COURT FILE NUMBER **Q.B. No. 900 of 2016**

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE **SASKATOON**

PLAINTIFF **ALBERTA TREASURY BRANCHES**

DEFENDANT **TUSCANY ENERGY LTD.**

IN THE MATTER OF THE RECEIVERSHIP OF TUSCANY ENERGY LTD.

NOTICE OF APPLICATION

(Sale Approval and Vesting Order)

NOTICE TO RESPONDENTS — ALL PARTIES NAMED ON THE SERVICE LIST ESTABLISHED IN THESE PROCEEDINGS

This application is made against you. You are a respondent. You have the right to state your side of this matter before the Court.

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

Where:	Court House, 520 Spadina Crescent East Saskatoon, Saskatchewan, Canada
Date:	Tuesday, November 22, 2016
Time:	9:00 a.m. Central Standard Time

Remedy claimed or sought:

1. An Order in substantially the form of proposed draft Order filed herewith:

   (a) approving, authorizing and directing Grant Thornton Limited, in its capacity as the Court-appointed receiver (the "**Receiver**") of the undertaking, property and assets of Tuscany Energy Ltd. ("**Tuscany**") to complete the proposed purchase and sale transaction (the "**Sale**") respecting certain oil and gas assets (the "**Purchased Assets**") more particularly described in the Purchase and Sale Agreement (the "**PSA**") between the Receiver, in its sole capacity as court-appointed Receiver of Tuscany, and not in its individual or corporate capacity (as Vendor), and Rifle Shot Oil Corp. (the "**Purchaser**") attached to the confidential Supplemental First Report of the Receiver dated November 17, 2016 (the "**Confidential Supplement**"), in accordance with the PSA and with paragraphs 5(l) and

(m) of the Order of the Honourable Madam Justice A.R. Rothery granted on June 30, 2016 in these proceedings (the "**Receivership Order**");

(b) vesting in the Purchaser all right, title and interest of Tuscany in and to the Purchased Assets, free and clear of all liens, charges and encumbrances (except the Permitted Encumbrances as defined in the PSA);

(c) approving the actions, conduct and activities of the Receiver as outlined in the First Report of the Receiver dated November 17, 2016 (the "**First Report**");

(d) approving the Receiver's Interim Statement of Receipts and Disbursements for the period from April 29, 2016 to November 17, 2016, as set out in the First Report;

(e) authorizing the Receiver to make an interim distribution to Alberta Treasury Branches ("**ATB**"), the senior secured creditor of Tuscany, from the net proceeds of the Sale, in an amount of up to $7,500,000;

(f) requiring the builder's lien claimants described in paragraph 25 of the First Report (the "**Lien Claimants**") to file their respective lien claims, in a form acceptable to the Receiver, on or before December 31, 2016;

(g) sealing the Confidential Supplement, and the appendices thereto, on the Court file; and

(h) such further and other relief as counsel may request and this Honourable Court may allow.

Grounds for making this application:

<u>Sale Approval and Vesting Order</u>

2. On June 30, 2016, by way of the Receivership Order, the Receiver was appointed as receiver of the Purchased Assets; namely, all right, title and interest of Tuscany in and to the Crown Petroleum and Natural Gas Leases and wells listed in Schedule "A" thereto, including any proceeds, cash or cash equivalents of Tuscany generated from those assets, and any associated miscellaneous interests relating thereto including, but not limited to, tangible equipment, pipelines, surface interests, contracts, and any other tangibles which may be necessary to take possession of those assets listed in said Schedule "A".

3. The Receiver engaged in a sales process to market the Purchased Assets (the "**Sales Process**") which considered the interests of all interested parties in a reasonable and effective manner, as more particularly detailed in the First Report and the Confidential Supplement.

4. The Sales Process resulted in the execution of the PSA between the Receiver and the Purchaser, which provides for the Sale of the Purchased Assets, subject to the approval of this Honourable Court. The PSA is fair and reasonable, and has the support of the principal economic stakeholder (namely, the Plaintiff and senior secured creditor, ATB) as detailed in the First Report.

Approval of the Receiver's Actions, Receipts, and Disbursements

5. The Receiver's actions, conduct, activities, receipts, and disbursements are fair and reasonable, as more particularly detailed in the First Report.

Interim Distribution of Net Sale Proceeds

6. ATB is the primary secured creditor of Tuscany. The Receiver has obtained an independent legal opinion from its legal counsel that the security interest of ATB in the Saskatchewan Assets is valid and enforceable, and the priority of ATB's security interest in the Saskatchewan Assets is not in issue.

7. In any event, the Receiver will hold sufficient funds to satisfy all registered claims of lien, property taxes, and any interests having priority over the security interests of ATB (all as more particularly detailed in the First Report and the Confidential Supplement) after the proposed distribution to ATB in the amount of $7,500,000 is made.

Proof of Lien Claims

8. Upon the closing of the Sale, the administration of the receivership estate will be well advanced. Requiring the Lien Claimants to provide proof of their claims will reduce future professional time and expense by providing a streamlined process for assessing the nature and validity of the Lien Claimants' respective claims, to the benefit of all of the creditors of Tuscany.

Sealing of the Confidential Supplement

9. As more particularly detailed in the First Report, the Receiver wishes to submit certain information, such as the PSA and details respecting other offers to purchase the Purchased Assets received by the Receiver, in support of its application for a Sale Approval and Vesting Order. However, publicly disclosing this commercially sensitive information prior to the closing of the Sale would be prejudicial to any future sales process in the event that this Honourable Court does not grant the Sale Approval and Vesting Order or if the Sale does not close.

10. Proof of compliance with General Application Practice Directive #3 will be filed prior to the hearing of this application.

11. Such further or other grounds as counsel may advise and this Honourable Court may allow.

Material or evidence to be relied on:

12. The Applicant relies upon:

(a) this Notice of Application (Sale Approval and Vesting Order);

(b) a proposed form of draft Order;

(c) the First Report of the Receiver dated November 17, 2016;

(d) the Confidential Supplement to the First Report;

(e) Brief of Law on behalf of the Receiver;

(f) Proof of compliance with General Application Practice Directive #3; and

(g) such further and other material as this Honourable Court may allow.

Applicable Acts and Regulations:

13. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3; and

14. *The Queen's Bench Act, 1998*, SS 1998, c Q-1.01.

DATED at Saskatoon, Saskatchewan, this 17th day of November, 2016.

MacPherson Leslie & Tyerman LLP

Per: ______________________________

Jeffrey M. Lee, Q.C. and Paul Olfert, counsel for Grant Thornton Limited in its capacity as Court-appointed receiver and manager of the undertaking, property and assets of Tuscany Energy Ltd.

NOTICE

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 rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

CONTACT INFORMATION AND ADDRESS FOR SERVICE

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