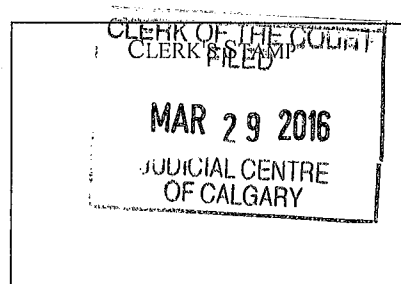


FORM 49  
[RULE 13.19]



COURT FILE NUMBER 1601 – 03113  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,  
c. C-36, as amended**

**AND IN THE MATTER OF THE COMPROMISE  
OR ARRANGEMENT OF QUICKSILVER  
RESOURCES CANADA INC., 0942065 B.C. LTD.  
and 0942069 B.C. LTD.**

DOCUMENT **AFFIDAVIT (STAY EXTENSION AND  
DISTRIBUTION OF PROCEEDS)**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**BENNETT JONES LLP**  
Barristers and Solicitors  
4500, 855 – 2nd Street S.W.  
Calgary, Alberta T2P 4K7

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**AFFIDAVIT OF BOB MCGREGOR**

**Sworn on March 29, 2016**

I, Bob McGregor, of the City of Calgary, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Vice President, Finance, of each of Quicksilver Resources Canada Inc. ("Quicksilver Canada" or "QRCI"), 0942065 B.C. Ltd. ("LNG Co") and 0942069 B.C. Ltd. ("LNG SubCo", and together with Quicksilver Canada and LNG Co, the "Applicants") and I am also a director of each of the Applicants. As such I have

personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true.

2. J. David Rushford previously swore an Affidavit in this Action on March 8, 2016 (the "**Rushford Affidavit No. 1**"). Where I use capitalized terms in this Affidavit, but do not define them, I intend them to bear their meanings as defined in the Rushford Affidavit No. 1.
3. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

#### **I. RELIEF REQUESTED**

4. This Affidavit is made in support of an application by the Applicants for an Order (the "**Extension Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to extend the Stay Period granted in favour of the Applicants and defined in the Initial Order granted by this Honourable Court on March 8, 2016. The Initial Order stayed all proceedings related to the Applicants until April 7, 2016. The Applicants request that the Extension Order extend the stay period from April 7, 2016 to June 2, 2016 (the "**Stay Extension Period**").
5. Since the granting of the Initial Order, the Applicants have taken significant steps to advance these restructuring proceedings, including but not limited to:
  - (a) cooperating with the Monitor to facilitate its monitoring of the Applicants' business and operations;
  - (b) communicating with various stakeholder groups and their advisors, including holding discussions with the appropriate environmental and regulatory authorities in British Columbia, regarding the Horn River Asset and Discovery LNG;
  - (c) setting down an application for the Approval and Vesting Order with respect to the Horseshoe Canyon APA;

- (d) continuing to advance the QCRI Sale Process with respect to the Horn River Asset and Discovery LNG; and
  - (e) continuing to operate and manage the Applicants' business in the ordinary course, subject to the terms of the Initial Order.
6. As noted, the Applicants with the assistance of Houlihan have continued to conduct the QCRI Sale Process in order to monetize the Horn River Asset and Discovery LNG. The Applicants have recently entered into binding asset purchase agreements with respect to those remaining assets and anticipate making applications to this Court for the approval of those agreements soon.

## **II. THE STAY EXTENSION PERIOD**

7. The Applicants believe that extending the stay period for the Stay Extension Period will provide the Applicants the additional time necessary to continue to advance and possibly to finalize the remaining elements of the QCRI Sale Process.
8. The Applicants further intend to use the two month Stay Extension Period to continue to advance the following initiatives:
- (a) move towards consummating the binding transactions in place respecting the Horn River Asset and Discovery LNG;
  - (b) move forward with a claims process to identify all creditor claims against the Applicants and their directors; and
  - (c) continue to hold discussions with the Applicants' primary creditor groups (the Agent, QRI, Spectra, KKR and the British Columbia environmental and regulatory authorities) to discuss a Plan of Compromise and Arrangement that would allow for the most efficient method of monetizing the assets of the Applicants, determining claims against the Applicants and their directors, and distributing proceeds to creditors.

**III. DISTRIBUTION OF PROCEEDS**

9. Other than the security that Quicksilver Canada granted to the Agent pursuant to the Credit Facility, Quicksilver Canada has not granted any security over the Oil & Gas Assets (the only assets being conveyed under the Horseshoe Canyon APA) to any other creditor (other than security granted to lessors of specific vehicles and equipment, all of whom are being given notice of this Application).
10. Quicksilver Canada has and continues to pay all valid, uncontested amounts owed to all of its creditors, counterparties and joint venture partners who have dealings with Quicksilver Canada with respect to the Oil & Gas Assets. I am aware of no builders' liens having been registered against any of the Oil & Gas Assets at any time.

**IV. CASH FLOW DURING STAY EXTENSION PERIOD**

11. As was set out in the Rushford Affidavit No. 1, the Applicants' principal uses of cash continue to be consist of the ongoing day-to-day operational expenses of the Applicants, such as payroll, transportation and office related expenses, and professional fees and disbursements in connection with these CCAA proceedings.
12. The Applicants in conjunction with the Monitor have prepared a revised cashflow statement covering the Stay Extension Period, which I understand will be included in a Monitor's Report to be filed in connection with this application. The Applicants will have sufficient cashflow to fund their operations during the Stay Extension Period.

V. CONCLUSION

13. I swear this this Affidavit in support of an Application for the relief set out in paragraph 4 above and for no other or improper purpose.

SWORN (OR AFFIRMED) BEFORE ME )  
at Calgary, Alberta, this 29<sup>th</sup> )  
day of March, 2016. )



\_\_\_\_\_  
A Commissioner for Oaths )  
in and for the Province of Alberta )

\_\_\_\_\_  
BOB MCGREGOR

Alexis Teasdale  
Barrister and Solicitor