all of the Business or Property will be made available by the Receiver to prospective purchasers or prospective strategic or financial investors, and will be

posted on the Receiver's website as soon as practicable following Court approval of the SISP. The Receiver intends to contact all parties who had previously expressed an interest in the Property or were included in the Company's previous marketing efforts undertaken up to June of 2017.

10. A "**Confidential Information Memorandum**" describing the opportunity to acquire some, or substantially all of the Business or Property will be made available by the Receiver to prospective purchasers that have executed a non-disclosure agreement with the Receiver, in a form satisfactory to the Receiver.

11. The Receiver will also populate an electronic data room (the "**Data Room**") or make such information available to interested buyers that will include detailed information regarding the Business and Property, which may include but will not be limited to listings, photographs, financial information, technical specifications, and other information required for prospective purchasers to perform due diligence on the Business and Property.

**"As Is, Where Is"**

12. Any sale of the Business or Property will be on an "as is, where is" basis and without any representations, warranties, covenants, or indemnities of any kind, nature, or description by the Receiver or any of its affiliates, advisors, agents, or representatives, except to the extent otherwise provided in the relevant final sale agreement with a Successful Bidder.

**Free of Any and All Claims and Interests**

13. In the event of a sale of the Business or Property, to the extent permitted by law, all of the rights, title, and interests of the Company in and to the Business or Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "**Claims and Interests**"), such Claims and Interests to attach to the net proceeds of the sale of such Business or Property (without prejudice to any claims or causes of action regarding the priority, validity, or enforceability thereof), pursuant to the Sale Approval and Vesting Order (as defined herein) made by the Court, upon the application of the Receiver, except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

### **Participation Requirements**

14. In order to participate in the SISP, each person interested in bidding on the Business or Property (a **"Potential Bidder"**) must deliver to the Receiver at the address specified in **Schedule "B"** hereto (including by email or fax transmission), and prior to the distribution of any confidential information by the Receiver to a Potential Bidder (including the Confidential Information Memorandum), an executed non-disclosure agreement in a form satisfactory to the Receiver, which shall inure to the benefit of any purchaser.

### **Phase I**

15. A Potential Bidder that has executed a non-disclosure agreement, as described above, and who the Receiver in their sole discretion determine has a reasonable prospect of completing a transaction contemplated herein, will be deemed a **"Qualified Phase I Bidder"** and will be promptly notified of such classification by the Receiver in writing.

16. Qualified Phase I Bidders shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Receiver, a management presentation, together with such further information as the Receiver may deem appropriate. The Receiver makes no representation or warranty as to the accuracy or completeness of the information contained in the Data Room, the information to be provided through the due diligence process, or otherwise, regardless of whether such information is provided in written, oral, or any other form, except to the extent otherwise contemplated under any final sale agreement with a Successful Bidder.

17. With the written consent of the Receiver, Qualified Phase I Bidders may be permitted to enter into discussions with any Material Contract Counterparty in respect of the Material Contracts, but not with respect to the details of its potential bid.

18. A Qualified Phase I Bidder, if it wishes to submit a bid, must deliver written copies of a non-binding letter of intent (a **"Phase I Bid"**) to the Receiver at the addresses specified in **Schedule "B"** hereto (including by email or fax transmission) by no later than 5:00 p.m. (Calgary Time) on December 14, 2017, or such other date or time as may be agreed to by the Receiver (the **"Phase I Bid Deadline"**).

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

- (a) it includes a term sheet describing the terms and conditions of the proposed transaction, including identification of the Business and Property proposed to be acquired (including any liabilities to be assumed), the purchase price for the Business or Property proposed to be acquired in Canadian Dollars (the “**Purchase Price**”), a detailed description of all assumptions and conditions relating to each of the Material Contracts which the Phase I Bidder has factored into the proposed Purchase Price, the effective and closing date of the proposed transaction, and the structure and financing of the proposed transaction;
- (b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Receiver to make a reasonable determination as to the Qualified Phase I Bidder’s financial and other capabilities to consummate the transaction contemplated by its Phase I Bid;
- (c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal, or regulatory approvals required to close the transaction, an estimate of the anticipated time frame, and any anticipated impediments for obtaining such approvals;
- (d) it contains an outline of any additional due diligence required to be conducted by the Qualified Phase I Bidder in order to submit a final and binding offer;
- (e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;
- (f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement, or similar type of payment;

- (g) it contains such other information as may reasonably be requested by the Receiver; and
- (h) it is received by the Phase I Bid Deadline.

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

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

22. If it is determined by the Receiver that a person that has submitted a Qualified Phase I Bid (including where compliance with the bid requirements has been waived) has a bona fide interest in completing a transaction pursuant to these SISP Procedures and such bid has not been rejected pursuant to the provisions hereof, then such person shall be deemed to be a **“Phase II Bidder”**. Notwithstanding anything else in this paragraph, any person that submits a Qualified Phase I Bid which contemplates payment in full in cash of the secured debt of the Lenders (and which Qualified Phase I Bid is not subject to financing) shall be deemed a Phase II Bidder.

23. The Receiver shall notify each Phase I Bidder in writing as to whether or not such person has been determined to be a Phase II Bidder.

### **Phase II**

24. The Receiver shall allow each Phase II Bidder such further access to confirmatory due diligence materials and information regarding mineral titles, the Material Contracts, and environmental diligence items as the Receiver deems appropriate.

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

26. With the written consent of the Receiver, Qualified Phase II Bidders may be permitted to enter into discussions with any Material Contract Counterparty in respect of the Material Contracts, but not with respect to the details of its potential bid.

27. Phase II of the SISP will be limited to those persons that were identified by the Receiver as a Phase II Bidder. No person shall be permitted to participate in Phase II of the SISP without having participated in Phase I of the SISP and who were designated as a Phase II Bidder herein.

28. A Phase II Bidder that wishes to make a formal offer to purchase the Business or Property shall submit a binding offer (a "**Phase II Bid**") and a copy of the purchase and sale agreement they are prepared to sign (the "**Definitive Agreement**") to the Receiver at the addresses specified in **Schedule "B"** hereto (including by email or fax transmission), so as to be received by each of them no later than by 5:00 p.m. (Calgary Time) on January 24, 2018, or such other date or time as may be agreed to by the Receiver (the "**Phase II Bid Deadline**"). Such Phase II Bid shall be a "**Qualified Phase II Bid**" and such Phase II Bidder shall be a "**Qualified Phase II Bidder**" only if its Phase II Bid complies with all of the following:

- (a) it complies with all of the requirements in respect of Qualified Phase I Bids, other than the requirements set out in paragraphs 19(c), 19(d), and 19(h);
- (b) it clearly identifies the form of consideration being proposed to satisfy the Purchase Price and estimated value of the consideration in Canadian Dollars. The Receiver's preference is for cash consideration, provided that the Receiver will consider securities or other forms of consideration;
- (c) it clearly identifies the contracts, agreements, or other arrangements held by the Company, including those of the Material Contracts, that are to be assumed by the Qualified Phase II Bidder under its Qualified Phase II Bid;
- (d) in respect of each Material Contract that is to be assumed by the Qualified Phase II Bidder under its Qualified Phase II Bid, all amendments or other changes in respect of each such Material Contract that have either been agreed to by the Qualified Phase II Bidder and the applicable Material Contract Counterparty, or



are to be agreed to if the Qualified Phase II Bidder was to become the Successful Bidder (as defined herein), are clearly identified;

- (e) it includes a letter stating that its Phase II Bid is irrevocable until the earlier of: (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures; and (ii) thirty (30) calendar days following the Phase II Bid Deadline, provided that if such Qualified Phase II Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
- (f) it includes written evidence of a firm irrevocable commitment for all required financing, or other evidence of the financial ability of such Qualified Phase II Bidder to consummate the proposed transaction, that will allow the Receiver to make a reasonable determination as to the Qualified Phase II Bidder's financial and other capabilities to consummate the transaction contemplated by its bid;
- (g) it is not conditional on: (i) the outcome of unperformed due diligence; and/or (ii) obtaining financing;
- (h) it includes an acknowledgement and representation that the Qualified Phase II Bidder: (i) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Business or Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Business or Property to be acquired, or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;
- (i) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Qualified Phase II Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery, and closing of the transaction contemplated by the Phase II

Bid, and identifies any anticipated shareholder, regulatory, or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

- (j) it is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to ten percent (10%) of that total consideration set out in its Phase II Bid;
- (k) it includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Receiver), together with a blackline against the draft form of Definitive Agreement which will be prepared by the Receiver and posted in the Data Room;
- (l) it does not include any request for or entitlement to any break or termination fee, expense reimbursement, or similar type of payment;
- (m) it contains such other information as may reasonably be requested by the Receiver; and
- (n) it is received by the Phase II Bid Deadline.

#### **Selection of Starting Bid**

29. The Receiver, in consultation with the Lenders, will assess the Phase II Bids received by the Phase II Bid Deadline and determine whether or not each such bid constitutes a Qualified Phase II Bid. The Receiver may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bid to be a Qualified Phase II Bid. The Receiver also reserves the right to request that certain Qualified Phase II Bidders revisit their Phase II Bids in the event that multiple Qualified Phase II Bids are competitive.

30. After the Receiver determines the most favourable of the Qualified Phase II Bids (the “**Successful Bid**”), the Receiver may then proceed to negotiate and settle the terms and

conditions of a Definitive Agreement in respect of the Successful Bid, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing within thirty (30) calendar days after the Phase II Bid Deadline, or such longer period as shall be agreed to by the Receiver.

31. Once a Definitive Agreement has been negotiated and settled in respect of a Successful Bid, the person who made the Successful Bid shall be the “**Successful Bidder**”.

#### Court Approval Motion

32. The Receiver shall apply to the Court (the “**Approval Motion**”) for an order (the “**Sale Approval and Vesting Order**”) approving the Successful Bid and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bid, as well as an order vesting title to the purchased Business or Property in the name of the Successful Bidder.

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

34. All Qualified Phase II Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of approval and recognition of the Successful Bid by the Court, but not before, and shall remain open for acceptance until that time.

#### Deposits

35. All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the Purchase Price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Sale Approval and Vesting Order is approved by the Court. If there is no Successful Bid, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with the SISP Procedures.

**Approvals**

36. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

**No Amendment**

37. Subject to the above, there shall be no amendments to these SISP Procedures, including, for greater certainty, the process and procedures set out herein, without the consent of the Receiver.

**No Obligation to Conclude a Transaction**

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

**Further Orders**

39. At any time during the SISP, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

## Schedule "A"

### Material Contracts

- Service Agreement Rate Schedule FT-R between NOVA Gas Transmission Ltd. and Wild Rose Energy Ltd. dated May 11, 2017 and signed June 5, 2017
- Project and Expenditure Authorization between NOVA Gas Transmission Ltd. and Wild Rose Energy Ltd. dated May 11, 2017 and signed June 5, 2017
- Master Natural Gas Storage Agreement between Wild Rose Energy Ltd. and J.P. Morgan Commodities Canada Corporation (*Mercuria Energy Trading purchased physical trading book from J.P. Morgan in 2014*) (Contract# JPMCCC01) dated March 4, 2013, including all Transactions (as defined in such Master Natural Gas Storage Agreement) currently in effect and set out below for reference:

MCCC.2016.PK01
MCCC.2016.PK02
MCCC.2016.PK03
MCCC.2016.PK04
MCCC.2016.PK05

- Master Natural Gas Storage Agreement between Wild Rose Energy Ltd. and NBC Commodities (2015) Inc. (Contract# NBC02) dated October 28, 2014, including all Transactions (as defined in such Master Natural Gas Storage Agreement) currently in effect and set out below for reference:

NBCI.2013.PK1	NBCO.2016.PK09	NBCO.2016.PK25	NBCO.2016.PK41
NBCI.2015.PK1	NBCO.2016.PK10	NBCO.2016.PK26	NBCO.2016.PK42
NBCI.2015.PK2	NBCO.2016.PK11	NBCO.2016.PK27	NBCO.2016.PK43
NBCI.2014.PK21	NBCO.2016.PK12	NBCO.2016.PK28	NBCO.2016.PK44
NBCI.2014.PK22	NBCO.2016.PK13	NBCO.2016.PK29	NBCO.2016.PK45
NBCI.2014.PK23	NBCO.2016.PK14	NBCO.2016.PK30	NBCO.2016.PK46
NBCI.2014.PK24	NBCO.2016.PK15	NBCO.2016.PK31	
NBCI.2014.PK25	NBCO.2016.PK16	NBCO.2016.PK32	
NBCO.2016.PK01	NBCO.2016.PK17	NBCO.2016.PK33	
NBCO.2016.PK02	NBCO.2016.PK18	NBCO.2016.PK34	
NBCO.2016.PK03	NBCO.2016.PK19	NBCO.2016.PK35	
NBCO.2016.PK04	NBCO.2016.PK20	NBCO.2016.PK36	
NBCO.2016.PK05	NBCO.2016.PK21	NBCO.2016.PK37	
NBCO.2016.PK06	NBCO.2016.PK22	NBCO.2016.PK38	
NBCO.2016.PK07	NBCO.2016.PK23	NBCO.2016.PK39	

NBCO.2016.PK08	NBCO.2016.PK24	NBCO.2016.PK40
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- Master Natural Gas Storage Agreement between Wild Rose Energy Ltd. and Tidal Energy Marketing Inc. (Contract# TEMI01) dated January 22, 2013, including all Transactions (as defined in such Master Natural Gas Storage Agreement) currently in effect and set out below for reference:

TEMI.2015.PK3
TEMI.2015.PK4
TEMI.2015.PK5
TEMI.2015.PK6
TEMI.2015.PK7
TEMI.2015.TC10
TEMI.2015.PK9
TEMI.2016.TC01
TEMI.2016.TC02
TEMI.2016.TC03
TEMI.2016.TC04
TEMI.2016.TC05

- Master Natural Gas Storage Agreement between Wild Rose Energy Ltd. and PetroChina International (Canada) Trading Ltd. dated April 2, 2015, including all Transactions (as defined in such Master Natural Gas Storage Agreement) currently in effect and set out below for reference:

PCIC.2015.TC01
PCIC.2015.TC02
PCIC.2015.TC03
PCIC.2015.PK1
PCIC.2015.PK2
PCIC.2015.TC04
PCIC.2016.TC01
PCIC.2016.TC02

- Master Natural Gas Storage Agreement between Wild Rose Energy Ltd. and Tidewater Midstream and Infrastructure Ltd. (Contract# TWM01) dated August 4, 2017, including all Transactions (as defined in such Master Natural Gas Storage Agreement) currently in effect and set out below for reference:

TWM.2017.PK1
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TWM.2017.PK2
TWM.2017.PK3
TWM.2017.PK4
TWM.2017.PK5
TWM.2017.PK6
TWM.2017.PK7
TWM.2017.PK8
TWM.2017.PK9

- GasEDI Base Contract for the Sale and Purchase of Natural Gas between PetroChina International (Canada) Trading Ltd. and Wild Rose Energy Ltd. dated April 2, 2015, including the Special Provisions thereto and all Transactions (as defined in such GasEDI Base Contract) currently in effect.
- GasEDI Base Contract for the Sale and Purchase of Natural Gas between PetroChina International (Canada) Trading Ltd. and Blaze Energy Ltd. dated April 2, 2015, including the Special Provisions thereto and all Transactions (as defined in such GasEDI Base Contract) currently in effect.

**Schedule "B"**

**Addresses for Notices**

If to the Receiver:

FTI Consulting Canada Inc.  
720, 440 2 Avenue S.W.  
Calgary, Alberta T2P 5E9

Attention: Dustin Olver  
Telephone: (403) 454-6032  
Fax: (403) 232-6116  
Email: [dustin.olver@fticonsulting.com](mailto:dustin.olver@fticonsulting.com)

With a copy to:

Fasken Martineau DuMoulin LLP  
3400 First Canadian Centre  
350 7 Avenue S.W.  
Calgary, Alberta T2P 3N9

Attention: Travis Lysak  
Telephone: (403) 261-5350  
Fax: (403) 261-5351  
Email: [tlysak@fasken.com](mailto:tlysak@fasken.com)