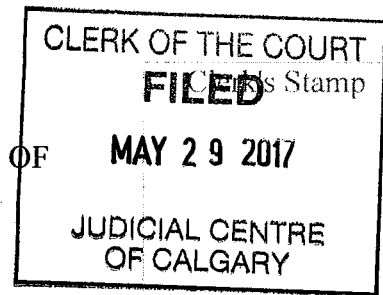


COURT FILE NUMBER 1701-05559
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF TOPANGA RESOURCES LTD.
DEFENDANT VERITY ENERGY LTD.
DOCUMENT **APPLICATION
(Sale Approval and Vesting Order)**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **Osler, Hoskin & Harcourt LLP**
Suite 2500, TransCanada Tower
450 – 1st Street SW
Calgary, Alberta T2P 5H1



Solicitors: Randal Van de Mosselaer
Phone: 403.260.7060
Fax: 403.260.7024
Email: RVandemosselaer@osler.com
Matter: 1181533

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Justice.

To do so, you must be in Court when the application is heard as shown below:

Date: June 6, 2017
Time: 10:00 a.m.
Where: Calgary Courts Centre, 601 – 5th Street SW, Calgary, AB
Before Whom: The Honourable Madam Justice G. A. Campbell

Go to the end of this document to see what else you can do and when you must do it.

Order Sought:

1. An order substantially in the form attached hereto as **Schedule “A”**:
 - a. dispensing with service of this Application on all parties entitled to service thereof or abridging the time for service to the time given, and deeming service to be good and sufficient in all cases;
 - b. approving the sale of the Property (as that term is defined in the April 28, 2017 Receivership Order in the within Action) pursuant to an agreement of purchase and sale (the “PSA”) between the Receiver and Husky Oil Operations Limited or its nominee (the “Purchaser”);
 - c. vesting in the Purchaser (or its nominee) all of Verity’s right, title and interest in and to the Property as described in the PSA;
 - d. declaring that the rights of Owners (as that term is defined in the CO&O Agreement) (the “ROFR Rights”) to acquire the Property on the terms of the PSA, as such ROFR Rights are set out in the Agreement for Construction, Ownership and Operation of the Sexsmith Plant effective April 1994 (the “CO&O Agreement”), have been satisfied, that all such ROFR Rights of all Owners have either been waived or expired, and that no person shall have any Claim under such ROFR Rights against the Purchased Assets, the Purchaser, the Receiver, any party to this action, or any other person; and
 - e. granting such further and other relief as counsel may request and this Honourable Court may deem just.

Grounds for making his application:

1. On April 28, 2017 Hardie & Kelly Inc. (the “Receiver”) was appointed Receiver of certain interests in the Sexsmith Plant and related assets (collectively, the “Property”) belonging to Verity Energy Ltd. (“Verity”) as more particularly described in the April 28, 2017 Receivership Order in the within Action;

2. Prior to the appointment of the Receiver, the Plaintiff Topanga Resources Ltd. had engaged NRG Divestitures Inc. (“NRG”) to market the Property;
3. NRG canvassed the market and received a number of bids for the Property;
4. NRG has selected the bid made by the Purchaser as the highest and best bid received for the Property;
5. The Receiver has reviewed the marketing process undertaken by NRG and believes that this marketing process reasonably canvassed the market and was reasonable and appropriate in the circumstances;
6. Pursuant to the terms of the CO&O Agreement the Owners hold the ROFR Rights in respect of a disposition of the Property. On April 28, 2017 the Receiver provided notice to the Owners with respect to the proposed sale of the Property to the Purchaser, and all Owners have either expressly waived their ROFR Rights or the time for exercising their ROFR Rights has expired;
7. On or about May 29, 2017 the Receiver and the Purchaser entered into the PSA in respect of the Property, and pursuant to which the Receiver proposes to sell and the Purchaser proposes to purchase the Property;
8. The transaction contemplated by the PSA is conditional upon (among other things) approval of the said purchase and sale by this Honourable Court;
9. The Receiver recommends that this Honourable Court approve the transaction set out in the PSA and the sale of the Property to the Purchaser, and vest title to the Property in the Purchaser; and
10. Such further and other grounds as counsel may recommend and this Honourable Court may permit.

Affidavit or other Evidence and Materials to be used in Support of this Application:

11. The Affidavit of Denny Chow, sworn April 24, 2017, filed;
12. The Confidential Supplemental Affidavit of Denny Chow, sworn April 24, 2017, filed;

13. The First Report of the Receiver, to be filed;
14. The Order (Advice and Direction) of Mr. Justice A. D. Macleod granted on February 22, 2017 in Action No. 1501-04191; and
15. Such further and other evidence or materials as counsel may advise and this Honourable Court may permit.

Applicable Rules:

16. The *Alberta Rules of Court*, Alta Reg. 124/2010.

Applicable Acts and Regulations:

17. The *Bankruptcy and Insolvency Act*, RSC 1985, chap. B-3, as amended.
18. The *Judicature Act*, RSA 2000, c J-2, as amended.

Any Irregularity Complained of or Objection Relied On:

19. None.

How the Application is Proposed to be Heard or Considered:

20. In person

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

SCHEDULE "A"

COURT FILE NUMBER 1701-05559

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

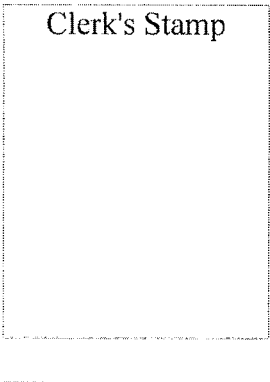
PLAINTIFF TOPANGA RESOURCES LTD.

DEFENDANT VERITY ENERGY LTD.

DOCUMENT **APPROVAL AND VESTING ORDER
(Sale by Receiver)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **Osler, Hoskin & Harcourt LLP**
Suite 2500, TransCanada Tower
450 – 1st Street SW
Calgary, Alberta T2P 5H1

Solicitors: Randal Van de Mosselaer
Phone: 403.260.7060
Fax: 403.260.7024
Email: RVandemosselaer@osler.com
Matter: 1181533



DATE ON WHICH ORDER WAS PRONOUNCED: June 6, 2017

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: Madam Justice G. A. Campbell

UPON THE APPLICATION by Hardie & Kelly Inc. in its capacity as the Court-appointed receiver (the "**Receiver**") of the Property (as that term is defined in April 28, 2017 Receivership Order in the within Action) for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between the Receiver and Husky Oil Operations Limited or its nominee (the "**Purchaser**") dated **[Date]** and appended to the First Report of the Receiver dated **[Date]** (the "**Report**"), and vesting in the Purchaser (or its nominee) Verity's right, title and interest in and to the Property as described in the Sale Agreement (the "**Purchased Assets**");

AND UPON HAVING READ the Receivership Order dated April 28, 2017 (the “**Receivership Order**”), the Report and the Affidavit of Service; **AND UPON HEARING** the submissions of counsel for the Receiver, the Purchaser [**Names of other parties appearing**], no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

APPROVAL OF TRANSACTIONS

2. The Transaction is hereby approved, and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction or for the conveyance of the Purchased Assets to the Purchaser (or its nominee).

VESTING OF PROPERTY

3. Upon the delivery of a Receiver’s certificate to the Purchaser (or its nominee) substantially in the form set out in **Schedule "A"** hereto (the “**Receiver's Certificate**”), all of Verity’s right, title and interest in and to the Purchased Assets described in the Sale Agreement and listed on **Schedule “B”** hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), 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”) 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) or any other personal property registry system;
 - (c) all obligations and liabilities of Verity Energy Ltd. (“**Verity**”) due or accruing due under the Agreement for the Construction, Ownership and Operation of the Sexsmith Gas Facilities up to the Effective Date (as those terms are defined in the Sale Agreement); and,
 - (d) for greater certainty, this Court orders that all of the Claims and encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
4. The February 22, 2017 Order of the Court of Queen’s Bench of Alberta in Action No. 1501-04191 is hereby vacated.
 5. For greater certainty, it is hereby declared that the rights of Owners (as that term is defined in the CO&O Agreement) (the “**ROFR Rights**”) to acquire the Purchased Assets on the terms of the Sale Agreement, as such ROFR Rights are set out in the Agreement for Construction, Ownership and Operation of the Sexsmith Plant effective April 1994 (the “**CO&O Agreement**”), have been satisfied, that all such ROFR Rights of all Owners have either been waived or expired, and that no person shall have any Claim under such ROFR Rights against the Purchased Assets, the Purchaser, the Receiver, any party to this action, or any other person.
 6. 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 all Claims and encumbrances 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.

7. The Purchaser (and its nominee, if any) shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims.
8. Verity and all persons who claim by, through or under Verity in respect of the Purchased Assets, save and except for the persons entitled to the benefit of the Permitted Encumbrances, 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 persons remains in possession or control of any of the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).
9. 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 Verity, or any person claiming by or through or against Verity.
10. Immediately after the closing of the Transaction, the holders of the Permitted Encumbrances shall have no claim whatsoever against the Receiver or Verity.
11. The Receiver is to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof to the Purchaser (or its nominee).
12. Pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and section 20(e) of the Alberta *Personal Information Protection Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in Verity's records pertaining to Verity's past and current employees, including personal information of those employees listed in the Sale Agreement. 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 Verity.

13. Notwithstanding:

- (a) The pendency of these proceedings;
- (b) Any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of Verity and any bankruptcy order issued pursuant to any such applications; and
- (c) Any assignment in bankruptcy made in respect of Verity

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 Verity and shall not be void or voidable by creditors of Verity, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) 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.

14. The Receiver, the Purchaser (or its nominee) and any other interested party, shall be at liberty to apply for further advice, assistance and directions 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.

MISCELLANEOUS MATTERS

15. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States 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 orders as to provide such assistance to the Receiver, as an officer of this 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.

16. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.
17. Service of this Order on any party not attending this application is hereby dispensed with.

J.C. C.Q.B.A.

Schedule "A"

Form of Receiver's Certificate

COURT FILE NUMBER	1701-05559
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	TOPANGA RESOURCES LTD.
DEFENDANT	VERITY ENERGY LTD.
DOCUMENT	RECEIVER'S CERTIFICATE

Clerk's Stamp

ADDRESS FOR SERVICE
AND
CONTACT INFORMATION
OF
PARTY FILING THIS
DOCUMENT

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Suite 2500, TransCanada Tower
450 – 1st Street SW
Calgary, Alberta T2P 5H1

Solicitors: Randal Van de Mosselaer
Phone: 403.260.7060
Fax: 403.260.7024
Email: RVandemosselaer@osler.com
Matter: 1181533

RECITALS

- A. Pursuant to an Order (the "Receivership Order") of the Honourable Madam Justice Horner of the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") dated April 28, 2017, Hardie & Kelly Inc. was appointed as the receiver (the "Receiver") of the Property (as that term is defined in the Receivership Order) of the Verity Energy Ltd. (the "Verity").
- B. Pursuant to an Order of the Court dated [Date], the Court approved the agreement of purchase and sale made as of [Date of Agreement] (the "Sale Agreement") between the Receiver and [Name of Purchaser] (the "Purchaser") and provided for the vesting in the

Purchaser of Verity's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section * of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

- C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser (or its nominee) has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section * of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser (or its nominee); and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at [Time] on [Date].

Hardie & Kelly Inc., in its capacity as Receiver of the Property], and not in its personal capacity.

Per; _____

Name:

Title: