District of: Alberta
Division of: 02 – Calgary
Estate No.: 25-2308954

IN THE MATTER OF THE BANKRUPTCY OF LEXIN RESOURCES LTD.

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

SECTION A - BACKGROUND

On March 20, 2017, Grant Thornton Limited ("**GTL**") was appointed receiver (the "**Receiver**") of Lexin Resources Ltd. ("**Lexin**" or the "**Company**") pursuant to a receivership order ("**Receivership Order**") granted by the Court of Queen's Bench of Alberta (the "**Court**").

On October 25, 2017, pursuant to an application by the Receiver, the Court adjudged Lexin bankrupt and a bankruptcy order ("**Bankruptcy Order**") was granted appointing GTL as trustee in bankruptcy ("**Trustee**").

Lexin, a corporation established pursuant to the Business Corporations Act of British Columbia, was in the business of exploring for and producing oil and natural gas in Alberta. All Lexin's assets are located in Alberta.

Further information on both the receivership and bankruptcy proceedings can be obtained from our website at: www.grantthornton.ca/Lexin.

SECTION B - PRELIMINARY EVALUATION OF ASSETS AND DETAILS OF SECURITY INTERESTS

Pursuant to the Bankruptcy Order, Lexin's property, assets, and undertakings shall not vest in the Trustee, but shall remain under the control of the Receiver, and subject to the Receivership Order. Only the causes of action shall remain vested with the Trustee.

Pursuant to the Personal Property Registry of Alberta, the creditors with a registered security interest in Lexin, include the following:

- 1049597 B.C. Ltd.
- Baker Hughes Canada Company

- Caledonian Royalty Corporation
- Compass Compression Services Ltd.
- Deloitte Management Services LP
- Marquinn Industries Ltd.
- MFC Energy Finance Inc.
- Municipal District of Foothills No. 31
- Municipal District of Ranchlands No. 66
- Taqa North
- Triple Seven Integrity Management Inc.
- Vulcan County

The Alberta Energy Regulator (the "**AER**") also holds a statutory lien in respect of Lexin.

The Receiver is continuing with its Court-approved sales process, and investigations into creditor matters.

SECTION C – BOOKS AND RECORDS

The Receiver exercised and continues to exercise its powers to take possession of the all the books and records of the Company.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Receiver took possession and control of the assets of the Company pursuant to the Receivership Order, with the exception of care and custody of Lexin's oil and gas wells, pipelines, facilities licensed by the AER, which care and custody remained with the Orphan Well Association ("**OWA**") and Working Interest Participants ("**WIP**"), the entities that these responsibilities were transferred to by the AER prior to the receivership proceedings.

SECTION E – CREDITORS AND PROVABLE CLAIMS

According to the Statement of Affairs, the Company is indebted to its creditors in the aggregate amount of $77,284,202. As there was no creditor information recorded in Lexin's electronic accounting records, the Trustee obtained this information from the Personal Property Registry of Alberta, and other information sources, with any unknown amounts listed at $25.

The Receiver continues its investigations into creditor matters.

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not initiated any legal proceedings. Further, any actions initiated against the Company prior to the receivership date are stayed pursuant to the Receivership Order.

The Receiver has documented various potential reviewable transactions in its most recent Receiver's report.

SECTION G – THIRD PARTY DEPOSITS AND GUARANTEES

The Trustee holds no third party deposits or guarantees. The Trustee's fees and costs will be funded by the receivership proceedings.

SECTION H – TRUSTEE'S INTENTION TO ACT AND POSSIBLE CONFLICT OF INTEREST

As disclosed earlier in this report, GTL is acting in a dual capacity, both as the court-appointed Receiver and Trustee of the Company.

GTL had obtained advice from legal counsel that the claims of the AER and MFC Energy Finance Inc. are valid and enforceable subject to the matters addressed in the Receiver's Fifth Report.

SECTION I – PROJECTED DISTRIBUTION

As discussed earlier in this report, all the assets of Lexin are subject to the receivership proceedings.

The Receiver is continuing with its Court-approved sales process, and its investigations into creditor matters. Until this is complete, it is unknown whether there will be any distributions available to unsecured creditors.

SECTION J – OTHER MATTERS

At this time, the Trustee is not aware of any other matters affecting the administration of the bankrupt estate; however, if anyone is aware of matters that should be brought to the attention of the Trustee for further review and investigation, they should contact the Trustee's office with details and copies of any available information.

Dated at Calgary, Alberta, the 13th day of November 2017.

Grant Thornton Limited,
in its capacity as the trustee in bankruptcy of
Lexin Resources Ltd.
and not in its personal capacity

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Per: Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President