Grant Thornton

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CLERK OF THE COURT

MAY 29 2018

JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER:	**1701-03460**
COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE:	**CALGARY**
APPLICANT:	**ALBERTA ENERGY REGULATOR**
RESPONDENT:	**LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. and LR PROCESSING PARTNERSHIP**
DOCUMENT:	**RECEIVER'S EIGHTH REPORT MAY 28th, 2018**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT

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Introduction

1. On March 20, 2017, on application by the Alberta Energy Regulator ("**AER**"), the Court of Queen's Bench of Alberta (the "**Court**") granted an order (the "**Receivership Order**") appointing Grant Thornton Limited (the "**Receiver**") as receiver and manager of Lexin Resources Ltd. ("**Lexin**" or the "**Company**").

2. On June 13, 2017, on a consent basis the Court approved a receivership order ("**Expanded Receivership Order**") adding the following Lexin related entities to the within Receivership proceedings:

    a) 1051393 BC Ltd. ("**105**");

    b) 0989 Resource Partnership ("**0989**");

    c) LR Processing Ltd. ("**LR Ltd**"); and

    d) LR Processing Partnership ("**LR Partnership**");

    (collectively the "**Additional Lexin Entities**" and collectively, along with Lexin, the "**Lexin Group**").

3. The Receiver has issued seven previous reports between March 30, 2017 and April 9, 2018 (collectively the "**Prior Reports**"). The Prior Reports should be read in conjunction with the Eighth Report.

4. On April 18, 2018, the Court granted various Orders (the "**April 18 Orders**"), among other things:

    a) approving the sale of Lexin's non-operated 5.736% interest in the Ghost Pine Unit to Davilin Energy Corp. ("**Davilin**");

    b) authorizing the Receiver to execute the transfer of two well licenses and one pipeline license segment on AER's Digital Data Submission ("**DDS**") system to a majority working interest partner;

c) approving the partial discharge of the Receiver over certain licenses that have received no offers during the Sales Process;

d) increasing the aggregate sale threshold, without the requirement of court approval, from $150,000 to $300,000; and

e) amending the Receivership Order, *nunc pro tunc*, to explicitly provide the Receiver with the power to disclaim, abandon or renounce the Lexin Group's interest in any contracts, agreements, or other Property.

These Orders are available on the Receiver's website as later referenced in this report.

5. The purpose of this report (the "**Eighth Report**") is to provide the Court and other interested parties with information on the following matters:

a) a brief summary of the activities of the Receiver since the Seventh Report;

b) an update on the status of the Court-approved Sales Process the Receiver is conducting with the assistance of its sales advisor, Sayer Energy Advisors Ltd. ("**Sayer**");

c) the Receiver's application for its partial discharge over additional assets of the Lexin Group, comprising certain AER licenses for facilities for which no offers were received in the Sales Process. These facilities are associated with wells that are the subject of the partial discharge order previously granted by the Court;

d) the Receiver's application to engage various companies and firms to facilitate:

i. the development of a Request for Proposal ("**RFP**") for bids to decommission, dismantle and salvage gas processing buildings and equipment located at the Mazeppa Gas Plant;

ii. the on-line auctioning of oil and gas surface equipment located at Lexin-licensed sites in the Gladys area (an area that received no offers during the Sales Process); and

iii. the listing for sale of the quarter section of unencumbered farmland located directly south of the Mazeppa Gas Plant;

e) the Receiver's request for the sealing of the **Confidential Appendices 9 and 10** containing the unredacted engagement letters for the above companies until further Order of this Court;

f) information on the financial position of the receivership;

g) the Receiver's application for the Court's approval of the Receiver's activities and conduct as outlined in this Eighth Report; and

h) the Receiver's application for the Court's approval of the professional fees and disbursements incurred by the Receiver and its legal counsel, since last approved.

6. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein shall adopt the meaning as defined in the Receivership Order, the AER's originating application materials, the affidavit of Laura Chant sworn on March 11, 2017 (the "**Chant Affidavit**") and the Receiver's Prior Reports.

Limitations of Report

7. The information contained in the Eighth Report has been obtained from the available records of the Lexin Group, publicly available information, information obtained from various Lexin Group stakeholders, and discussions with former Lexin Group employees. The information was not audited nor otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Lexin Group. Accordingly, unless otherwise stated, we do not express an opinion or any other form of assurance on the information presented herein. The Receiver may refine or alter its observations as further information is obtained or is brought to its attention after the date of this Eighth Report.

8. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction, or use of the Eighth Report. Any use that any party makes of this report, or any reliance on or decisions to be made based on it is the responsibility of such party.

9. A copy of the Eighth Report and other relevant documents in the receivership proceedings are available on the Receiver's website at: www.grantthornton.ca/Lexin.

Confidential Appendices

10. In order to avoid publicly disclosing certain information that would be prejudicial to third parties or the Receiver's efforts to maximize realizations from the sale of the Lexin Group's Property, prior to completing the sale of that Property, the Receiver has marked certain appendices to this report as confidential and omitted it from the report that will form part of the public record. These confidential appendices have been submitted to the Court for review and the Receiver will be applying for an order sealing these confidential appendices until further order of the Court.

Background

11. Lexin is a privately held corporation formed pursuant to the laws of British Columbia. The Company was engaged in the business of oil and gas exploration and production in Alberta.

12. The events leading up to the receivership of Lexin were outlined in the Chant Affidavit and in the First Report. In summary, Lexin had numerous regulatory orders issued against it by the AER which resulted in the suspension of all of Lexin's AER regulated assets. In an unprecedented step taken by the AER, the AER sought the appointment of a receiver to realize upon the assets of Lexin, attend to stakeholder and creditor issues in an orderly fashion and help address many of the outstanding environmental and safety issues at the Sites and the Abandoned Sites in a court supervised process.

13. The organizational structure of the Lexin Group is discussed in our Prior Reports. For ease of reference, we have included the organizational structure and a table of defined terms for each entity in documents attached as **Appendix 1** and **Appendix 2**, respectively.

14. Further background on the Lexin Group, its assets and events leading up to the receivership proceedings are available by reviewing the Chant Affidavit and materials filed in these proceedings.

Activities of the Receiver

15. Since filing the Seventh Report, the Receiver has taken a number of steps, which may be categorized as follows:
    a) Environmental and Safety Issues;
    b) Asset Preservation and Protection Issues;
    c) Creditor/Stakeholder Issues; and
    d) Sales Process Issues.

    Each of these major areas are discussed further below.

<u>Environmental and Safety Issues</u>

16. The Receiver has continued to work with stakeholders, including the AER, OWA and Working Interest Partners ("**WIPS**"), to address environmental and safety matters. This includes providing Lexin Emergency Records ("**LER**") to the OWA, as appropriate, and assisting the AER with various matters at the Mazeppa Plant. The Receiver continues to work with the OWA and WIPS with respect to their abandonments of non-saleable, high-sour-gas-content wells, a process that we are informed is ongoing. The Receiver also continues to be engaged in dialogue with certain interested landowners regarding these abandonments.

17. The Receiver has entered into an arrangement for the rental of the farmlands surrounding the Mazeppa Gas Plant to a local farmer on terms consistent with pre-receivership arrangements between the farmer and the Lexin Group. This measure will eliminate weed

and brush fire considerations that may otherwise arise if the lands were not tended to in this manner.

18. The Mazeppa Gas Plant has experienced a large number of break-ins and theft of copper wire located on the premises. The AER, who have care and custody of the plant, have been working with the RCMP on this matter and are attempting to resolve the issue. The Receiver is advised that the AER has recently increased the security at the site to provide 24 hour security in an attempt to limit break-ins until a further solution can be implemented. The AER has been working with third party firms for bids to remove the copper wire on the premises, however, this solution may be cost prohibitive.

19. The Receiver has been advised by the AER that the ponds at the Mazeppa Gas Plant will soon require pumping and the Receiver is working with the AER to find the most economical manner to accomplish this task. As AER has care and custody of the Mazeppa Gas Plant and the plant is no longer being marketed by the Receiver on a going concern basis, the costs will be paid by the AER.

Asset Preservation and Protection Issues

20. The Receiver continues to conduct investigations and inquiries with respect to potential realizable assets. All current realizations are reflected in the financial position of the receivership discussed later in this Eighth Report.

21. Insurance coverage with respect to Property continues to be in place. As outlined in the Receiver's Seventh Report, the Receiver has made amendments to the coverage as a result of the Sales Process results outlined in the Seventh Report and the application for partial discharge over various assets. This amendment will reduce property insurance premiums to the estate by approximately 50%.

Creditor/Stakeholder Issues

22. The Receiver has continued to maintain discussions with PPR and land title registrants, WIPs, creditors and other stakeholders as outlined in the Prior Reports. The following are relevant updates on these matters.

Tamarack

23. The Receiver has provided all relevant information to Tamarack Acquisition Corp. ("**Tamarack**") and has entered the requisite information into the DDS system to effect the license transfer of the two wells and one pipeline to Tamarack as authorized pursuant to the April 18 Orders.

Midstream

24. On February 1, 2018 Midstream Canada Ltd. ("**Midstream**") completed a transaction whereby it purchased the High River area assets of Exxon-Mobil ("**Exxon**"), many of which are joint-ventured with Lexin. We have been informed by Midstream that the AER licenses associated with this Exxon transaction are in the process of being transferred to Midstream.

25. On May 3, 2018, Midstream filed an application, returnable June 8, 2018, seeking an order lifting the stay in the within receivership proceedings to facilitate Midstream's assumption of operatorship over the joint-ventured assets currently operated by, and licensed to Lexin. The Receiver has posted the Midstream application materials to the Receiver's website.

26. The Receiver intends to object to Midstream's application for the following reasons:
    a) Midstream entered into the purchase transaction with Exxon well after the Lexin receivership, fully aware of Lexin's insolvency and of the Sales Process that included the High River area assets.
    b) Midstream has not been prejudiced by the imposition of the stay of proceedings because it acquired the High River area assets of Exxon knowing the stay was in place. Midstream's position has therefore never been affected by the stay, but only by its own business decision to acquire the assets in the within circumstances.

c) Further, Midstream acquired Exxon's interest in the High River area assets knowing they were subject to suspension orders issued by the AER, were shut-in and were not generating any revenue. Thus, Midstream is aware that there is no risk that Lexin will co-mingle funds and place Midstream's share of any revenues from the High River area assets in jeopardy.

d) Conversely, the receivership estate will be prejudiced if the stay is lifted. If the status quo is maintained and the High River assets are sold as a result of the Sales Process, the Construction, Ownership and Operation ("**CO&O**") agreements governing the joint venture relationship include terms to assign Lexin's operatorship of many of the assets to the eventual purchaser (the "**Assignment of Operator Provisions**"). Further, if operatorship is not retained, the bids would likely be negatively affected. In the Receiver's experience, purchasers of primarily majority working interests typically expect that they assume the interests of the vendor and if operatorship is included in this interest, then it would be assumed as part of the purchase. The present case, involving primarily majority working interests in the High River assets, is no exception. The Sayer marketing materials clearly indicated to prospective purchasers whether the marketed assets were operated or non-operated. The expectations of prospective purchasers regarding operatorship would reflect the marketing materials, subject to the governing agreements.

e) The ultimate goal of Midstream, to resume production, would necessarily entail the transfer of the associated licenses. However, there is no guarantee that Midstream will be able to obtain the license transfers from the AER necessary to recommence production in the High River. First, Midstream would be required to bring the approximately 50 deficient mineral and surface leases current, an exercise that will cost hundreds of thousands of dollars. Second, the deemed liabilities of all of the licenses aggregating over $2 million will have to be assumed, with none of the licenses having deemed assets to help alleviate this burden. Third, the AER would have to approve the license transfers in accordance with the applicable directives. As indicated in the supporting affidavit for the Midstream application, as at the date of this report, Midstream have still not obtained a transfer of the Exxon licenses associated with the February 1, 2018 purchase transaction, almost four months ago. Finally, asset integrity issues (e.g. pipelines etc.) will need to be addressed both in conjunction with the license transfer process and in the production resumption process, an exercise with an unknown cost quantum. The overall cost of this endeavour will increase while under the administration of the Receiver. While this exercise could be funded through sale proceeds, thus justifying these measures, it is difficult to justify these expenditures with no sale in place, and simply to transfer operatorship.

f) The Receiver has no record of receiving the February 2, 2018 letter from Midstream, attached as Exhibit I to Midstream's supporting affidavit (the Affidavit of Neeky Noor-Ali filed May 3, 2018). If the Receiver was to receive such letter, the Mail Ballot attached to this letter, which includes a $2.4 million AFE for Midstream's intended re-purposing of the 2-04 facility, would be voted in the negative. As the 75% working interest owner of the facility, 75% of these costs would, in theory, have to be borne by Lexin. Responding to this Mail Ballot in the midst of the Sales Process would significantly prejudice the Receiver and the Sales Process. Not only does the estate not have any realistic ability to fund this capital expenditure, but the Receiver does not have sufficient information regarding the economics surrounding the expenditure to conduct the necessary cost benefit analysis. Additionally, some of the other bidders have outlined within their bids, alternative plans for processing the High River area gas (in the absence of the Mazeppa plant) to the plan proposed by Midstream. Therefore, the pursuit of the Midstream plan would effectively preclude the plans these bidders would have for processing the gas. It is logical to conclude therefore, that these bids would be significantly affected or potentially even withdrawn if the Midstream plan proceeds in advance of the conclusion of the Sales Process.

g) In any event, even if the lift stay application was successful and operatorship was transferred to Midstream, taking into consideration the governing operating agreement and the Lexin owned majority working interest in certain of the assets, an eventual purchaser would be able to almost immediately effect a change in operatorship for these assets from Midstream to itself following the closing of the purchase transaction. As such, the temporary change of operatorship sought by Midstream would fail to achieve Midstream's stated objectives, while the Receiver would have expended significant unnecessary time, effort and costs in the process, representing further prejudice to the receivership estate.

27. Given all of the above and the current status of the Sales Process, the Receiver is in discussions with Midstream regarding its application.

Utility Suppliers

28. The Receiver has been paying the utility bills associated with the Sites in conjunction with the OWA's and WIPs' care and custody of same. These utilities include Epcor power bills, Zedi sour gas monitoring system bills, Telus bills for emergency call-in phone lines and other associated environmental and line locating vendor bills. The Receiver is investigating the requirements to cancel or transfer some of these services following its partial discharge over certain licenses, which licenses will increase in number if the Court grants approval of the partial discharge of the facility licenses outlined below.

29. The Receiver obtained, as part of the April 18 Orders, the explicit authority to disclaim, renounce or repudiate contracts entered into or property owned by the Lexin Group, *nunc pro tunc*. The requirement for this relief stemmed from Epcor levying over $250,000 of charges at the Mazeppa Gas Plant that the Receiver neither requested nor required. Since the issuance of the April 18 Orders, counsel for Epcor has advised that Epcor is no longer pursuing these charges. The Receiver is in the process of issuing disclaimers and will be working with Fortis, the supplier of the electricity infrastructure to the Mazeppa Gas Plant, to facilitate Fortis' salvage of this electricity infrastructure.

ELP

30. Energy Leasing Partners ("**ELP**") has claimed an ownership interest in certain of the Lexin Group's equipment. However, neither the Receiver nor the AER have received the

information requested of ELP to assist in substantiating their ownership claims, as outlined in the Receiver's Fifth to Seventh Reports.

CRA

31. The Canada Revenue Agency ("**CRA**") issued correspondence to the Receiver advising that the CRA is conducting an audit of certain entities of the Lexin Group. The Receiver is working diligently to provide information, where possible, to the CRA to allow CRA to complete its audit and continues to respond to further requests for information arising from CRA's ongoing review process. This process has been made more difficult due to the state of the Lexin Group's Records and the lack of any Lexin Group personnel or management, factors that have been discussed in Prior Reports.

Sales Process

32. The Receiver continues to advance sales efforts notwithstanding certain issues that are presented as a result of the Finance Loan.

Ghost Pine Unit Sale Update

33. The Receiver closed the sale of Lexin's 5.736% non-operated working interest in the Ghost Pine Unit to Davilin on May 10, 2018, following the waiver of the ROFR by Pine Cliff on May 4, 2018.

34. The Notices of Assignment related to the sale have been issued by Davilin and the applicable Crown mineral lease transfer requests have been submitted on Alberta Energy's ("**AE**") Electronic Transfer System.

35. The Receiver continues to address post-closing matters associated with the transaction, including but not limited to conducting an investigation of the amounts owing to AE and potential offsets to those amounts related to a gas cost allowance. The Receiver intends to complete this investigation prior to making its final payment to AE and prior to completing the final statement of adjustments pursuant to the Davilin transaction.

High River Assets

36. As outlined in the Seventh Report, the Receiver is able to proceed with bids on certain licensed and operated assets referred to as the High River assets, that are not impacted by the Finance Loan, and the Receiver is proceeding to negotiate with the successful bidder on these assets on this limited basis.

37. Negotiations on the High River assets have progressed with the bidder since the Seventh Report, but are not yet at the binding PSA stage. This is due to a number of reasons including the complex nature of the assets, some of which are affected by ROFR interests. The negotiations have been further complicated by the recent application filed by Midstream to lift the stay to assert operatorship over many of the assets that are the subject of this offer.

38. If it becomes apparent to the Receiver by early June, 2018 that the Receiver will not be able to execute a binding PSA with the prospective purchaser, the Receiver intends to instruct its Sales Advisor to canvas the current High River area asset bidders for updated bids. The Receiver will ask Sayer to focus on the conditions required to close these updated bids, in order to assist the Receiver in its evaluation of closing risk.

Mazeppa Salvage Process

39. A previously reported in the Seventh Report, the AER asked the Receiver to assess options to dismantle buildings and salvage certain equipment located on the Mazeppa Gas Plant site. The Receiver has conducted investigations, including speaking with various third party engineering firms with expertise in this area. As a result of its investigations, the Receiver believes that a salvage process may provide recoveries to the LR Processing estate.

40. After speaking with various parties, the Receiver has selected Millenia Engineering to assist the Receiver in the preparation of an RFP for bids to undertake the dismantling and sale of the large processing and related equipment located at the Mazeppa Gas Plant Site. Millenia Engineering was selected based on a combination of qualifications, experience, responsiveness and compensation considerations.

41. If the Court approves the Millenia Engineering engagement letter, the firm will assist the Receiver and the AER in establishing the parameters for bidders to decommission the Mazeppa Gas Plant and salvage the equipment, including:

   a) Building dismantlement;

   b) Disconnection of electrical and other instrumentation;

   c) Identification, removal and disposal of any disturbed asbestos and other substances;

   d) Naturally Occurring Radioactive Materials (NORM) detection, removal and disposal;

   e) Purging of vessels;

   f) Disposal of liquids; and

   g) Remediation of any spills.

42. In addition, Millenia will be required to produce detailed equipment catalogues with relevant supporting information for both the sweet and sour facilities, including but not limited to providing equipment lists, drawing packages, equipment data books and photographs.

43. The Receiver believes it is beneficial for the LR Processing estate to enter into the Millenia Engineering agreement because the Receiver does not have the in-house engineering expertise required to compile such a technical bidding document, the fees involved with Millenia's providing this assistance are reasonable and the Receiver believes that the salvage process should be accretive to the estate.

44. The Receiver has attached a redacted version of the proposed engagement letter it intends to execute with Millenia Engineering following Court approval as **Appendix 4.** An unredacted version of the Millenia Engineering engagement letter is **CONFIDENTIAL APPENDIX 9**, and the Receiver is requesting that the confidential appendix be sealed until further Order of this Court.

45. The Receiver is aware that there are multiple potential claimants to some of the equipment contained within the various buildings at Mazeppa. These claimants include 597, the AER, the MD of Foothills, various builder's lien claimants and the Large Facility Liability Management Program ("**LFP**") group, a group comprised of approximately 35 companies whose facilities meet the criteria established by the AER for inclusion in the LFP. The LFP group, the members of whom have been added to the Service List, will become responsible for remediating this Site following the future issuance of an abandonment order by the AER.

46. It is the Receiver's view that the relative priorities and entitlements to the surplus equipment, and any net proceeds therefrom, is a matter to be addressed at a future sale approval and/or distribution application.

Surface Equipment Salvage Process

47. As outlined in the Seventh Report, the AER asked the Receiver to investigate the possibility of salvaging surface equipment located at sites over which the Receiver has obtained its partial discharge.

48. As further outlined in the Seventh Report, the Receiver contacted equipment brokers to provide a sales plan for the equipment contained on the Gladys site, which the Receiver intended to use as a test site for this salvage process. The Gladys site is a larger licensed well area comprised of approximately 30 separate well and facility sites, sites which received no bids in the Sales Process.

49. Following this process, the Receiver selected Energy Auctions ("**EA**") to conduct an on-line auction of this equipment. EA was selected based on a combination of qualifications, experience, responsiveness, and compensation considerations.

50. The scope of duties of EA under the proposed engagement letter sought to be approved include:
    a) Cataloguing and documenting equipment to be marketed (including use of photographs);

b) Establishing the rules of bidding at the online auction, including those parameters set by the Receiver and more particularly outlined in the proposed engagement agreement;

c) Fixing a bid deadline date;

d) Preparing marketing materials, including placing advertisements in relevant publications;

e) Posting the auction on-line on the EA website;

f) Assisting the Receiver in the review and selection of bids; and

g) Coordinating the removal of the equipment with the successful bidder, in conjunction with the AER and the OWA or WIP, as applicable.

51. The Receiver has attached a redacted version of the proposed engagement letter that it will execute if the Court approvals the engagement, as **Appendix 5**. An unredacted version of the engagement letter is **CONFIDENTIAL APPENDIX 10**, and the Receiver is requesting that such appendix be sealed until further Order of this Court.

52. The Receiver is aware that there are multiple potential claimants to this surplus equipment, including 597, AE, the OWA, the AER, surface lessors and municipalities, as well as potential builder's lien claimants. Like the potential Mazeppa Gas Plant salvaged equipment, the relative priorities regarding the Gladys surplus equipment should be addressed at a future sale approval or distribution application.

Farmland Listing

53. The Receiver has identified a NE quarter section of farm land located directly south of the Mazeppa Gas Plant (the "**Farmlands**"), which are registered in the name of LR Processing. These lands are the subject of the farming rental arrangement discussed earlier in this report. The Receiver commissioned an appraisal of the Farmlands, which are unencumbered other than a tax notice from the MD of Foothills for unpaid property taxes (estimated at approximately $10,000). The appraisal confirms that a sale of the Farmlands should derive some value for the benefit of the LR Processing estate.

54. The Receiver has canvassed various real estate agents who specialize in agricultural land sales and after a review of the proposals submitted, has selected Remax Southern Realty ("**Remax**") to list the Farmlands on behalf of the Receiver. Remax was selected based on a combination of qualifications, experience, responsiveness, and compensation considerations.

55. The Receiver has prepared a form of listing agreement pursuant to which Remax would undertake a listing of the property over a 90 day period. Under the proposed listing agreement, Remax would be entitled to a commission based on 7% on the first $100,000 plus 3% on the balance of the purchase price. The listing agreement as proposed is substantially in the form attached hereto as **Appendix 6.**

Partial Discharge request over certain AER Licenses

56. The Receiver has compiled a list of the facilities that serviced the wells over which the Receiver was partially discharged pursuant to the April 18 Orders. The Receiver now requests that it be discharged with respect to its obligations over these facilities and the associated licenses (the "**Proposed Discharged Facility Licenses**"). The list of the Proposed Discharged Facility Licenses is attached as **Appendix 3** to this report. No offers were received in the Sales Process that include these facilities.

57. It is the Receiver's view that a partial discharge of its obligations respecting these Proposed Discharged Facility Licenses is appropriate as it will provide much needed clarity to parties, including surface lessors, contacting the Receiver regarding the status of the licenses in this process.

58. Further, the Receiver has been paying utility and other costs associated with certain of these licensed facilities. The partial discharge over these licenses will have the added benefit of reducing overall costs to the receivership estate.

59. Lastly, the Receiver understands that a partial discharge will allow the AER to utilize its enforcement measures to transfer permanent responsibility for these facilities to either the OWA or the WIPs, as the situation warrants.

Mineral and Surface Lease Disclaimers

60. As outlined in the Seventh Report, the Receiver was in communication with AE regarding the cancellation of crown mineral leases associated with licensed properties over which the Receiver had obtained a partial discharge. The Receiver continues to work with AE regarding these crown mineral leases which AE has been keeping "on hold" for the benefit of the Sales Process, in order to determine which of those leases may be returned to the Province's land bank.

61. The Receiver has provided the Surface Rights Board ("**SRB**") with a letter lifting the Stay on a limited basis to allow surface lessors to seek compensation from the SRB for surface lease arrears associated with the Partial Discharged Licenses. If the Court approves the above Proposed Discharged Facility License process, the Receiver will work with the SRB to determine whether it is appropriate for any additional surface leases related to these facilities to similarly be included in the limited lifting of the stay, to allow applicants to seek compensation from the SRB.

Finance Credit Bid

62. Further to the information contained in the Receiver's Seventh Report under the "Request to Continue Sales Process" heading, we have since been informed by both the AER and Finance that Finance have now submitted an application to obtain an AER license under *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licenses and Approvals*.

Estate Financial Position

63. The Receiver has issued $2,010,000 in Receiver's Certificates to the lender, AER, which is $590,000 under the maximum borrowing level permitted by the Receivership Order, as amended by the December 4, 2017 Order.

64. The receipts and disbursements ("**R&D**") for the Lexin Group's unrestricted trust accounts as at May 28, 2018, is contained in **Appendix 7.** As at May 28, 2018, there are $736,761 of unrestricted funds held in trust for the Lexin Group.

65. The restricted funds trust account continues to contain the approximately $60,000 receipt from Cargill for post-receivership gas sales and the approximate $13,000 receipt for Lexin's non-operated interest in a seismic sale conducted through Pulse Seismic by the operator of this seismic, with interest accruing on these amounts. As there are various potential claimants to these funds, they have been retained in the restricted trust account.

66. The Receiver is requesting approval of its fees and costs of $91,287 and fees and costs of its counsel of $45,170 incurred from March 2018 to April 30, 2018. The Receiver is of the opinion that the professional fees incurred to date are reasonable in the circumstances and respectfully recommends that the Court approve the additional fees and disbursements. A summary of the accounts rendered by the Receiver and its legal counsel, including the accounts previously approved by the Court and the additional accounts rendered, is included as **Appendix 8** to this report. The factors that have contributed to the professional costs incurred to date were discussed in the Sixth Report and continue to apply to the present situation

67. The Receiver does not foresee the need to seek an increase in Borrowing Powers at this time, given the level of funds contained in the unrestricted trust accounts. Any appropriate repayment of Receiver's Certificates would best be addressed after obtaining further information on the potential for equipment salvage opportunities (both in the field and at the Mazeppa Gas Plant) and after a Court decision is issued on the validity of the Finance Loan and the Sales Process implications are better determined.

Recommendations

68. The Receiver respectfully recommends that the Court:

    a) Approve the partial discharge of the Receiver over the Proposed Discharge Facility Licenses listed in Appendix 3;

    b) Approve the Receiver's execution of engagement letters or listing agreements with the following entities:

i. Millenia Engineering;

ii. Energy Auctions; and

iii. Remax Southern Realty;

c) Seal Confidential Appendices 9 and 10 containing the aforementioned engagement letters until further Order of this Court;

d) Approve the Receiver's activities and conduct to date as outlined in this Eighth Report; and

e) Approve the professional fees and disbursements incurred by the Receiver and its legal counsel as outlined in Appendix 8.

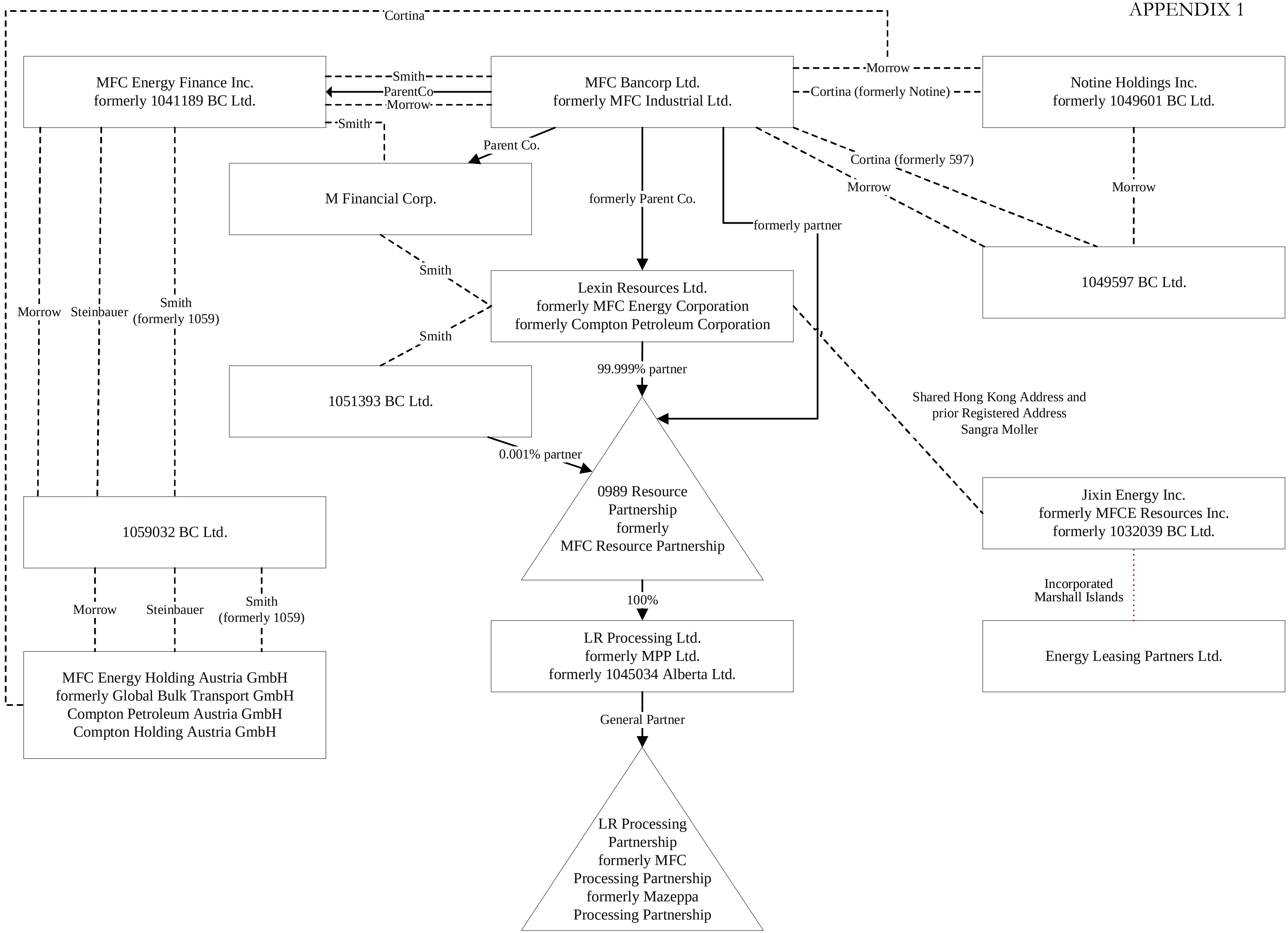
DATED at Calgary Alberta, the 28th day of May 2018.

Grant Thornton Limited,
in its capacity as receiver of
Lexin Resources Ltd., 1051393 BC Ltd., 0989 Resource Partnership, LR Processing Ltd. and LR Processing Partnership
and not in its personal capacity

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

Michael Costello, CPA, CA, CBV
Senior Consultant

APPENDIX 1



Cortina
MFC Energy Finance Inc.
formerly 1041189 BC Ltd.
Smith
ParentCo
Morrow
Smith
MFC Bancorp Ltd.
formerly MFC Industrial Ltd.
Morrow
Cortina (formerly Notine)
Notine Holdings Inc.
formerly 1049601 BC Ltd.
Parent Co.
M Financial Corp.
formerly Parent Co.
Cortina (formerly 597)
Morrow
Morrow
formerly partner
1049597 BC Ltd.
Smith
Morrow
Steinbauer
Smith
(formerly 1059)
Lexin Resources Ltd.
formerly MFC Energy Corporation
formerly Compton Petroleum Corporation
Smith
99.999% partner
1051393 BC Ltd.
Shared Hong Kong Address and
prior Registered Address
Sangra Moller
0.001% partner
0989 Resource
Partnership
formerly
MFC Resource Partnership
Jixin Energy Inc.
formerly MFCE Resources Inc.
formerly 1032039 BC Ltd.
1059032 BC Ltd.
Incorporated
Marshall Islands
100%
Morrow
Steinbauer
Smith
(formerly 1059)
LR Processing Ltd.
formerly MPP Ltd.
formerly 1045034 Alberta Ltd.
Energy Leasing Partners Ltd.
MFC Energy Holding Austria GmbH
formerly Global Bulk Transport GmbH
Compton Petroleum Austria GmbH
Compton Holding Austria GmbH
General Partner
LR Processing
Partnership
formerly MFC
Processing Partnership
formerly Mazeppa
Processing Partnership

	Current Name of Entity	Predecessor Name of Entity (prior to name change)	Defined Term hereafter
a	Lexin Resources Ltd.	MFC Energy Corporation Compton Petroleum Corporation	**"Lexin"**
b	0989 Resource Partnership	MFC Resource Partnership Compton Resource Partnership	**"0989"**
c	1051393 BC Ltd.	n/a	**"105"**
d	LR Processing Ltd.	MPP Ltd. 1045034 Alberta Ltd.	**"LR Ltd."**
e	LR Processing Partnership	MFC Processing Partnership Mazeppa Processing Partnership	**"LR Processing"**
f	1049597 BC Ltd.	n/a	**"597"**
g	MFC Energy Finance Inc.	1041189 BC Ltd.	**"Finance"**
h	1059032 BC Ltd.	n/a	**"1059"**
i	Notine Holdings Inc.	1049601 BC Ltd.	**"Notine"**
j	MFC Energy Holding Austria GmbH	Global Bulk Transport GmbH Compton Petroleum Austria GmbH Compton Holding Austria GmbH	**"MFC Austria"**
k	Jixin Energy Inc.	MFCE Resources Ltd. 1032039 B.C. Ltd.	**"Jixin"**
l	MFC Bancorp Ltd.	MFC Industrial Ltd.	**"Bancorp"**
m	M Financial Corp.	Unknown	**"M Financial"**
n	Energy Leasing Partners Ltd.	Unknown	**"ELP"**

Lexin Resources Ltd. - Facility Licenses for Partial Discharge - May 2018

	License Number	*Location*
1	F1242	06-06-013-25W4
2	F17874	12-35-108-09W6
3	F18223	02-04-115-05W6
4	F20263	09-08-051-09W5
5	F20887	06-15-020-27W4
6	F2089	06-04-016-27W4
7	F20893	08-29-020-27W4
8	F20894	10-21-020-27W4
9	F20895	10-10-021-27W4
10	F20896	07-04-021-28W4
11	F2416	13-23-018-25W4
12	F25067	16-30-018-26W4
13	F25302	02-24-012-02W5
14	F2577	04-34-019-21W4
15	F25827	08-24-111-03W6
16	F2584	16-27-019-27W4
17	F2588	01-35-019-28W4
18	F26018	08-26-019-27W4
19	F26087	16-05-018-25W4
20	F26438	05-08-020-27W4
21	F26916	11-12-111-03W6
22	F27451	06-14-020-26W4
23	F27689	15-34-018-27W4
24	F28117	10-15-021-27W4
25	F2863	05-10-020-27W4
26	F2864	16-10-020-27W4
27	F2865	06-15-020-27W4
28	F2866	06-15-020-27W4
29	F2867	14-15-020-27W4
30	F2870	08-29-020-27W4
31	F29282	05-08-021-27W4
32	F29347	09-17-019-27W4
33	F29735	11-29-022-28W4
34	F3067	14-03-021-27W4
35	F30715	12-04-018-26W4
36	F31396	05-08-021-27W4
37	F3377	03-27-020-29W4
38	F34437	13-17-020-26W4
39	F34456	04-15-022-27W4
40	F35170	16-09-054-14W5
41	F39228	16-20-034-06W5
42	F41870	16-33-020-28W4

May __, 2018

Grant Thornton Limited
Suite 1100
332 6th Avenue S.W.
Calgary, AB.
T2P 0B2

Attention: Mr. Andrew Basi

RE: Request for Proposal Mazeppa Plant Decommissioning and Equipment Salvage
RFP Preparation
Engagement Letter

Dear Mr. Basi,

Thank you for the opportunity to prepare a Request for Proposal for the Mazeppa Plant Equipment Salvage. This letter sets out our terms of engagement.

Please review this scope of engagement, if the terms are acceptable, please sign the enclosed copy of this letter and return to our office. Please contact the undersigned if you wish to discuss, any aspect of the terms of this engagement.

Purpose and Scope

The engagement of Millenia Engineering is to provide Grant Thornton, solely in its capacity as the receiver of Lexin Resources Ltd., 0989 Resource Partnership, 1051393 BC Ltd., LR Processing Ltd. and LR Processing Partnership and not in its personal capacity ("Grant Thornton" or the "Receiver"), with the following:

Development of a Request for Proposal (RFP) document for bidders to use for submitting bids, including but not limited to the following:

1. Establishing the parameters for the bidder's decommissioning of the Mazeppa Gas Plant in conjunction with the Alberta Energy Regulator (AER), which should include the bidders acknowledgement of the following facility preparation requirements:

    a. Building dismantlement
    b. Disconnection of electrical and instrumentation
    c. Identification, removal and disposal of any disturbed asbestos.
    d. NORM detection, removal and disposal
    e. Purging of vessels
    f. Disposing of liquids

g. Clean up any remedial spills

(Bidders to be notified that electric power will not be available, therefore their bids should include cost assumptions based on supplying their own generators).

2. Detailed equipment catalogue with relevant equipment information for both the sour and sweet facilities, including:

    a. equipment lists
    b. drawing package
    c. plant description
    d. equipment dimensions, weights
    e. equipment data books, where available.
    f. equipment photographs as required through Third Party services.

3. Commercial Terms

4. Site specific technical information including:
    a. site access
    b. safety
    c. vendor / buyer responsibilities

Subject to any agreement to the contrary, the work is limited to the above services noted.

Responsibilities and Indemnity

Millenia Engineering will ensure that all services are provided in a timely fashion with agreed timeframe and to a professional standard.

Grant Thornton shall arrange for reasonable access by Millenia Engineering through the Alberta Energy Regulator, to relevant individuals, documents, and site access. Grant Thornton shall use reasonable efforts to provide complete and accurate information to Millenia Engineering, however, Millenia Engineering agrees and acknowledges that the information available to Grant Thornton is limited to that gathered from the various sites in the receivership and Grant Thornton can neither guarantee nor confirm the accuracy or completeness of such information..

Millenia Engineering agrees to indemnify and save harmless Grant Thornton from any and all claims for injury, damages or loss suffered by Millenia Engineering or any employee or contractor of Millenia Engineering while on the site of the Mazeppa Gas Plant and acting in the course of the services to be provided by Millenia Engineering under this RFP, unless caused by the gross negligence or wilful misconduct of Grant Thornton.

Millenia shall obtain and maintain Commercial General Liability Insurance, including contractual liability and ensure all personnel engaged in activities at the Mazeppa plant site, during the performances the services, are covered by Worker's Compensation Insurance or Employers Liability Insurance.

Millenia shall ensure that all personnel engaged in activities at the Mazeppa plant site, during the performances the services, are versed in Occupational Health and Safety Regulations specifically including, but not limited to, Confined Space Entry and Hydrogen Sulfide Awareness.

Period of Engagement

This engagement will start upon acceptance of the terms of engagement by Grant Thornton as noted by execution of this letter and finish on submittal of the completed RFP unless terminated earlier by either party given two weeks notice.

Confidentiality

In conducting this engagement, information acquired by us in the course of the engagement is subject to strict confidentiality requirements. That information will not be disclosed by us to other parties except as required or allowed for by law, or with your express consent.

Estimated Pricing

Unless otherwise stated in writing, any estimates which we provide to you of our anticipated fees, disbursements and charges for any services are only indicative of the amounts you can expect to be charged. Estimates are not quotes and are not binding on us.

Please see Schedule A for the estimated costs for this work.

Professional Fees

The fee arrangement is on a reimbursable basis, based on the expected amount of time and the skill level of staff required completing the services at the respective hourly rates. Where quotations have been provided for specific services, these quotations will provide adequate detail of all time and allocated staff and rates. In the event that circumstances of the services to be provided change from the original quotation, a new quotation between the two parties will be agreed before any further work is undertaken.

Refer to schedule B Millenia Engineering Rate sheet 78 for Professional Fees

Terms of Payment

The terms of payment are net 30 days from invoice. An itemized account of all charges, costs and disbursements will be provided on the invoice. Accounts overdue by 30 days incur a 3% administration fee charged per annum. If we incur any costs of collection, such as legal fees and collection agency fees etc., the Receiver agrees to indemnify us for all such costs. Terms of payment must be agreed to prior to commencement of services.

Once you are satisfied with the terms of our engagement, please sign and date one copy of this letter and return to us as evidence of your acceptance of the terms of our engagement and one copy retained for your records.

We thank you for the opportunity to provide our services to Grant Thornton and we look forward to working with you.

Yours Sincerely,

John Homer
Millenia Engineering

We, Grant Thornton Limited, in its capacity as court appointed receiver of Lexin Resources Ltd., 0989 Resource Partnership, 1051393 BC Ltd., LR Processing Ltd. and LR Processing Partnership and not in its personal capacity, agree to all of the terms and conditions as noted in this letter.

……………………………….. (Authorized signature)

………………………………. (Printed name of authorized signature).

………………………………. (Date)

SCHEDULE A

Engineering Services Cost Estimate:

REDACTED

SCHEDULE B

Millenia Engineering Rate Sheet 78

ENERGY AUCTIONS INC. **MAY __, 2018**
OKOTOKS. AB T1S 1L4

Letter of Engagement

This letter is to confirm our understanding of the terms of our engagement and the nature and limitations of the services that we provide:

Energy Auctions Inc. ("EA")
161 Woodburn Crescent
Okotoks, AB T1S 1L4

And

Grant Thornton Limited, in its capacity as the receiver of **LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. AND LR PROCESSING PARTNERSHIP**, and not in its personal or corporate capacity ("Receiver")
Suite 1100, 332-6 Ave SW
Calgary, AB T2P 0B2

Energy Auctions Inc. will provide the following services listed below which will be conducted in accordance with the relevant professional and ethical standards.

Scope of the engagement is as below

1. Cataloguing and documentation, inclusive of photographs, of the equipment to be marketed (This will require co-ordination with OWA and any applicable WIPs who have care and custody of the sites)
2. Establishment of parameters for bidders to bid upon, including, but not limited to the following:
    a. ALL equipment located at a site to be purchased by bidders (i.e. no piece-meal sales of componentry at a site permitted)
    b. Buyers responsible for removal of equipment (in compliance with AER requirements) by a deadline date that will be established pending timing of items below
    c. Buyers to co-ordinate removal process with AER, OWA (or WIP)
    d. Buyers responsible for any damages to site
    e. Buyers to provide performance deposit for securing of above
3. Fixing of an established on-line auction deadline date to bidders to submit bids on (dependent on timing of 1 above)

4. Marketing mailer/emailer of this equipment to the EA data base (and contacts the Receiver will provide to EA)
5. Ads to be placed in relevant publications advertising the equipment
6. Posting of the upcoming auction on EA web-site
7. Review of the bids submitted at on-line auction date with the Receiver
8. Assistance with the selection of bids for the Receiver to finalize with the bidder and for the Receiver to seek the Court's approval of
9. Assistance in providing Receiver with the required materials to seek Court approval of sales, which approval will vest off any claims against this equipment
10. Co-ordinate removal process with buyers, AER and OWA/WIPs by established deadline date

Fees

The fee arrangement is based on the scope and responsibility discussed and is fixed for the current scope

On site attendance - Daily Rate of REDACTED/day. Mileage to be paid at a rate of REDACTED/km

REDACTED% flat commission of equipment sale price.

GST to be added to all of above amounts.

Indemnity

EA agrees to indemnify and save harmless the Receiver from and against any and all losses suffered or incurred as a result of EA's on site attendance during the scope of its engagement, or any and all losses suffered or incurred arising out of the engagement of EA under this agreement, including but not limited to legal expenses incurred or suffered as a result of the losses, save and except for any losses suffered or incurred as a direct result of the Receiver's gross negligence or wilful misconduct.

Confirmation of Terms

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements.

Yours sincerely:

Marlon Ellerby per ____________________
Energy Auctions Inc.

Acknowledged by:

Andrew Basi, Senior Vice-President per____________________
Grant Thornton Limited, in its capacity as the receiver of **LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. AND LR PROCESSING PARTNERSHIP**, and not in its personal or corporate capacity

LISTING AGREEMENT

DATED THIS ___ DAY OF JUNE, 2018

AS BETWEEN:

Grant Thornton Limited
solely in its capacity as court appointed Receiver of
LR Processing Partnership by its general partner, LR Processing Ltd.,
and not in its personal capacity
(“**Seller**”)

- and -

Remax Southern Realty
(“**Broker**”)

1. The Property consists of the lands located at: 4; 28; 19; 26; NE.

2. The legal description of the Property is: 4; 28; 19; 26; NE.

3. The Property includes: n/a

4. This Agreement is subject to Court approval and will commence at 12:00 a.m. on the day following the date of the Court order approving this agreement and shall continue for a period of 90 days thereafter.

5. The Property shall be offered for sale free and clear of all registered encumbrances, liens and interests, save and except for those encumbrances, liens and interests that run with the lands.

6. The listing price for the Property shall be: $450,000.

7. The Broker shall:

    a. Obey the lawful instructions of the Seller;
    b. Exercise reasonable care and skill in the performance of this Agreement;
    c. Use best efforts to market the Property and promote the interests of the Seller and, subject to section 8, act only as the Seller’s agent;
    d. Subject to section 8, be loyal to the Seller and act in the Seller’s best interests at all times;
    e. Make timely and full disclosure of all conflicts of interest that may arise between the Seller’s interest and those of the Broker or buyers;
    f. at the earliest reasonable opportunity, advise any buyer interested in the Property that the Broker is the agent of the Seller;
    g. not appoint another Broker to act on behalf of the Seller as a subagent without the Seller’s prior written consent;

h. assist the Seller in negotiating favourable terms and conditions with a buyer;
i. assist the Seller in preparing and complying with a legally binding purchase contract for the Property;
j. disclose to buyers all material latent defects affecting the Property known to the Broker;
k. hold all monies received by the Broker in trust in accordance with the provisions of the *Real Estate Act;*
l. keep the Seller fully informed regarding the marketing of the Property and any resulting transaction;
m. disclose to the Seller, in a timely manner, all relevant facts affecting the transaction known to the Broker;
n. present, in a timely manner, all offers and counter-offers to the Seller even when the Property is already the subject of a purchase contract;
o. advise the Seller to obtain expert advice on matters of importance to the Seller;
p. comply with the provisions of the *Real Estate Act* and its regulations, and the rules and bylaws of the Real Estate Council of Alberta;
q. provide a true copy of this Agreement to the Seller after all parties have signed it;
r. obtain verification of mortgage, property taxes, improvement charges, tenancy information and other similar information with respect to the Property;
s. advertise the Property;
t. place a "for sale" sign on the Property; and
u. show the Property at times acceptable to the Seller.

8. If the Broker:

   a. is also the agent of a buyer who wishes to view the Seller's property, the Broker will:

      i. disclose this fact to both the buyer and the Seller; and,
      ii. unless instructed otherwise by the Seller, facilitate the viewing of the Property by that buyer and make available the marketing information that is available to all potential buyers; however, the mere viewing of the property will not mean that the buyer is interested in the Property for the purposes of clause 8b below.

   b. is also the agent of a buyer who becomes interested in the Property, the Broker will:
      i. immediately advise the Seller and the buyer of all relevant facts and of the implications of concurrent representation;
      ii. give the Seller and the buyer an opportunity to seek independent advice;
      iii. obtain the written informed consent of the buyer to the Broker continuing to provide services to the Seller and the buyer in a Transaction Broker relationship on the terms and conditions specified in the Common Law Transaction Broker Agreement and in the *Agency Relationships Guide* published by the Real Estate Council of Alberta prior to writing the offer; and
      iv. obtain the written informed consent of the Seller to the Broker continuing to provide services to the Seller and the buyer in a Transaction Broker relationship

on the terms and conditions specified in the Common Law Transaction Broker Agreement and in the *Agency Relationships Guide* published by the Real Estate Council of Alberta prior to presenting the buyer's offer to the Seller.

c. should decide not to enter into a Common Law Transaction Broker Agreement or should either the Seller or buyer refuse to consent to Transaction Broker as contemplated in 8b, the Broker will continue to represent the party, be it the Seller or the buyer, with whom it first entered into an agency relationship and offer to treat the other party as a customer or to refer the other party to another Broker.

9. The Broker undertakes it will:

   a. Not use confidential information received from the Seller, or obtained as a result of providing services under this Agreement, for its own gain or the gain of its employees or to the prejudice of the Seller's interests; and
   b. Not disclose any confidential information concerning the Seller or the Property to any other broker or other person unless authorized by the Seller or required by law.

10. The Seller consents to placement of the listing and sales information by the Broker into the database(s) of the appropriate listing service(s) of the Board and acknowledges that the database of the Board is the property of the Board. The Seller further acknowledges that the Broker and the Board may:

   a. distribute the information to any persons authorized to use such service, which may include other brokers, government\ departments, appraisers, municipal organizations and others;
   b. market the Property, at its option, in any medium, including electronic media;
   c. compile, retain and publish any statistics including historical listing service data which may be used by the Broker and licensed Board members to conduct comparative market analyses; and
   d. make such other use of the information as the Broker and the Board deem appropriate in connection with the listing, marketing and selling of real estate.

11. Within a reasonable time of receiving any offer, you shall forward a true copy of the said offer to the Seller. Counsel for the Seller may then apply on notice to Court for approval of that offer.

12. If no offers are received during the listing period, you shall so advise the Seller in writing, immediately following the expiry of this listing.

13. In the event that, as a result of the listing, a purchaser is introduced whose offer is accepted by the Court and the transaction is completed by the purchaser paying the full purchase price and title is registered in the name of the purchaser or its nominee, then in such event, you will receive a commission as follows:

    7% of the first $100,000 and 3% of the balance of the gross sales price – or such lesser amount as may be agreed by you – plus applicable taxes thereon.

The aforesaid commission shall be shared with the purchaser's broker, as applicable.

14. You shall have a first charge against the sale proceeds in the amount of any commission payable hereunder. If the Court accepts an offer to purchase and the purchaser fails to complete the purchase, and the Court does not order relief from forfeiture of the deposit, you will retain, as compensation for services rendered, 50% of the said deposit (provided such amount does not exceed the commission payable had the sale been fully completed) and you will pay the balance of the deposit to the Seller.

15. All offers submitted pursuant to this listing agreement shall, subject to further order of the Court:

    a. Be in writing and signed by the offeror;
    b. Be conditional upon Court approval;
    c. Provide for a possession date that is any day following Court approval;
    d. Contain and be subject to the terms and conditions set out in Schedule "A" hereto; and
    e. Be accompanied by a certified cheque or money order payable to the Seller for the deposit amount referred to in the offer.

16. The Seller is advised that the Broker is providing services as a real estate professional, not as a lawyer, tax advisor, lender, appraiser, surveyor, structural engineer, property inspector, or other professional service provider.

17. The terms of this listing may be modified by agreement of the parties or by the Court on the application of any interested party on five days' notice.

18. Notice to the Seller may be provided to:

Andrew Basis, Senior Vice President
Grant Thornton Limited
Suite 1100, 332 – 6th Avenue SW
Calgary, AB T2P 0B2
Tel: (403) 296-2992
Email: Andrew.Basi@ca.gt.com

19. Notice to the Broker may be provided to:

Laura Stretch
Remax Southern Realty
(403) 603-8516
Email: laura@jlrealestate.ca

AGREED TO BY:

GRANT THORNTON LIMITED in its capacity as court appointed receiver of LR Processing Ltd. and not in its personal capacity

Per:_______________________________
Andrew Basi

REMAX SOUTHERN REALTY

Per: _______________________________
Laura Stretch

SCHEDULE “A”

____ (the “Buyer”)

The terms of this schedule replace, modify or add to the terms of the agreement of purchase and sale (the “Real Estate Purchase Contract”) to which this schedule is attached. Where there is any inconsistency between the terms of this Schedule and the Real Estate Purchase Contract, the provisions of this Schedule shall prevail.

AS IS - WHERE IS

1. The Buyer acknowledges and agrees to purchase the Lands, all buildings and improvements located on the Lands (the “Property”), and any and all fixtures (“Attached Goods”) and chattels (“Unattached Goods”) included in the Real Estate Purchase Contract or included in the sale of the property, “as is” and agrees with the Seller that neither the Seller, nor its agents or representatives have made any representations or warranties with respect to the Property or any Attached Goods or Unattached Goods included in the sale of the Property. Without limiting the generality of the foregoing, the Buyer agrees that neither the Seller nor its agents have made any representations or warranties with respect to:

   a) the condition of any buildings or improvements located on the Property;

   b) the condition of any Attached Goods or Unattached Goods included in the Real Estate Purchase Contract or otherwise sold with the Property;

   c) whether the Property complies with any existing land use or zoning bylaws or regulations, or municipal development agreements or plans;

   d) the location of any buildings and other improvements on the Property and whether such location complies with any applicable municipal bylaws or regulations;

   e) whether or not any buildings or improvements located on the Property encroach onto any neighbouring lands or any easements or rights of way;

   f) whether or not any buildings or improvements located on any neighbouring lands encroach onto the Property;

   g) the size and dimensions of the Property or any building or improvements located thereon;

   h) whether or not the Property is contaminated with any hazardous substance; and

   i) whether or not any of the buildings or other improvements located on the Property have been insulated with urea formaldehyde insulation.

OWNERSHIP OF UNATTACHED GOODS

2. The Buyer agrees that the Seller is selling only such interest as it may have in any Attached goods or Unattached Goods referred to in the Real Estate Purchase Contract, or which may be located on the Property, and the Seller does not warrant that it has title to such Attached Goods or Unattached Goods. Further, the Buyer agrees that the Seller will not be liable for the removal of any chattels found on the Property prior to or on the date of closing. On closing,

____

Buyer’s Initial

Date: ________________________

the Buyer may have possession of the Attached Goods and Unattached Goods which are then on or about the Property on an "as is" basis, and the Seller will not provide a Bill of Sale, Warranty, or other title document to the Buyer. Further, there will be no adjustment or abatement of any kind to the Purchase Price with respect to any Attached Goods or Unattached Goods.

REAL PROPERTY REPORT & COMPLIANCE

3. The Seller is not required to provide the Buyer with a real property report or compliance certificate. Should the Seller provide the Buyer with a copy of a survey or real property report, the Buyer agrees that any use of or reliance upon such document shall be at the Buyer's own risk. The Buyer must satisfy itself that the survey or real property report which the Seller might provide accurately reflects the Property and the buildings and improvements located thereon as they currently exist and the Seller shall not be responsible for any errors or omissions which might exist on such document. The Seller does not represent or warrant the accuracy or validity of the said survey or real property report or compliance certificate.

GOODS AND SERVICES TAX (G.S.T.)

5. In addition to the purchase price payable thereunder, the Buyer shall pay to the Seller and indemnify the Seller against all Goods and Services Tax ("G.S.T.") payable on the purchase price as required by the Excise Tax Act. The Seller will not provide to the Buyer a Certificate of Exempt Supply, or any other certificate certifying that this purchase and sale transaction is not subject to the Goods and Services Tax. Should the Seller fail to collect G.S.T. from the Buyer, it shall not be construed by the Buyer as a certification by the Seller that no G.S.T. is payable by the Buyer hereunder, and the Buyer shall remain liable for any G.S.T. which might be payable with respect to this transaction.

ACCEPTANCE BY FACSIMILE

6. The Seller and Buyer agree that this contract may be signed in counterpart, and the acceptance of this offer communicated or confirmed by facsimile transmission shall be binding upon the parties. The Buyer agrees to promptly deliver an executed original Real Estate Purchase Contract to the Seller.

RECEIVERSHIP PROCEEDING

7. This offer is being made pursuant to or in a Court of Queen's Bench receivership proceeding and, as such, the Offer is conditional upon approval of said Court and is subject to the terms of that Order. Any agreement arising out of the Seller's acceptance of this Offer is conditional upon the approval thereof by the said Court.

____

Buyer's Initial

Date: ________________________

In the Matter of the Receivership of
Lexin Resources Ltd., 1051393 B.C. Ltd., 0989 Resource Partnership,
LR Processing Ltd., and LR Processing Partnership

Receipts and Disbursements - March 20, 2017 to May 28, 2018

Unrestricted Trust Accounts

Receipts	
Receiver's borrowings	2,010,000
Sale of carbon credits	1,556,711
Oil & gas revenue	411,915
Sale of oil & gas properties	360,000
Sale of vehicles	114,770
GST collected	84,650
Equity of leased vehicles	40,410
Cash held at receivership	3,636
Interest earned on cash held in trust	4,814
Collection of AR & other revenue	2,158
Royalties Income	2,048
	4,591,113
Disbursements	
Receiver fees	1,356,967
Receiver's counsel fees and costs	764,078
Utilities and other services	422,679
Data Management Specialist	234,079
Commission expense	179,833
GST on disbursements	172,022
Contract services	139,080
Royalty Payments	135,369
Software licensing fees and services	88,252
Insurance	76,573
Storage costs	64,014
Repairs and maintenance	58,153
Server set-up & ongoing maintenance	54,562
Removal, indexing and review of Records	53,069
Funds transferred to bankruptcy estate	24,371
Other consulting services	19,507
Miscellaneous other expenses	10,267
OSB filing & Ascend fees	900
Courier	575
	3,854,352
Cash in Unrestricted Trust Accounts	**736,761**

Restricted Trust Account

<u>Receipts</u>	
Funds received from Cargill, net of GST	60,350
Sale of seismic, net of GST	12,736
Interest earned on cash held in trust	417
	73,503
<u>Disbursements</u>	-
Cash in Restricted Trust Account	**73,503**
Total Cash in Trust	**810,263**

In the Matter of the Receivership of
Lexin Resources Ltd., 1051393 B.C. Ltd., 0989 Resource Partnership
LR Processing Ltd., and LR Processing Partnership

Summary of Professional Fees - March 20, 2017 to May 28, 2018

	Invoice	Fees	Disburse.	Sub-total	GST	Total
Professional Fees - Receiver						
Rendered, Paid and Approved by the Court						
to March 31, 2017	LABS-1812	140,529.79	-	140,529.79	7,026.49	147,556.28
to April 30, 2017	LABS-1813	164,423.69	3,118.70	167,542.39	8,377.12	175,919.51
to May 31, 2017	LABS-1833	90,949.46	-	90,949.46	4,547.47	95,496.93
to June 30, 2017	LABS-1848/1849	108,883.74	-	108,883.74	5,444.18	114,327.92
to July 31, 2017	LABS-1888/1886	72,061.83	65.87	72,127.70	3,606.38	75,734.08
to August 31, 2017	LABS-1906/1903	91,662.62	-	91,662.62	4,583.13	96,245.75
to September 30, 2017	LABS-1937	70,209.66	-	70,209.66	3,510.48	73,720.14
to October 31, 2017	LABS-1969/1966	124,986.16	-	124,986.16	6,249.31	131,235.47
to November 30, 2017	LABS-1982	87,324.30	1.81	87,326.11	4,366.31	91,692.42
to December 31, 2017	LABS-2012	65,666.97	-	65,666.97	3,283.35	68,950.32
to January 31, 2018	LABS-2049/2036	62,317.87	-	62,317.87	3,115.90	65,433.77
to February 28, 2018	LABS-2058	76,311.86	-	76,311.86	3,815.59	80,127.45
to March 31, 2018	LABS-2076	110,352.31	-	110,352.31	5,517.62	115,869.93
Sub-total		1,265,680.26	3,186.38	1,268,866.64	63,443.34	1,332,309.98
Additional Rendered and Paid						
to April 30, 2018	LABS-2115	91,286.52	-	91,286.52	4,564.33	95,850.85
Sub-total		91,286.52	-	91,286.52	4,564.33	95,850.85
Total Receiver Fees		**1,356,966.78**	**3,186.38**	**1,360,153.16**	**68,007.67**	**1,428,160.83**
Professional Fees - Receiver's legal counsel						
Rendered, Paid and Approved by the Court						
to March 28, 2017	697444871	56,047.00	1,449.05	57,496.05	2,874.31	60,370.36
to March 31, 2017	697450443	27,880.00	2,121.01	30,001.01	1,496.50	31,497.51
to April 30, 2017	697462348	83,181.50	3,285.45	86,466.95	4,323.01	90,789.96
to May 31, 2017	697472475	69,595.50	2,365.46	71,960.96	3,580.88	75,541.84
to June 30, 2017	697482372	26,625.50	2,506.46	29,131.96	1,395.55	30,527.51
to July 31, 2017	697488400	22,772.50	741.44	23,513.94	1,172.51	24,686.45
to August 31, 2017	697502069	13,978.00	261.96	14,239.96	712.00	14,951.96
to Sept 30, 2017	697511744	30,257.50	276.47	30,533.97	1,524.96	32,058.93
to Oct 31, 2017	697516831	90,752.50	5,784.40	96,536.90	4,823.11	101,360.01
to November 30, 2017	697541096	126,529.95	7,147.99	133,677.94	6,668.92	140,346.86
to December 31, 2017	697548751	97,809.15	13,875.17	111,684.32	5,581.45	117,265.77
to January 31, 2018	697553770	11,832.20	6,194.08	18,026.28	591.62	18,617.90
to February 28, 2018	697562634	15,332.40	305.07	15,637.47	781.88	16,419.35
Sub-total		672,593.70	46,314.01	718,907.71	35,526.70	754,434.41
Additional Rendered and Paid						
to March 31, 2018	697570896	11,809.50	148.39	11,957.89	597.90	12,555.79
to April 30, 2018	697584208	32,300.00	912.30	33,212.30	1,658.12	34,870.42
Sub-total		44,109.50	1,060.69	45,170.19	2,256.02	47,426.21
Total Legal Fees		**716,703.20**	**47,374.70**	**764,077.90**	**37,782.72**	**801,860.62**
Total Professional Fees		**$2,073,669.98**	**$ 50,561.08**	**$ 2,124,231.06**	**$ 105,790.39**	**$ 2,230,021.45**