



COURT FILE NUMBER **1701-00143**

COURT **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

PLAINTIFF **BUSINESS DEVELOPMENT BANK OF CANADA**

DEFENDANT **QUATTRO EXPLORATION AND PRODUCTION LTD.**

DOCUMENT **SALE APPROVAL & VESTING ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Jessica L. Cameron
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I hereby certify this to be a true copy of the original Vesting Order
Dated this 16 day of October
D. Meade
for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: October 16, 2017

NAME OF JUSTICE WHO MADE THE ORDER: B.E.C. Romaine

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Hardie & Kelly Inc., in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of the undertaking, property and assets of Quattro Exploration and Production Ltd. (the “**Debtor**”) for an Order approving the sale transaction (the “**Transaction**”) contemplated by the Purchase and Sale Agreement (the “**APA**”) between the Receiver as vendor (the “**Vendor**”) on behalf of the Debtor, and Kelt Exploration (LNG) Ltd. (the “**Purchaser**”), made as of October 2, 2017, a copy of which is appended to the Confidential Supplement to the Fifth Report of the Receiver dated October 6, 2017 (the “**Confidential Report**”); **AND UPON** having read the Application, the Fifth Report of the Receiver dated October 6, 2017 (the “**Fifth Report**”) and the Confidential Report, the Affidavit of Service of Kristal Bolton dated October 11, 2017, filed and the Affidavit of Service of Sidney Pericak dated October 16, 2017, filed (together the “**Service Affidavit**”), and the pleadings and proceedings filed herein, including the

Receivership Order granted on February 2, 2017 (the “**Receivership Order**”); **AND UPON** hearing counsel for the Receiver, the Purchaser, the Business Development Bank of Canada (the “**Lender**”), and any other interested party appearing at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of notice of this Application is abridged to the time actually given and service of the Application and supporting material as described in the Service Affidavit is hereby declared to be good and sufficient, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.

Capitalized Terms

2. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

Actions of the Receiver

3. The actions taken by the Receiver to date, and in particular the actions of the Receiver regarding the sale of the Purchased Assets, as reported in the Fifth Report, the Third Report and the Confidential Report, are hereby approved and ratified.

Approval of the APA and the Transaction

4. The Transaction and the APA are commercially reasonable and in the best interests of the Debtor and its stakeholders. The Transaction is hereby approved and the execution of the APA by the Receiver is hereby ratified and approved, and the Receiver is authorized and directed to take such additional steps and execute such additional documents and make such minor amendments to the APA as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

Vesting of Property

5. Upon the delivery of a Receiver's Certificate to the Purchaser (or its nominee), substantially in the form attached as **Schedule “A”** hereto (the “**Receiver’s Certificate**”), subject only to approval of the transfer of applicable licenses, rights of way or easements, licenses, permits and approvals by either the Alberta Energy Regulator or the B.C. Oil and Gas Commission or B.C. Ministry of

Energy, Mines and Petroleum Resources, as the case may be (together the “**Energy Regulators**”), subject to legislation administered by the Energy Regulators, all of the Debtor’s right, title and interest in and to the Purchased Assets as described in the APA including those listed on **Schedule “B”** hereto shall vest absolutely in the Purchaser (or its nominee), as contemplated by the APA, free and clear of and from any and all security interests (whether contractual, statutory, registered or otherwise), hypothecs, caveats, interests, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens (whether contractual, statutory, or otherwise), encumbrances, executions, levies, charges (whether contractual, statutory, or otherwise), or other financial or monetary claims, assignments, actions, taxes (whether contractual, statutory, or otherwise), judgments, writs of execution, options, agreements, disputes, debts, debentures, easements, covenants, encumbrances or other rights, limitations or restrictions of any nature whatsoever including, without limitation, any rights or interests of any creditors of the Debtor, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, registered or otherwise and whether by payment, set off or otherwise, whether liquidated, unliquidated or contingent (collectively, the “**Claims**”) except the Permitted Encumbrances (as that term is defined in the APA) as well as the Environmental Liabilities and Abandonment and Reclamation Obligations (as those terms are defined in the APA) associated with the Purchased Assets, including, without limiting the generality of the foregoing:

- a) any encumbrances or charges created by the Receivership Order;
- b) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta), *The Personal Property Security Act, 1993* (Saskatchewan), or the *Personal Property Security Act* (British Columbia) (collectively the “**PPSAs**”), or any other personal property registry system;
- c) all liens and claims of lien under the *Builders’ Lien Act* (Alberta) or *The Builders’ Lien Act* (British Columbia);
- d) any arrears owing by the Debtor prior to the Appointment Date with respect to surface leases, gross-overriding royalties or freehold royalties; and
- e) those Claims listed on **Part A - Schedule “C”** hereto (all of which are collectively referred to as the “**Encumbrances**”), which term shall not include the permitted encumbrances, caveats, interests, easements and restrictive covenants listed on **Part B - Schedule “C”** (the “**Permitted Encumbrances**”);

and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets and all charges, security interests or Claims evidenced by registrations pursuant to the PPSAs, are hereby expunged, ordered removed and otherwise unconditionally discharged and terminated as against the Purchased Assets. Notwithstanding any other provision of this Order, nothing in this Order makes any of the Purchased Assets transferable or assignable if any such Purchased Asset is not, by virtue of an enactment of the Province of BC transferable or assignable.

6. Upon delivery of the Receiver's Certificate, and upon the filing of a certified copy of this Order, together with any applicable registration fees, the appropriate government authorities are hereby authorized, requested and directed to accept delivery of such Receiver's Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges, discharge statements of conveyances, as may be required to convey clear title to the Purchased Assets to the Purchaser subject only to the Permitted Encumbrances. Without limiting the foregoing,

a) the Registrar of Land Titles of Alberta (the "**AB Registrar**") shall and is hereby authorized, requested and directed to:

i. cancel the existing Certificates of Title listed pursuant to the Lands Schedule, attached as **Schedule "D"** to this Order, and to issue new Certificates of Title in the name of the Purchaser (or its nominee),

ii. transfer the existing Instruments listed on the Caveats and Easements Schedule, attached hereto as **Schedule "E"** to this Order, and to issue new caveats, utility right of ways, or such other easements reflected by the Instruments listed on Schedule "E", in the name of the Purchaser (or its nominee), and

iii. discharge and expunge the non-permitted Encumbrances listed on Part A – Schedule "C" hereto,

and to register such transfers, discharges, and discharge statements of conveyances, as may be required to convey clear title to the Purchased Assets located in the Province of Alberta to the Purchaser (or its nominee), subject only to the Permitted Encumbrances;

b) Alberta Energy (the "**AB Ministry**") shall and is hereby authorized, requested and directed to:

- i. cancel and discharge those Claims and Encumbrances, if any, other than Permitted Encumbrances, registered against the estate or interest of the Debtor in and to the Purchased Assets located in the Province of Alberta; and
- ii. transfer the Crown leases in the name of the Debtor listed in **Schedule “F”** into the name of the Purchaser (or its nominee) free and clear of all Claims and Encumbrances and subject only to the Permitted Encumbrances,

in order to convey clear title to such Purchased Assets located in the Province of Alberta to the Purchaser (or its nominee) subject only to the Permitted Encumbrances;

- c) the Registrar of the Personal Property Registry (Alberta) (the “**AB PPR Registrar**”) shall and is hereby directed to cancel and discharge those Claims and Encumbrances, if any, other than the Permitted Encumbrances, registered against the estate or interest of the Debtor in and to the Purchased Assets located in the Province of Alberta;
- d) upon presentation for registration in the Land Title Office of a certified copy of this order, together with a letter from Borden Ladner Gervais, solicitors for the Receiver, authorizing the registration of this Order, the British Columbia Registrar of Land Titles (the “**BC Registrar**”) is hereby directed to:
 - i. enter the Purchaser (or its nominee) as owner of the Lands set out in the Lands Schedule attached as **Schedule “D”** to this Order, together with all buildings and other structures, facilities and improvements located thereon and fixtures, systems, interests, licenses, rights, covenants, restrictive covenants, commons, ways, profits, privileges, rights, easements and appurtenances to the said hereditaments belonging to, or with the same or any part thereof, held or enjoyed or appurtenant thereto, in fee simple in respect of the Lands, and this Court declares that it has been proved to the satisfaction of the Court on investigation that title of the Purchaser in and to the Lands is a good, safeholding and marketable title and directs the BC Registrar to register indefeasible title in favour of the Purchaser as aforesaid; and,
 - ii. having considered the interest of third parties, to discharge, release, delete and expunge from title to the Lands all of the registered Encumbrances, except for those listed in **Schedule “E”** to this Order;

e) the Ministry of Energy, Mines and Petroleum Resources for the Province of British Columbia (the “**BC Ministry**”) shall and is hereby authorized, requested and directed to:

- i. cancel and discharge those Claims and Encumbrances, if any, other than Permitted Encumbrances, registered against the estate or interest of the Debtor in and to the Purchased Assets located in the Province of British Columbia; and
- ii. transfer the Crown leases in the name of the Debtor listed in **Schedule “F”** into the name of the Purchaser (or its nominee) free and clear of all Claims and Encumbrances and subject only to the Permitted Encumbrances,

in order to convey clear title to such Purchased Assets located in the Province of British Columbia to the Purchaser (or its nominee) subject only to the Permitted Encumbrances;

f) the Registrar of the Personal Property Registry (British Columbia) (the “**BC PPR Registrar**”) shall and is hereby directed to cancel and discharge those Claims and Encumbrances, if any, other than the Permitted Encumbrances, registered against the estate or interest of the Debtor in and to the Purchased Assets located in the Province of British Columbia.

7. The AB Registrar, the AB Ministry, the AB PPR Registrar, the BC Registrar, the BC Ministry and the BC PPR Registrar (collectively the “**Governmental Authorities**”) are expressly authorized and directed to include in the discharges of the Encumbrances described above, all encumbrances registered after the date the Receivership Order was granted.
8. In order to effect the discharges and transfers described above, this Court directs the Governmental Authorities each to take such steps as are necessary to give effect to the terms of this Order and the APA authorized herein. Presentment of this Order and the Receiver’s Certificate shall be the sole and sufficient authority of the Governmental Authorities to make and register the said transfers and cancel and discharge the registrations of any Claims and Encumbrances against the Purchased Assets.
9. The Receiver is hereby authorized and directed to take all necessary steps and execute any and all documents to effect any and all discharges and the registrars and all other persons in control or otherwise supervising such offices of registration or recording shall forthwith remove and discharge all such registrations. For greater certainty, and without limiting the generality of the foregoing, the AB Registrar and the BC Registrar are hereby directed to accept all of the Affidavits of Corporate Signing Authority submitted by the Receiver, in its capacity as Receiver and Manager of the Debtor

and not in its personal capacity, and to register the transfers, assignments and conveyances contemplated by the APA immediately.

10. No authorization or approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by the Receiver of the APA, other than the authorizations, approvals or exemptions from requirements therefor previously obtained and currently in force, if any, and the authorization or approval of the Regulator referenced in paragraph 5 above.
11. This Order shall be registered by the AB Registrar notwithstanding the requirements of section 191(1) of the *Land Titles Act*, RSA 2000, c L-7 and notwithstanding that the appeal period in respect of this Order has not elapsed, which appeal period is expressly waived. This Order shall be registered by the BC Registrar notwithstanding that the appeal period in respect of this Order has not elapsed, which appeal period is expressly waived.
12. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets (to be held in an interest bearing trust account by the Receiver) shall stand in the place and stead of the Purchased Assets and from and after the delivery of the Receiver's Certificate any encumbrances or charges created by the Receivership Order and all Claims and Encumbrances shall not attach to and shall cease to be attached to, encumber or otherwise form a charge, security interest, lien, builders' lien, or a Claim against the Purchased Assets and shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. The Receiver shall not make any distributions to creditors from the net proceeds from the sale of the Purchased Assets without further order of this Court.
13. Except as provided for in the APA, the Purchaser (or its nominee) shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims against the Vendor or the Debtor and the Purchaser (or its nominee) shall not be deemed a successor or assignee of or to the Debtor or any of its affiliates for any Claims of any kind or nature whatsoever against the Debtor or any of its affiliates or in the Purchased Assets.
14. Upon completion of the Transaction, the Debtor and all persons who claim by, through or under the Debtor in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for the persons entitled to the

benefit of the Permitted Encumbrances, shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or Claim in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).

15. The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit, without any interference of or by the Debtor or any person claiming by, through or against the Debtor.
16. Immediately after the closing of the Transaction, the holders of the Permitted Encumbrances shall have no claim whatsoever against the Receiver, Vendor, or the Debtor.
17. The Receiver is directed to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof to the Purchaser (or its nominee).
18. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), section 20(e) of the *Alberta Personal Information Protection Act*, and section 18(10)(e) of the *British Columbia Personal Information Protection Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser (or its nominee) all human resources and payroll information in the Debtor's records pertaining to the Debtor's past and current employees. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

Miscellaneous Matters

19. Notwithstanding:
 - a) the pendency of these proceedings and the declaration of insolvency made herein;
 - b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), in respect of the Debtor, and any bankruptcy order issued pursuant to any such applications;

- c) any assignment in bankruptcy made in respect of the Debtor; and
- d) the provisions of any federal or provincial statute:

the vesting of the Purchased Assets in the Purchaser (or its nominee) pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

- 20. The Receiver, the Purchaser (or its nominee) and any other interested party shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.
- 21. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories, and in particular the Province of British Columbia, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Receiver, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
- 22. Service of this Order shall be deemed good and sufficient by serving the same on:
 - a. the persons listed on the service list created in these proceedings;
 - b. the Purchaser or on the Purchaser's solicitors; and
 - c. by posting a copy of this Order on the Receiver's website at:
<http://relieffromdebt.ca/quattro-exploration-production-ltd/>;

and service on any other Person is hereby dispensed with.

"B.E. Romaine"

Justice of the Court of Queen's Bench of Alberta

SCHEDULE “A” FORM OF RECEIVER’S CERTIFICATE

COURT FILE NUMBER **1701-00143**

COURT **COURT OF QUEEN’S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

PLAINTIFF **BUSINESS DEVELOPMENT BANK OF
CANADA**

DEFENDANT **QUATTRO EXPLORATION AND
PRODUCTION LTD.**

DOCUMENT **RECEIVER’S CERTIFICATE**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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Email: jcameron@blg.com
File No. 436743/000019

RECITALS:

- A. Pursuant to an Order of the Honourable Justice K.M. Eidsvik of the Court of Queen’s Bench of Alberta (the “**Court**”) dated February 2, 2017, Hardie & Kelly Inc. was appointed as the receiver and manager (the “**Receiver**”) of the undertaking, property and assets of Quattro Exploration and Production Ltd. (“**Quattro**”).
- B. Pursuant to an Order of the Court dated October 16, 2017, the Court approved the agreement of purchase and sale (the “**Sale Agreement**”) made between the Receiver and Kelt Exploration (LNG) Ltd. (the “**Purchaser**”) and provided for the vesting in the Purchaser of Quattro’s right, title and interest in and to the Purchased Assets as defined in the Sale Agreement, which vesting is to be effective upon the delivery by the Receiver to the Purchaser of a certificate confirming:
- (i) the payment by the Purchaser of the net Purchase Price for the Purchased Assets; and

- (ii) the Transaction contemplated pursuant to the Sale Agreement has been completed to the satisfaction of the Receiver, subject only to the post-closing obligations provided for in the Sale Agreement.

C. Unless otherwise indicated herein, capitalized terms not otherwise defined have the meaning attributed to them in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the net Purchase Price for the Purchased Assets, payable at Closing pursuant to the Sale Agreement;
2. Any conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Receiver and/or the Purchaser where applicable; and
3. The Transaction contemplated by the Sale Agreement has been completed, subject to the post-closing obligations provided for therein.

This Certificate was delivered by the Receiver at Calgary, Alberta on ●, 2017.

HARDIE & KELLY INC. in its capacity as court appointed receiver of the assets and undertaking of **QUATTRO EXPLORATION AND PRODUCTION LTD.** and not in its personal or corporate capacity.

Per: _____
Marc E. Kelly
Senior Vice President

SCHEDULE "B"

PURCHASED ASSETS

SEE ATTACHED SCHEDULES:

Lands, Petroleum and Natural Gas Rights, Title Documents, Royalties and Permitted Encumbrances, Units, Wells & Facilities, Pipelines

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF AN ASSET PURCHASE AGREEMENT DATED 2nd day of October, 2017 BETWEEN HARDIE & KELLY INC., solely in its capacity as receiver of QUATTRO EXPLORATION AND PRODUCTION LTD., and not in its personal capacity, and Kelt Exploration (LNG) Ltd.

**Lands, Petroleum and Natural Gas Rights, Title Documents,
Royalties and Permitted Encumbrances**

<u>Title Document</u>	<u>Lands</u>	<u>Petroleum and Natural Gas Rights</u>	<u>Vendor's Net Interest</u>	<u>Permitted Encumbrances</u>
065066 Lease Date: April 24, 2014 Expiry Date: April 24, 2018 (Section 3(5) Extension)	Twp. 85 Rge. 15 W6M: Sections 7, 8	PNG from Surface to Basement	100.00%	Crown LOR
049373 Lease Date: February 21, 1999 Expiry Date: Section 58(3)(A) continuation	Twp. 85 Rge. 15 W6M: Section 9	PNG to base Golata	30.00% NCGOR – 5% paid on 45% of production; paid by Cequence 100.00%; paid to Quattro 88.8889%	Crown LOR
049373 Lease Date: February 21, 1999 Expiry Date: Section 58(3)(A) continuation	Twp. 85 Rge. 15 W6M: Section 10	PNG to base Golata (excluding 100/06-10-085-15W6/00 wellbore & production therefrom)	30.00% NCGOR – 5% paid on 20% of production; paid by Cequence 100.00%; paid to Quattro 75.00%	Crown LOR
065360 Lease Date: October 9, 2014 Expiry Date: October 9, 2019	Twp. 85 Rge. 16 W6M: Section 12	PNG below base Artex-Halfway-Doig	100.00%	Crown LOR
061527 Lease Date: August 18, 2008 Expiry Date; Section 58(3)(A) continuation	Twp. 85 Rge. 16 W6M: Section 12	PNG to base Artex-Halfway-Doig	100.00%	Crown LOR
061527 Lease Date: August 18, 2008 Expiry Date: Section 58(3)(A) continuation	Twp. 85 Rge. 16 W6M: Section 13	PNG to base Montney (excluding Basal Lag)	100.00%	Crown LOR

***For clarity the Assets shall only include the Vendor's interests in the lands and Petroleum and Natural Gas rights shown above and shall not include any Wells, Facilities, Pipelines, Tangibles, surface rights, etc.**

SCHEDULE "C"

ENCUMBRANCES AND CLAIMS

Part A – Non-Permitted Encumbrances

Security Notice Encumbrance ID	Registered Against	Land/Mineral Description	Registration Holder	Date of Registration
# 12990 (DEBENTURE)	AGREEMENT NUMBER 65066	TOWNSHIP 085 RANGE 15 WEST OF THE 6TH MERIDIAN: SECTIONS 7 & 8. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASEMENT.	BUSINESS DEVELOPMENT BANK OF CANADA	2016/08/15
# 12990 (DEBENTURE)	AGREEMENT NUMBER 49373	TOWNSHIP 085 RANGE 15 WEST OF THE 6TH MERIDIAN: SECTIONS 9 & 10. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASE OF BASAL MONTNEY LAG-BELLOY- GOLATA ZONE.	BUSINESS DEVELOPMENT BANK OF CANADA	2016/08/15
# 12990 (DEBENTURE)	AGREEMENT NUMBER 65360	TOWNSHIP 085 RANGE 16 WEST OF THE 6TH MERIDIAN: SECTION 12. ALL PETROLEUM AND NATURAL GAS BELOW BASE OF ARTEX-HALFWAY- DOIG ZONE.	BUSINESS DEVELOPMENT BANK OF CANADA	2016/08/15
# 12990 (DEBENTURE)	AGREEMENT NUMBER 61527	TOWNSHIP 085 RANGE 16 WEST OF THE 6TH MERIDIAN: SECTION 13. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASE OF MONTNEY EXCLUDING BASAL LAG ZONE.	BUSINESS DEVELOPMENT BANK OF CANADA	2016/08/15

Part B – Permitted Encumbrances

Capitalized terms in this Part shall have the meaning ascribed to them in the APA.

(i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in Schedule "A" to the APA;

(ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;

(iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;

(iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;

(v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

(vi) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;

(vii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);

(viii) any obligation of Quattro or Vendor to hold any right or interest in and to any of the Assets in trust for Third Parties;

(ix) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;

(x) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's or Quattro's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;

(xi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;

(xii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;

(xiv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and

(xv) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets.

SCHEDULE "D"
CERTIFICATES OF TITLE
NONE

SCHEDULE "E"
CAVEATS & EASEMENTS

NONE

SCHEDULE "F"

CROWN LEASES

AGREEMENT NUMBER	AGREEMENT TYPE	INTEREST DESCRIPTION	EFFECTIVE DATE
65066	British Columbia – Ministry of Natural Gas Development. Drilling Licence	TOWNSHIP 085 RANGE 15 WEST OF THE 6TH MERIDIAN: SECTIONS 7 & 8. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASEMENT.	2014/Apr/24
49373	British Columbia – Ministry of Natural Gas Development. PNG Petroleum and Natural Gas Lease	TOWNSHIP 085 RANGE 15 WEST OF THE 6TH MERIDIAN: SECTIONS 9 & 10. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASE OF BASAL MONTNEY LAG-BELLOY-GOLATA ZONE.	1999/Feb/21
65360	British Columbia – Ministry of Natural Gas Development. PNG Petroleum and Natural Gas Lease	TOWNSHIP 085 RANGE 16 WEST OF THE 6TH MERIDIAN: SECTION 12. ALL PETROLEUM AND NATURAL GAS BELOW BASE OF ARTEX-HALWAY-DOIG ZONE.	2014/Oct/09
61527	British Columbia – Ministry of Natural Gas Development. PNG Petroleum and Natural Gas Lease	TOWNSHIP 085 RANGE 16 WEST OF THE 6TH MERIDIAN: SECTION 13. ALL PETROLEUM AND NATURAL GAS SURFACE TO BASE OF MONTNEY EXCLUDING BASAL LAG ZONE.	2008/Aug/18