



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 **ORDER**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MacDONALD HANLEY
Barristers and Solicitors
2050, 736 – 6th Avenue S.W.
Calgary, Alberta T2P 3T7
Attention: James G. Hanley
Telephone No.: (403) 668-5432
Facsimile No.: (403) 233-2033
Our File: 53392.001JGH

**DATE ON WHICH ORDER WAS
PRONOUNCED:**

April 28, 2017

LOCATION ORDER PRONOUNCED:

Calgary Courts Centre, Calgary, Alberta

NAME OF JUSTICE:

The Honourable Madame Justice Horner

UPON THE APPLICATION by **TOPANGA RESOURCES LTD.** ("Topanga") in respect of **VERITY ENERGY LTD.** ("Verity"); AND UPON having read the Application, the Affidavit of Denny Chow; the confidential Affidavit of Denny Chow relating to the sale process, the Affidavit of Service of Jamie Macphee; AND UPON reading the consent of Hardie & Kelly Inc. ("Hardie & Kelly") to act as Receiver or Receiver/Manager (the "Receiver") of the Property defined herein; AND UPON hearing counsel for the Applicant; IT IS HEREBY ORDERED AND DELCARED THAT:

I hereby certify this to be a true copy of
the original Order
dated this 28 day of April 2017
[Signature]
for Clerk of the Court

SERVICE

1. The time for service of the notice of application for this order is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA") and Section 13 of the *Judicature Act*, R.S.A. 2000, c. J-2, Hardie & Kelly is hereby appointed Receiver, without security, with respect to the Verity Interests in the Sexsmith Plant, and all right title and interest in and to those interests, facilities, assets and any related assets listed in Schedule "A" attached to this Order, including any associated miscellaneous interests which may be necessary to take possession of and transfer those assets listed in Schedule "A" (collectively, the "Property").

RECEIVER'S POWERS

3. The Receiver's is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following with respect to the Property where the Receiver considers it necessary or desirable:
 - (a) To take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) To receive, preserve and protect the Property, or any part of parts thereof, including, but not limited to the changing of locks and security codes, the relocation of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - (c) To engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (d) Subject to Court approval, to proceed to close the sale of the Property to Husky Oil Operations Limited ("Husky") in accordance with the terms of the Letter of Intent and any further purchase and sale documentation entered into between the Receiver and Husky and in the event that the sale of the Property to Husky is not completed, if necessary, to market any or all of the Property including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (e) To apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (f) To report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (g) To register a copy of this Order and any other Orders in respect of the Property against title to any of the Property; and
- (h) To execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) To apply for permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, as it relates to the operation, protection, preservation or transfer of the Property;
- (j) To exercise any shareholder, partnership, joint venture or other rights which the Debtor may have in respect of the Property; and
- (k) To take any steps reasonably incidental to the exercise of these power or performance of any statutory obligations;

- (l) To issue the Right of First Refusal ("ROFR Notice") to the Working Interest Partners pursuant to the CO&O Agreement governing the Verity Interests, in the form attached or similar to the form attached as Schedule "C" to this Order.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below, including Verity, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. (i) Verity, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediately and continued access to the Property to the Receiver, and shall deliver all such Property (including Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. No proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST VERITY OR THE PROPERTY

8. No proceeding against or in respect of the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all proceedings currently under way against the Property are hereby stayed and suspended pending further Order of this Court, provided however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than a the enforcement of a payment order by the Regulatory Body or the Court. "Regulatory Body" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OR REMEDIES

9. All rights and remedies (including without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contact" (as defined in the BIA), and further provided that nothing in this paragraph shall (i) exempt the Receiver from compliance with statutory or regulatory provisions relating to health, safety or the environment, (ii) prevent the filing of any registration to preserve or perfect a security interest, or (iii) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. As it relates to the Property, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without the written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. All Persons having oral or written agreements with the Debtor, or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services utility or other services to the Debtor as it relates to the Property, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, provided in each case, that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with the normal payment practices of the Debtor, or other such practices as may be agreed upon by the supplier or service provider and the Receiver or as may be ordered by this Court, all as it relates to the Property.

RECEIVER TO HOLD FUNDS

12. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

LIMITATION ON ENVIRONMENTAL LIABILITIES

13. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of

the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

- A. complies with the order; or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATIONS ON THE RECEIVER'S LIABILITY

14. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or any other protection afforded to the 'Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) or the BIA.

RECEIVER'S ACCOUNTS

15. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the

“Receiver’s Charge”) on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver’s Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to Section 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.

16. The Receiver and its legal counsel shall pass their accounts from time to time.
17. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

18. The Receiver shall be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,00.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the “Receiver’s Borrowings Charge”) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, but subordinate in priority to the Receiver’s Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.
19. Neither the Receiver’s Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

20. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
21. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and all Receiver's Certificates evidencing the same or any part thereof shall rank on a pari passu basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

22. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

23. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
24. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
25. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
26. 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 and 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.

27. The Receiver is at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
28. The Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
29. Any interested party may apply to this Court to vary or amend this Order and on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

30. The Receiver shall establish and maintain a website in respect of these proceedings at ~~http://relieffromdebt.ca/~~ and shall post there as soon as practicable:
serity-energy.ltd.ca
 - (a) all materials prescribed by statute or regulations to be made publicly available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

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

SCHEDULE "A"

VERITY INTERESTS IN SEXSMITH PLANT

Facility	Facility Location	Facility Interest
Overall Facility Participation	04-08-075-07W6	0.211663
Inlet Unit Participation FU #1	04-08-075-07W6	0.193330
Sweetening Unit Participation FU #2	04-08-075-07W6	0.228380
LPG Recovery FU #3	04-08-075-07W6	0.191160
Sulphur Plant Participation FU #4	04-08-075-07W6	0.235710
General Unit Participation FU #5	04-08-075-07W6	0.193330

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the interim receiver and receiver and manager (the "Receiver") of all of the assets, undertakings and properties of [DEBTOR'S NAME] appointed by Order of the Court of Queen's Bench of Alberta and Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (collectively, the "Court") dated the ____ day of _____, _____ (the "Order") made in action numbers _____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the ____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at ●.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

[RECEIVER'S NAME], solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

Per: _____
Name: _____
Title: _____

SCHEDULE "C"

[Hardie & Kelly Inc. Letterhead]

April 28, 2017

SEE LIST OF ADDRESSEES AT SCHEDULE "A"

**Re: Notice of Right of First Refusal
Interest of Verity Energy Ltd. in the Sexsmith Plant and all right title and interest in
and to those interests, facilities, assets, and any related assets listed in Schedule "A"
(the "Property")
Agreement for the Construction, Ownership and Operation of the Sexsmith Plant
effective • (the "Agreement")**

Hardie & Kelly Inc., in its capacity as Court-appointed Receiver of the Property ("**Receiver**") has been appointed Receiver of the legal and beneficial interest described in Schedule "A" (the "**ROFR Interests**") in the Facility described in Schedule "A" (the "**ROFR Facility**") (the ROFR Interests and ROFR Facility collectively described as the "**ROFR Assets**").

The ROFR Assets are subject to the Agreement. According to our records, you are a current counterparty to the Agreement and it contains a right of first refusal (collectively, the "**ROFR**") in your favour. Receiver hereby gives notice of its intention to sell those interests in the ROFR Assets as set out in Schedule "A" to Husky Oil Operations Limited ("**Husky**") located at 707 8th Avenue SW, Box 6525 Station D Calgary, Alberta T2P 3G7 (the "**Transaction**").

The material terms of the Transaction are summarized below.

1. Closing of the Transaction will occur at the offices of Osler, Hoskin & Harcourt LLP at Suite 2500, 450 – 1st Street S.W., Calgary, Alberta, T2P 5H1 on June 1, 2017, or on any other date agreed to by Receiver and Husky.
2. The price set forth in Schedule "A" (the "**Exercise Price**") is the Purchase Price payable for the ROFR Assets by Husky in the Transaction.
3. The effective time of the sale of the ROFR Assets is, for adjustment purposes, 12:00 AM on May 1, 2017.
4. The Exercise Price will be allocated entirely to the ROFR Assets.
5. Upon execution of a conveyance agreement between you and the Receiver, full payment of the Purchase Price is required to be paid by you directly to the Receiver.

The Receiver requests that you consent to the sale of the ROFR Assets to Husky and waive the ROFR in respect of the ROFR Assets within the 30 days of the date of this notice (the "**Notice Period**") to allow the disposition of the ROFR Assets.

Failure to respond to this notice within the Notice Period shall be deemed an election not to exercise the ROFR and consent in respect of the sale of the ROFR Assets by the Receiver to Husky. Both the Receiver and Husky shall rely on your consent and waiver or non-exercise in closing the sale of the ROFR Assets.

Please provide your consent and waiver or notice of acceptance by signing and returning the duplicate original of this disposition notice in the manner described herein. If service of your waiver or notice of acceptance is being made by email, it must be emailed to mkelly@insolvency.net.

Your early response would be appreciated. If you have any questions, please contact the Receiver at:

Hardie & Kelly Inc.
Suite 110
5800 2 Street SW
Calgary, Alberta T2H 0H2
Ph: (403) 777-9999
Fax: (403) 640-0591
mkelly@insolvency.net

Thank you for your attention to this matter.

Yours truly,

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

Per: _____
Marc Kelly

_____ hereby **WAIVES** its ROFR right in respect of the sale of the ROFR Assets to Husky and **CONSENTS** to such disposition.

Dated this ___ day of _____, 2017.

Per: _____

Name:

Title:

_____ hereby **EXERCISES** its ROFR rights in respect of the ROFR Assets.

Dated this ___ day of _____, 2017.

Per: _____

Name:

Title:

This is Schedule "A" attached to and made part of a Notice of Right of First Refusal dated April 28, 2017, issued by Hardie & Kelly Inc. in its capacity as Receiver of the Property and not in its personal capacity

ADDRESSEE LIST

●

NOTICE PERIOD: Thirty (30) days from the date of this Notice.

PRICE: CAD\$2,500,000

6. **ROFR Facility**

7. **ROFR**
Interests

8. ●

9. ●%

10.

11.

12.

13.

14.

15.

16.

17.

The Receiver Contact: ● at mkelly@insolvency.net