



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 **ORDER APPROVING SALES PROCESS PROCEDURE AND THE ENGAGEMENT OF SALES ADVISOR**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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I hereby certify this to be a true copy of the original Order
 Dated this 13 day of April 2017

 for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: April 12, 2017

NAME OF JUSTICE WHO MADE THE ORDER: The Honourable Justice K.D. Yamauchi

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 Quattro Exploration and Production Ltd. (the "Debtor" or "Quattro"); AND UPON having read the First Report of the Receiver dated April 3, 2017, filed (the "First Report"), the Affidavit of Service of Rhonda Lastockin, filed, and the pleadings and proceedings filed herein, including the Receivership Order granted on February 2, 2017; AND UPON hearing from counsel for the Receiver and counsel for any other interested parties appearing at the hearing of this application:

IT IS HEREBY ORDERED AND DECLARED THAT:

- The time for service of this application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.

2. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the sales process procedure (the “SPP”) attached hereto as **Schedule “A”**.
3. The SPP, as attached hereto as Schedule “A”, is hereby approved. The Receiver is hereby authorized and directed to implement the SPP and do all things as are reasonably necessary to conduct and give full effect to the SPP and carry out its obligations thereunder, including seeking approval of this Court following the selection of a Successful Bid under the SPP.
4. The engagement letter between Sayer Energy Advisors (the “**Sales Advisor**”) and the Receiver dated March 29, 2017 and as attached to the First Report as Confidential Appendix “B” (the “**Engagement Letter**”) is hereby approved. The Receiver is hereby authorized and directed to do all things as are reasonably necessary to conduct and give effect to the Engagement Letter and carry out its obligations thereunder, including payment of amounts due to be paid pursuant to the terms of the Engagement Letter.
5. The Sales Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Receiver as sales advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or willful misconduct of the Sales Advisor in performing its obligations under the Engagement Letter.

Sealing Order

6. Confidential Appendix “B” to the First Report (the “**Confidential Appendix**”) shall be sealed on the Court file, kept confidential and not form part of the public record.
7. The Clerk of the Court shall file the Confidential Appendix in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS FILED IN COURT FILE NO. 1701-00143. THE CONFIDENTIAL MATERIALS ARE SEALED PURSUANT TO THE SEALING ORDER ISSUED BY THE HONOURABLE JUSTICE K.D. YAMAUCHI ON APRIL 12, 2017.

8. HKI is empowered and authorized, but not directed, to provide the Confidential Appendix (or any portion thereof, or information contained therein) to any interested party, entity or person that HKI

considers reasonable in the circumstances, subject to confidentiality arrangements satisfactory to HKI.

9. Leave is hereby granted to any person or party affected by this Order to apply to this Honourable Court for a further order modifying or varying the terms of this Order, with such Application to be brought on no less than 7 days' notice to HKI and any other affected party pursuant to the Alberta Rules of Court.

Miscellaneous Matters

10. Service of this Order shall be deemed good and sufficient by serving the same on:
 - a) the persons listed on the service list (attached as Schedule "A" to the Application); and
 - b) by posting a copy of this Order on the Receiver's website at: <http://relieffromdebt.ca/quattro-exploration-production-ltd/>
11. No other persons are entitle to be served with a copy of this Order.
12. Service of this Order shall be deemed good and sufficient regardless of whether service is effected by PDF copy attached to email, facsimile, courier, personal deliver or ordinary mail.

"K.D. Yamauchi"

Justice of the Court of Queen's Bench of Alberta

Schedule "A" Sales Process Procedure

QUATTRO EXPLORATION AND PRODUCTION LTD., IN RECEIVERSHIP

SALES PROCESS PROCEDURE

1. On February 2, 2017, the Alberta Court of Queen's Bench (the “**Court**”) made an order (the “**Receivership Order**”) appointing Hardie & Kelly Inc. (“**HKI**”) as Receiver and Manager (the “**Receiver**”) of Quattro Exploration and Production Ltd. (“**Quattro**”), under Section 243(1) of the *Bankruptcy and Insolvency Act*, and Section 13(2) of the *Judicature Act*.
2. On April 12, 2017, the Court approved the sales process (the “**Sales Process**”) set forth herein.
3. Set forth below is the process (the “**Sales Process Procedure**”) to be followed with respect to the Sales Process to be undertaken to seek a Successful Bid (as defined below), and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

Defined Terms

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

“**AB Pipeline Act**” means the *Pipeline Act*, RSA 2000, c. P-15;

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

“**CMA**” means *The Crown Minerals Act*, SS 1984-85-86, c. C-50.2;

“**Crown disposition**” has the meaning ascribed under the CMA;

“**Holder**” has the meaning ascribed under the CMA;

“**Licence holder**” has the meaning ascribed under the SK Pipelines Act;

“**Licensee**” has the meaning ascribed under the OGCA, the AB Pipeline Act, or the *Petroleum and Natural Gas Act*, RSBC 1996, c. 361, as the case may be;

“**OGCA**” means one or more of the *Oil and Gas Conservation Act*, RSA 2000, c. O-6 or *The Oil and Gas Conservation Act*, RSS 1978, c. O-2;

“**Permit Holder**” has the meaning ascribed under the *Oil and Gas Activities Act*, SBC 2008, c. 36;

“**Property**” means the undertaking, property and assets of Quattro or any portion thereof;

“**Regulator**” means one or more of the Alberta Energy Regulator, the B.C. Oil and Gas Commission, or the Saskatchewan Ministry of the Economy;

“Sales Advisor” means Sayer Energy Advisors;

“SK Pipelines Act” means *The Pipelines Act, 1998*, SS 1998, c. P-12.1.

Sales Process Procedure

5. The Sales Process Procedure set forth herein 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 Property, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder(s) (as defined below) and the Court's approval thereof. The Receiver shall administer the Sales Process Procedures. In the event that there is disagreement as to the interpretation or application of this Sales Process Procedure, the Court will have jurisdiction to hear and resolve such dispute.
6. The Sales Process Procedure will be completed under the timeline set out in **Schedule “1”** hereto, subject to amendment by the Receiver in its discretion in consultation with the Sales Advisor, acting reasonably.
7. The Sales Advisor is appointed for the purpose of administering the Sales Process set out herein. The Sales Advisor shall implement the Sales Process Procedures with the assistance and supervision of the Receiver.

Purchase Opportunity

8. A non-confidential teaser letter prepared by the Sales Advisor describing the opportunity to acquire some, all or substantially all of the Property will be made available by the Sales Advisor to prospective purchasers and will be posted on the websites of the Receiver and the Sales Advisor as soon as practicable.
9. Confidential information describing the opportunity will be made available to prospective purchasers that have executed a non-disclosure agreement (“**NDA**”) with the Receiver, in a form satisfactory to the Receiver.
10. The Property may be separated into packages as deemed advisable by the Receiver, in consultation with the Sales Advisor.

“As Is, Where Is”

11. The sale of the Property will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver, the Sales Advisor, or any of their respective agents, or any other person except to the extent set forth in the relevant definitive purchase and sale agreement.

Free of Any and All Claims and Interests

12. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of Quattro in and to the 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 Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to an approval and vesting order 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.

Publication of Notice and Teaser

13. As soon as reasonably practicable after the approval of this Sales Process, the Receiver and the Sales Advisor shall cause a notice of the Sales Process Procedure and such other relevant information which the Sales Advisor or the Receiver consider appropriate to be published in the *Daily Oil Bulletin* and the *Calgary Herald*.

Participation Requirements

14. In order to participate in the Sales Process Procedure, each person interested in bidding on the Property (a “**Potential Bidder**”) must deliver to the Receiver at the address specified in **Schedule “2”** hereto (including by email or fax transmission), and prior to the distribution of any confidential information to a Potential Bidder, an executed NDA in form and substance satisfactory to the Receiver, which shall inure to the benefit of any purchaser of the Property.
15. A Potential Bidder that has executed an NDA and who the Receiver, in consultation with the Sales Advisor, determines in a commercially reasonable manner has a reasonable prospect of completing a transaction contemplated herein, will be deemed a “**Qualified Bidder**” and will be promptly notified of such classification by the Sales Advisor.

Due Diligence

16. The Sales Advisor shall provide any person deemed to be a Qualified Bidder with access to an electronic data room and the Sales Advisor shall provide to Qualified Bidders further access to such due diligence materials and information relating to the Property as the Receiver deems appropriate. The Sales Advisor, Receiver and their respective agents make no representation or warranty as to the information provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Receiver and approved by the Court.

Seeking Qualified Bids from Qualified Bidders

17. A Qualified Bidder desiring to make a bid for all or part of the Property must deliver written copies of a final, binding proposal (the “**Final Bid**”) in the form of a fully executed purchase and sale agreement to the Receiver at the address specified in Schedule “2” hereto so as to be received no later than 12:00 p.m. Calgary time on May 25, 2017 (the “**Bid Deadline**”).

Qualified Bids

18. A Final Bid will be considered a Qualified Bid only if it is submitted by a Qualified Bidder and the Final Bid complies with, among other things, the following (a “**Qualified Bid**”):
- (a) it contains
 - i. a duly executed purchase and sale agreement in substantially similar form to the template purchase and sale agreement to be provided in the data room;
 - ii. a blackline of the executed purchase and sale agreement to the template purchase and sale agreement provided in the data room; and
 - iii. if applicable, an allocation of the purchase price in the Final Bid as between the specific Property subject to the Final Bid;
 - (b) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;
 - (c) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;
 - (d) it is not conditional upon:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder; and/or
 - (ii) obtaining financing;
 - (e) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);
 - (f) it is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Receiver), certified cheque or bank draft, payable to the order of the Receiver, in trust, in an amount equal to 10% of the total consideration in the Qualified Bid to be held and dealt with in accordance with this Sales Process Procedure;
 - (g) it provides confirmation that it is a Licensee, Licence holder, Holder, or Permit Holder, as applicable, in good standing with the applicable Regulator(s) and that it has, or will, meet the requirements and conditions of the applicable Regulator(s) in order to become a Licensee, Licence holder, Holder or Permit Holder, as applicable, of the Property to be conveyed, transferred or assigned to it;
 - (h) it provides a written list of its current officers and directors and all shareholders who directly or indirectly own more than 10% of its issued and outstanding shares (the “**Arm’s Length List**”); and

- (i) it is received by the Bid Deadline.
19. Following the Bid Deadline, the Receiver shall hold a bid review meeting with the Sales Advisor and any other interested party as determined in the sole discretion of the Receiver.
 20. The Receiver will assess any Qualified Bids received and may waive any one or more of the requirements specified herein, and may deem such non-compliant bids to be Qualified Bids in the Receiver's sole discretion.
 21. The Receiver may reject any Qualified Bid if it determines that such bid is inadequate or insufficient, or is otherwise contrary to the best interests of the receivership estate or any of its creditors or other stakeholders.
 22. The Receiver reserves the right to request that Qualified Bidders revisit Qualified Bids in the event several competitive Qualified Bids are received. The Receiver reserves the right not to accept any of the Qualified Bids if no acceptable Qualified Bids are received. If the Receiver determines a Qualified Bid is acceptable and provides superior value to the receivership estate such Qualified Bid will be selected as a successful bid ("**Successful Bid**") with the proponent of such Successful Bid being a "**Successful Bidder**".
 23. The Successful Bidder(s) will be notified and the Receiver, in consultation with the Sales Advisor, will finalize a purchase and sale agreement(s) with the Successful Bidder(s).

Approval Motion

24. The Receiver shall apply to the Court (the "**Approval Motion**") for an order (the "**Sale Approval and Vesting Order**") approving the Successful Bid(s) and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bidder(s), as well as an order vesting title to Property in the name of the Successful Bidder(s).
25. 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.
26. All Qualified Bids (other than the Successful Bid(s)) shall be deemed rejected on and as of the date of approval of the Successful Bid(s) by the Court.

Deposits

27. All Deposits shall be retained by the Receiver. The Deposit(s) paid by the Successful Bidder(s) whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid by the Successful Bidder(s) upon closing of the approved transaction and the Deposit(s) will become non-refundable upon court-approval. The Deposit(s) of Qualified Bidders not selected as Successful Bidder(s) shall be returned to such bidders within five (5) Business Days of the date upon which the Sale Approval and Vesting Order is granted.

Approvals

28. 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

29. There shall be no amendments to this Sales Process, including, for greater certainty the Sales Process Procedure set out herein, without the written consent of the Receiver.

No Obligation to Conclude a Sale

30. The Receiver has no obligation to conclude a sale arising out of this Sales Process, and it reserves the right and unfettered discretion to reject any Final Bid or Qualified Bid.

Further Orders

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

SCHEDULE "1"

SALES PROCESS TIMELINE

April 12, 2017	Court Order approving the sales process
April 13 – 23, 2017	Compile information, establish electronic data room and prepare marketing materials
April 24 – May 24, 2017	Launch sales process including contacting interested parties, distributing Teaser, placing advertisements in <i>Daily Oil Bulletin</i> and <i>Calgary Herald</i> , compiling NDA's, responding to requests for information and facilitating due diligence meetings and calls
May 25, 2017	Bids to be submitted by 12:00 p.m. Calgary time
May 26 – June 10, 2017	Selection of Successful Bids and finalize Purchase and Sale Agreement(s)
June 26-30, 2017	Court approval of definitive Purchase and Sale Agreement(s)

SCHEDULE "2"

NOTICE

TO THE RECEIVER:

Hardie & Kelly Inc.
110, 5800 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Marc Kelly

Phone: 403-536-8503
Fax: 403-640-0591
E-Mail: mkelly@insolvency.net

WITH A COPY TO:

Sayer Energy Advisors
1620, 540 – 5th Ave. SW
Calgary, Alberta T2P 0M2

Attention: Tom Pavic

Phone: 403-266-6133
Fax: 403-266-4467
E-Mail: tpavic@sayeradvisors.com