



Clerk's stamp:

ESTATE NUMBER

25-094506

COURT

**COURT OF QUEEN'S BENCH OF
ALBERTA, IN BANKRUPTCY**

JUDICIAL CENTRE

CALGARY

BANKRUPT

**IN THE MATTER OF THE ESTATE OF
CYGAM ENERGY INC., Bankrupt**

DOCUMENT

**ORDER APPROVING SALES PROCESS
AND SALE**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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DATE ON WHICH ORDER WAS PRONOUNCED: Monday, July 6, 2015

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

JUSTICE WHO MADE THIS ORDER: Justice J. Hawco

UPON the Application of Hardie and Kelly Inc., Trustee in Bankruptcy of the Estate of Cygam Energy Inc, Bankrupt, ("The Trustee"); AND UPON reading the First Report of the Trustee dated June 25, 2015 and the Supplement to the First Report dated July 3, 2015; AND UPON hearing submissions by counsel for the Trustee and any other counsel in attendance at the application,

IT IS HEREBY ORDERED THAT:

- 1) Service of this application is hereby deemed good and sufficient.
- 2) Capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the First Report of the Trustee dated June 25, 2015 (the "First Report").
- 3) The Trustee's actions to date and proposed actions with respect to the marketing and sale of certain assets of Cygam Energy Inc. ("Cygam") as described in the First Report are hereby approved.
- 4) The Sales Process with respect to the Purchased Assets, the terms and conditions of which are attached hereto as Schedule "A", is hereby approved and the Trustee is hereby authorized and directed to implement the Sales Process by way of a stalking horse process (the "Stalking Horse Process") and do all such things as are reasonably necessary to conduct and give full effect to the Sales Process.
- 5) The agreement of purchase and sale dated June 30, 2015 as between the Trustee and Farmkey Investments Co. Ltd. or nominee (the "Stalking Horse PSA") described in the First Report is hereby approved and accepted for the purposes of conducting the Stalking Horse Process including, without limitation, the Break Fee. The Trustee is authorized and directed to take such steps as may be necessary to close the Stalking Horse PSA or the Selected Superior Offer, as appropriate, and to report to the Court by way of filing of a Trustee's Sale Certificate confirming the identity of the ultimate purchaser ("the Successful Bidder") and the closing of the transaction described in the Stalking Horse PSA ("the Sale").
- 6) If Farmkey is the Successful Bidder, upon the closing of the Sale:

- a) the Purchased Assets will hereby vest in Farmkey or its nominee free and clear from all claims, as defined in the Stalking Horse PSA. In particular, all right, title and interest in and to the Purchased Assets shall vest in the name of Farmkey Investments Co. Ltd. or its nominee free and clear of and from any and all security interests, hypothecs, pledges, mortgages, trusts, deemed trusts, liens, executions, levies, charges or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”), whether such Claims came into existence prior to, subsequent to or as a result of any orders of this Court, contractually, by operation of law or otherwise, including without limiting the generality of the foregoing: (i) any encumbrances or charges created by Order(s) of this Court, (ii) all charges, security interests, registrations or claims evidenced by registration made pursuant to the *Personal Property Security Act*.

- b) Cygam and all persons who claim by, through or under Cygam in respect of the Purchased Assets shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental and equity of redemption of the Purchased Assets and, to the extent that any such person remains in possession or control of any of the Purchased Assets, they shall forthwith deliver possession of same to Farmkey Investments Co. Ltd.

- c) Farmkey Investments Co. Ltd. (or its nominee) shall be entitled to hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by Cygam, or any person claiming by or through Cygam.

7. If the Successful Bidder is a Selected Superior Bid, then the Trustee shall bring an application to the Court for a sale approval and vesting order with respect to the Selected Superior Bid.
8. The Stalking Horse Process and Stalking Horse PSA may be altered or amended by the Trustee in a non-substantive manner to give full or better effect to the process hereby approved.
9. The Trustee shall serve by courier, facsimile transmission, email transmission or ordinary post a copy of this Order on all parties present at this application and on all parties who received notice of this application or who are presently on the service list established in these proceedings and service on any or all other parties is hereby dispensed with. Service effected as aforesaid shall be good and sufficient.

“f. HAWCO”

J.C.Q.B.A

SCHEDULE "A"

SALES PROCESS PROCEDURES

On April 2, 2015, Cygam Energy Inc. ("Cygam" or the "Company") filed an assignment in bankruptcy and Hardie & Kelly Inc. was appointed as Trustee (the "Trustee") of the bankrupt estate. The Trustee's appointment was affirmed at the first meeting of creditors of the bankrupt estate, as held on April 23, 2015.

The substantial assets and undertakings of Cygam consist of the shares in two wholly owned subsidiaries, Rigo Oil Co. Limited and Cygam Energy Italia S.p.A. ("Italia"). For clarity, the shares of Rigo Oil Co. Limited are not contemplated to be marketed by the Trustee at this time as it appears that such shares would result in negligible, if any, recoveries for the benefit of the bankrupt estate.

Farmkey holds a security interest in the shares of Italia and has agreed to enter into a transaction to acquire the shares of Italia in exchange for a portion of its debt, together with a limited amount of new consideration. Farmkey has agreed to make the terms of their offer stand as a Stalking Horse Bid for purposes of the sales process procedures as described below.

SALES PROCESS

The sales process set forth herein (the "Sales Process") describes, among other things, the manner in which prospective bidders may gain access to, or continue to have access to, due diligence materials concerning the Purchased Assets (as defined below), the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder and the Court's approval thereof. The Trustee shall administer the Sales Process. In the event that there is a disagreement as to the interpretation or application of the Sales Process, the Court will have jurisdiction to hear and resolve such dispute.

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

DEFINED TERMS

Break Fee means the amount of \$50,000.00 which must accompany a Superior Agreement in order for the Superior Agreement to qualify as such, and must be paid or payable directly to Farmkey upon acceptance of the Superior Agreement by the Trustee as a Selected Superior Bid.

Closing means July 31, 2015 or such other date as may be agreed upon by the parties.

Court means the Court of Queen's Bench of Alberta, in Bankruptcy.

Italia Shares means the Trustee's right, title and interest in the issued and outstanding shares of Cygam Energy Italia S.p.A.

Italia Intercompany Payable means the Trustee's right, title and interest in any amounts outstanding from Italia to Cygam pursuant to any loans, advances or intercompany indebtedness.

Farmkey means Farmkey Investment Co. Limited

Post-Filing Amounts means the amounts anticipated to be paid by Farmkey for the preservation of the business of Italia which are anticipated to be approximately \$75,000.00

Purchased Assets means collectively, the Italia Shares, the books and records in possession of Cygam and the Italia Intercompany Payable.

Selected Superior Bid means the Superior Agreement which is selected by the Trustee in accordance with the within Sales Process.

Stalking Horse Agreement means the agreement between Farmkey and the Trustee dated effective July 2, 2015 and subsequently approved by the Court.

Successful Bidder means either Farmkey or a party that submits a Superior Agreement, or the Selected Superior Bid that is accepted by the Trustee under the terms of the Sales Process and approved by the Court.

Superior Agreement means a credible, reasonably certain and financially viable third party offer for the acquisition of the Purchased Assets, the terms of which offer must meet the criterion outlined herein and must be no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse Agreement.

STALKING HORSE AGREEMENT AND COURT APPROVAL

The Trustee shall apply to Court as soon as reasonably practicable for an order approving this Sales Process and authorizing it to enter into a Stalking Horse Agreement with Farmkey, pursuant to which, if there is no Selected Superior Bid, Farmkey will acquire the Purchased Assets.

The court order will also authorize the Trustee to enter into any and all necessary agreements with respect to either the Stalking Horse Agreement or a purchase and sale agreement with the Successful Bidder and will include an order vesting title to the Purchased Assets in the name of Farmkey, or if there is a Selected Superior Bid, vesting title to the Purchased Assets in the name of the Successful Bidder, by way of further Court Order.

“AS IS, WHERE IS”

The sale of the Purchased Assets shall be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Trustee or any of its agents, except to the extent set forth in the relevant sale agreement with a Successful Bidder.

Upon delivery to the Successful Bidder of an executed purchase and sale agreement and an Order of the Court approving same, the Trustee shall have no further duties to the Successful Bidder. For greater certainty, the Trustee is not obligated to assist in any matter with respect to any corporate governance issues which may result from the change in shareholdings of Italia.

FREE OF ANY AND ALL CLAIMS AND INTERESTS

All of the rights, title and interest of the Company in and to the Purchased Assets 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 Purchased Assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

MARKETING OF THE PURCHASED ASSETS

The Trustee shall provide information concerning the Sales Process and such other relevant information which the Trustee considers appropriate to potential interested parties as identified by former management of the Company. Upon execution of a confidentiality agreement, interested parties will be provided with access to an electronic data room which is in the process of being populated by the Trustee and for which the Trustee anticipates will be complete in advance of the approval of this Sales Process.

The Trustee makes no representations or warranty as to the accuracy or completion of the information contained in the data room, or that may otherwise become available to interested parties, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Trustee and approved by the Court.

FINAL BIDS

An interested party will deliver a final, binding proposal (the "Final Bid") to the Trustee (including by email or fax transmission) at the addresses listed below, so as to be received by the Trustee no later than 5:00 p.m. (Mountain Standard Time) on July 28, 2015 or such other date and time as may be agreed by the Trustee (the "Bid Deadline").

A Final Bid will be considered a Superior Agreement only if:

- (a) it contains a duly executed purchase and sale agreement, which contains substantially the same terms and conditions as the Stalking Horse Agreement, and:
 - i. a blackline of the purchase and sale agreement to the Stalking Horse Agreement
- (b) it is for minimum cash consideration of:
 - i. \$4,544,286 CAD; plus
 - ii. an amount sufficient to satisfy the Post-Filing Obligations currently estimated at \$79,890; plus
 - iii. the Break Fee of \$50,000.
- (c) it is conditional upon Court approval;
- (d) it includes a letter stating that the Final Bid is irrevocable until there is a Selected Superior Bid, provided that if such bidder is selected as the Successful Bidder, its Final Bid shall remain as 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;
- (e) it includes a written evidence of financial commitment or such other indication of the ability to close;
- (f) it is accompanied by a non-refundable deposit (the "Deposit") in the form of a wire transfer (to a bank account specified by the Trustee or such other form acceptable to the Trustee, payable to the Order of the Trustee, in trust, in an amount equal to 20% of the total consideration in the Qualified Bid to be held and dealt with in accordance with this Sales Process;

- (g) it is not conditional upon:
 - i. the outcome of unperformed due diligence by the bidder;
 - ii. obtaining financing;
- (h) it is received by the Bid Deadline.

In assessing Final Bids, the Trustee will consider, among other things, the following:

- (a) whether the Final Bid maximizes value received for the Purchased Assets;
- (b) the form of consideration being offered;
- (c) the likelihood that the proposed transaction will be consummated, including adherence to the timelines outlined herein given the liquidity constraints of Italia;

The Trustee may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Final Bids.

DEPOSITS

All Deposits shall be retained by the Trustee in a trust account. The Deposit paid by the Successful Bidder shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the transaction and will be non-refundable. The Deposits of other interested parties whose offers do not become the Selected Superior Bid shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bidder is chosen. If there is no Successful Bid, then all deposits shall be returned to the bidders within five (5) Business Days of the date such determination is made.

ADDRESS

All Final Bids shall be submitted to:

Hardie & Kelly Inc., in its capacity as Trustee in Bankruptcy of Cygam Energy Inc.
 110, 5800 – 2nd Street SW
 Calgary, AB T2h 0H2
 Fax: (403) 640-0591
 Attention: Kevin Meyler
 Email: kmeyler@insolvency.net

And with a further copy to the Trustee's solicitor:

DLA Piper (Canada) LLP
 Suite 1000, Livingston Place West
 250 2nd Street SW
 Calgary, AB T2P 0C1
 Fax: (403) 296-4474
 Attention: Karen Fellowes
 Email: karen.fellowes@dlapiper.com

APPROVALS

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 applicable law in order to consummate a transaction.

NO AMENDMENT

There shall be no amendments to this Sales Process, including for greater certainty, the process and procedures set out herein, without the consent of the Trustee.

FURTHER ORDERS

At any time during the Sales Process, the Trustee may apply to the Court for advice and direction with respect to the discharge of its powers and duties hereunder.