

SCHEDULE "A"

Procedures for the Sale and Investment Solicitation Process

On February 25, 2019, Elcano Exploration Inc. ("**EEL**") and Elcano Exploration Ltd. ("**EEL**", and together with EEL, the "**Applicants**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") from the Alberta Court of Queen's Bench (the "**Court**"). The Initial Order, among other things, approved the Sale and Investment Solicitation Process (the "**SISP**") set forth herein to determine whether a Successful Bid (as defined below) can be obtained.

Defined Terms

1. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order. In addition:
 - (a) "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in Calgary, Alberta; and
 - (b) "**SISP Advisor**" means GMP FirstEnergy retained by the Applicants to conduct the SISP.

Sale and Investment Solicitation Process Procedures

Opportunity

2. The SISP is intended to solicit interest in, and opportunities for, a sale of all or part of the assets, property and undertakings (the "**Property**") of the Applicants and of Elcano Energy Partnership ("**EEP**", and, together with the Applicants, the "**Elcano Group**") or for an investment in, restructuring, recapitalization, refinancing or other form of reorganization of all or part of the Elcano Group or its business. Bids considered pursuant to the SISP may include one or more of an investment, restructuring, recapitalization, refinancing or other form of reorganization of the business and affairs of the Elcano Group as a going concern or a sale of all, substantially all or certain of the Property of the Elcano Group, or a combination thereof (the "**Opportunity**").
3. The SISP set forth herein describes the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Elcano Group and its Property, the manner in which bidders may participate in the SISP, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder(s) (as defined below) and the approval thereof by the Court. The Monitor shall oversee the SISP and in particular shall oversee the SISP Advisor in connection therewith. The Applicants are required to assist and support the efforts of the SISP Advisor and the Monitor as provided for herein. In the event that there is disagreement as to the interpretation or application of the SISP, the Court will have jurisdiction to hear and resolve such dispute.

Solicitation of Interest: Notice of the SISP

4. As soon as reasonably practicable after the granting of the Initial Order:
 - (a) the SISP Advisor shall cause a notice of the SISP and such other relevant information which the SISP Advisor, in consultation with the Applicants and the Monitor, considers appropriate to be published in the *Daily Oil Bulletin*; and
 - (b) in any event no later than March 8, 2019, the Elcano Group shall issue a press release setting out the notice and such other relevant information regarding the Opportunity as it may consider appropriate following consultation with the SISP Advisor and the Monitor, with Canada Newswire designating dissemination in Canada.
5. The SISP Advisor shall prepare and distribute a summary describing the Opportunity (a "**Teaser Letter**"), outlining the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP, for distribution to potential bidders by no later than March 8, 2019.
6. A confidential virtual data room ("**VDR**") in relation to the Opportunity will be made available by the SISP Advisor to prospective purchasers that have executed a non-disclosure agreement with the Applicants. The VDR will be available by March 8, 2019.

PHASE 1: NON-BINDING LOIs

Phase 1 Qualified Bidders and Delivery of Confidential Information Memorandum

7. In order to participate in the SISP, each person (a "**Potential Bidder**") must deliver to the SISP Advisor at the address specified in **Appendix "A"** hereto (including by email), and prior to the distribution of any confidential information by the SISP Advisor to a Potential Bidder (including access to the VDR), an executed non-disclosure agreement in form and substance satisfactory to the Applicants, the SISP Advisor and the Monitor (an "**NDA**"), which shall inure to the benefit of any Successful Bidder (as defined below) that closes a transaction contemplated by the Successful Bid (as defined below).
8. A Potential Bidder that has executed a NDA will be deemed a "**Phase 1 Qualified Bidder**" and will be promptly notified of such classification by the SISP Advisor.
9. The SISP Advisor, with the assistance of the Applicants, will prepare and send to each Phase 1 Qualified Bidder a confidential information memorandum providing additional information considered relevant to the Opportunity (a "**CIM**") as soon as reasonably practicable, but in any event, by no later than March 8, 2019. The SISP Advisor, the Applicants, the Monitor and their respective advisors make no representation or warranty as to the information contained in the CIM or otherwise made available pursuant to the SISP.
10. The SISP Advisor shall provide any person deemed to be a Phase 1 Qualified Bidder with access to the VDR. The SISP Advisor, the Applicants and the Monitor and their

respective advisors make no representation or warranty as to the information contained in the VDR. The VDR shall contain a proposed Letter of Intent (“**LOI**”) and a proposed Purchase and Sale Agreement (“**PSA**”).

11. A Phase 1 Qualified Bidder, if it wishes to submit a bid, must deliver a non-binding LOI in the form of the LOI provided in the VDR (a "**Phase 1 Qualified Bid**"), along with a marked version showing edits to the original form of LOI provided in the VDR, to the SISP Advisor, with a copy to the Monitor, at the addresses specified in **Appendix "A"** hereto (including by email) so as to be received by the SISP Advisor and the Monitor not later than 5:00 p.m. (Mountain Standard Time) on April 26, 2019, or such other date or time as may be agreed by the SISP Advisor, in consultation with the Applicants and the Monitor (the "**Phase 1 Bid Deadline**"). The LOI may provide for confirmatory title and environmental due diligence and potential purchase price adjustments therefor.

12. A Phase 1 Qualified Bid will only be considered as such by the Applicants, the Monitor and the SISP Advisor if the Phase 1 Qualified Bid complies at a minimum with the following:
 - (a) it contains a duly executed LOI;
 - (b) it is received by the Phase 1 Bid Deadline;
 - (c) it provides written evidence of financial commitment or other evidence of the ability to consummate the transaction contemplated by the Phase 1 Qualified Bid satisfactory to the SISP Advisor, in consultation with the Monitor and the Applicants;
 - (d) it is not conditional upon:
 - (i) the outcome of any unperformed due diligence, except completion of confirmatory title and environmental due diligence; and/or
 - (ii) obtaining financing;
 - (e) it clearly indicates whether the Phase I Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property of the Elcano Group (a "**Sale Proposal**"); or
 - (ii) make an investment in, restructure, recapitalize, reorganize or refinance the Elcano Group or its business (an "**Investment Proposal**");
 - (f) it includes a statement that the Phase 1 Qualified Bidder's offer is irrevocable until the selection of the Phase 2 Qualified Bidder(s) (as defined below), provided that if such Phase 1 Qualified Bidder is selected as a Phase 2 Qualified Bidder, its offer shall remain irrevocable until the date of the last closing of the transaction(s) with the Successful Bidder(s) (as defined below);

- (g) it contains such other information as reasonably requested by the SISP Advisor, in consultation with the Applicants and the Monitor;
- (h) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the purchase price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the specific assets that are expected to be subject to the transaction and any assets or obligations expected to be excluded;
 - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
 - (iv) a description of the conditions and approvals required for a final and binding offer;
 - (v) an outline of any additional confirmatory title or environmental due diligence required to be conducted in order to submit a final and binding offer; and
 - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
- (i) in the case of an Investment Proposal, it identifies the following:
 - (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Elcano Group or its business in Canadian dollars;
 - (iii) the underlying assumptions regarding the pro forma capital structure;
 - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
 - (v) a description of the conditions and approvals required for a final and binding offer;
 - (vi) an outline of any additional confirmatory title or environmental due diligence required to be conducted in order to submit a final and binding offer; and
 - (vii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction.

13. The SISP Advisor, in consultation with the Applicants and the Monitor, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Phase 1 Qualified Bids.

Assessment of Phase 1 Qualified Bids and Subsequent Process

14. The SISP Advisor, in consultation with the Monitor and the Applicants, may, following the receipt of any Phase 1 Qualified Bid, seek clarification with respect to any of the terms or conditions of such Phase 1 Qualified Bid and/or request and negotiate one or more amendments to such Phase 1 Qualified Bid prior to determining if the Phase 1 Qualified Bid is a Phase 1 Successful Bid (as defined below).
15. Following the Phase 1 Bid Deadline, the Applicants, in consultation with the SISP Advisor and the Monitor, shall determine the most favourable Phase 1 Qualified Bid(s), which Phase 1 Qualified Bid(s) shall be deemed a "**Phase 1 Successful Bid(s)**" and which Phase 1 Qualified Bidder(s) shall be deemed a "**Phase 2 Qualified Bidder(s)**". Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISP.
16. The SISP Advisor shall notify each Phase 1 Qualified Bidder in writing as to whether its bid constituted a Phase 1 Successful Bid within five business days of the Phase 1 Bid Deadline, or at such later time as the Applicants, in consultation with the SISP Advisor and the Monitor, deem appropriate.
17. If the Applicants, in consultation with the SISP Advisor and the Monitor, are not satisfied with the Phase 1 Qualified Bids, the Applicants may, in consultation with the SISP Advisor and with the approval of the Monitor, extend the Phase 1 Bid Deadline, or the Applicants may seek Court approval of an amendment to the SISP.

PHASE 2: FORMAL OFFERS AND REMOVAL OF CONDITIONS

Formal Binding Offers

18. Phase 2 Qualified Bidders that wish to make a formal offer to purchase Property of or make an investment in, restructure, recapitalize, reorganize or refinance all or part of the Elcano Group or its business shall submit a binding offer in the form of the PSA provided in the VDR (a "**Phase 2 Qualified Bid**"), along with a marked version showing edits to the original form of PSA provided in the VDR, to the SISP Advisor, with a copy to the Monitor, at the addresses specified in **Appendix "A"** hereto (including by email) so as to be received by the SISP Advisor and the Monitor not later than 5:00 p.m. (Mountain Standard Time) on May 17, 2019, or such other date or time as may be agreed by the SISP Advisor, in consultation with the Monitor and the Applicants (the "**Phase 2 Bid Deadline**").
19. A Phase 2 Qualified Bid will only be considered as such by the Applicants, the SISP Advisor and the Monitor if the Phase 2 Qualified Bid:
- (a) has been received by the Phase 2 Bid Deadline;

- (b) is a binding offer to purchase all or part of the Property or to make an investment in, restructure, recapitalize, reorganize or refinance all or part of the Elcano Group or its business, on terms and conditions reasonably acceptable to the Applicants;
 - (c) is in the form of the PSA provided in the VDR along with a marked version showing edits to the original form of PSA provided in the VDR;
 - (d) includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction that will allow the Applicants, the SISP Advisor and the Monitor to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
 - (e) is unconditional, other than upon the receipt of the Approval Order (as defined below);
 - (f) fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such transaction;
 - (g) includes acknowledgments and representations of the Phase 2 Qualified Bidder that it: (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property of the Elcano Group in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith;
 - (h) is accompanied by a deposit in the amount of not less than 10% of the purchase price offered or total new investment contemplated, as the case may be (the "**Deposit**"), along with acknowledgement that if the Phase 2 Qualified Bidder is selected as the Successful Bidder (as defined below), that the Deposit will be non-refundable subject to approval of the Successful Bid (as defined below) by the Court; and
 - (i) contemplates closing the transaction set out therein on or before June 14, 2019 (the "**Closing Date**").
20. The Applicants, in consultation with the SISP Advisor and the Monitor, may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Phase 2 Qualified Bid.

Selection of Successful Bid

21. The Applicants, in consultation with the SISP Advisor and with the approval of the Monitor, will (a) review and evaluate each Phase 2 Qualified Bid, provided that each Phase 2 Qualified Bid may be negotiated among the Applicants, the SISP Advisor, and

the applicable Phase 2 Qualified Bidder and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations, and (b) identify the highest or otherwise best bid(s) (the "**Successful Bid(s)**", and the Phase 2 Qualified Bidder(s) making such Successful Bid(s), the "**Successful Bidder(s)**"). The determination of any Successful Bid(s) by the Applicants, in consultation with the SISP Advisor and the Monitor, shall be subject to approval by the Court.

22. The Applicants shall have no obligation to enter into a Successful Bid, and the Applicants reserve the right, after consultation with the SISP Advisor and the Monitor, to reject any or all Phase 2 Qualified Bids.
23. Once the Successful Bid(s) has been determined, the SISP Advisor shall provide notice of the determination of the Successful Bid(s) to the Successful Bidder(s).
24. The PSA(s) in respect to the Successful Bid(s) must be executed no later than June 3, 2019, which PSA(s) shall be conditional only upon the receipt of the Approval Order and shall provide for a closing on or before June 14, 2019, or such longer period as shall be agreed to by the Applicants, in consultation with the SISP Advisor and the Monitor.
25. The Applicants shall apply to the Court (the "**Approval Motion**") for an order approving the Successful Bid(s) and vesting title to any purchased Property in the name of the Successful Bidder(s) (the "**Approval Order**"). The Approval Motion will be held on a date to be scheduled by the Applicants and confirmed by the Court upon application by the Applicants, who shall use their best efforts to schedule the Approval Motion on or before June 12, 2019. The Approval Motion may be adjourned or rescheduled by the Applicants without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the Service List prior to the Approval Motion.
26. Upon the PSA(s) in relation to the Successful Bid(s) being negotiated and settled and the Approval Order being granted, the Deposit(s) paid in respect of the Successful Bid(s) shall become non-refundable in the event the approved transaction is not completed.
27. All Phase 2 Qualified Bids (other than the Successful Bid(s)) shall be deemed rejected on and as of the date of the last closing of the Successful Bid(s).

Deposits

28. The Deposit(s):
 - (a) shall, upon receipt from the Phase 2 Qualified Bidder(s), be retained by the Monitor and invested in an interest bearing trust account;
 - (b) received from the Successful Bidder(s) shall:
 - (i) be applied, with accrued interest, to the purchase price to be paid by the applicable Successful Bidder(s) whose Successful Bid(s) are subject of the Approval Order, upon closing of the approved transaction(s); and

- (ii) shall be non-refundable, unless the Approval Order is not granted on or before June 12, 2019 or such later date as agreed to by the Applicants, in consultation with the SISP Advisor and the Monitor, in which case the Deposit(s) shall be fully refunded, with accrued interest, to the Successful Bidder(s);
- (c) received from the Phase 2 Qualified Bidder(s) that are not the Successful Bidder(s) shall be fully refunded, with accrued interest, to the Phase 2 Qualified Bidder(s) that paid the Deposit(s) on or before the earlier of (i) two (2) business days after the date of the last closing of the Successful Bid(s); or (ii) June 30, 2019.

Approval

- 29. For greater certainty, the approval required pursuant to the terms hereof is in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.

"As is, Where is"

- 30. Any sale of the Property will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Applicants, the SISP Advisor or the Monitor or any of their advisors, except to the extent set forth in the relevant PSA entered into between the Applicants and a Successful Bidder where the contemplated transaction has closed.

Free Of Any And All Claims And Interests

- 31. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of the Applicants 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**") pursuant to section 36(6) of the CCAA, 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), except to the extent otherwise set forth in the relevant PSA with a Successful Bidder.

No Obligation to Conclude a Sale

- 32. The Applicants have no obligation to conclude a sale arising out of this SISP, and they reserve the right and unfettered discretion to reject any offer or proposal, but shall not do so without first consulting with the Monitor and the SISP Advisor.

Further Orders

- 33. At any time during the SISP, the Monitor may, following consultation with the SISP Advisor and the Applicants, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Appendix "A"**TO THE SISP ADVISOR:**

GMP FirstEnergy
Suite 1100, 311 – 6th Avenue SW
Calgary AB T2P 3H2

Attention: ●

Phone: ●
E-Mail: ●

TO THE MONITOR:

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

Attention: Marc Kelly

Phone: 403-252-1766
E-Mail: mkelly@insolvency.net

WITH A COPY TO:

Borden, Ladner Gervais LLP
1900, 520 – 3rd Avenue SW
Centennial Place, East Tower
Calgary AB T2P 0R3

Attention: Josef G. Krüger, Q.C.

Phone: 403-232-9563
E-Mail: jkruger@blg.com