Grant Thornton

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COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**	
JUDICIAL CENTRE:	**CALGARY**	
APPLICANT:	**HALLMARK RESOURCES LTD.**	
RESPONDENTS:	**AQUA-PURE VENTURES INC.**	
DOCUMENT:	**RECEIVER'S FIRST REPORT** **AUGUST 24, 2015**	

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT

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Introduction

1. On August 18, 2015, on application by Hallmark Resources Ltd. ("**Hallmark**"), the Court of Queen's Bench of Alberta (the "**Court**") pronounced an order (the "**Receivership Order**") appointing Grant Thornton Limited (the "**Receiver**") as receiver and manager of Aqua-Pure Ventures Inc. ("**Aqua-Pure**" or the "**Company**"). A copy of the Receivership Order is attached to this report as Appendix 1.

2. The purpose of this report (the "**Receiver's First Report**") is to provide this Honourable Court and other interested parties with:

    a) preliminary background information on the Company, its operations, assets, creditors and current financial situation; and

    b) information on the Receiver's application seeking approval of an agreement (the "**Amending Agreement**") to amend the terms of a licensing agreement with a third party, which would provide immediate access to funds required to address Fountain Quail's (defined below) short-term liquidity issue.

3. 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 Hallmark's application materials, including the affidavit of Jeffery Halldorson sworn on August 6, 2015 (the "**Halldorson Affidavit**").

Limitations of Report

4. The information contained in the Receiver's First Report has been obtained from the records of the Company, publicly available information, and/or is based upon discussions with and representations made by the Company's management and other professional advisors retained in this matter. 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 Company. Accordingly, 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 report.

5. 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 Receiver's First 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.

6. A copy of the Receiver's First Report and other relevant documents in the restructuring proceedings are available on the Receiver's website at: www.grantthornton.ca/aquapureventures

Background

7. Aqua-Pure is a publicly traded corporation formed pursuant to the laws of Alberta with a registered and records office located in Calgary, Alberta. Aqua-Pure is listed on the TSX Venture Exchange under the symbol "AQE".

8. Aqua-Pure owns 100% of the shares of a holding company, Aqua-Pure Ventures (USA) Inc. ("**Aqua-Pure USA**"), a corporation formed under the laws of the state of Nevada, USA.

9. Aqua-Pure and Aqua-Pure USA together hold 100% ownership in Fountain Quail Water Management LLC ("**Fountain Quail**") a company formed under the laws of the state of Texas, USA.

10. The Company is engaged in the research, development and application of remediation and recycling technology for contaminated waste-water from industrial operations. For example, Aqua-Pure's technology is used for recycling waste-water created by hydraulic fracturing operations.

11. Aqua-Pure's commercial waste-water recycling operations are carried out entirely by Fountain Quail. Fountain Quail's head office is located in Keller, Texas, and conducts all of its operations in the United States. Aqua-Pure also licenses use of its technology to third parties.

12. The Receiver's preliminary review of Aqua-Pure's financial matters indicate the material assets include intellectual property and patents, its wholly owned interest in Aqua-Pure USA and Fountain Quail and an inter-company debt receivable from Fountain Quail in the approximate amount of $44 million, secured by a general security agreement in favour of Aqua-Pure, which grants Aqua-Pure a security interest in all present and after-acquired assets, property and undertakings of Fountain Quail (the "**Aqua-Pure GSA**"). A copy of the Aqua-Pure GSA is attached to this report as Appendix 2.

Initial Activities of the Receiver

13. The Receiver's initial activities included:

    a) meeting with management of Aqua-Pure to gain an understanding of the business, its assets, operations and creditors, including the immediate liquidity issues of Fountain Quail;

    b) engaging the services of Bennett Jones LLP as legal counsel to the Receiver and Rothgerber Johnson & Lyons LLP who is assisting the Receiver with US legal matters;

    c) contacting and meeting with key stakeholders to discuss the current financial situation of Aqua-Pure to discuss the receivership proceedings and current liquidity issues;

    d) contacting the Company's prior insurer to understand the current status of insurance. The Receiver is in the process of confirming the adequacy of the current coverage; and

    e) undertaking a review of the Amending Agreement, discussed further below.

Sales Process

14. As indicated in the Halldorson Affidavit, the Company completed a sales process in the spring of 2015 to solicit offers to purchase some or all of Aqua-Pure's and/or Fountain Quail's assets.

15. As a result of that process, the Company identified a transaction that was viewed as desirable by the Company and key stakeholders, including primary secured creditors. As such, the Company executed a letter of intent to complete a transaction with the proposed arms-length purchaser (the "**Prospective Purchaser**").

16. The Receiver has spoken with the Prospective Purchaser and is advised that it intends to proceed with a transaction; however the deal mechanics require further negotiations and consideration.

17. The Receiver anticipates providing further comments on the Sales Process in a future report.

Creditors

18. The Receiver understands the secured claims against the Company are approximately as follows:

    a) Security Agreement – Agriculture Financial Services Corporation ("**AFSC**") – $2,500,000, plus accrued interest and costs;

    b) Convertible Secured Debenture – Hallmark – principal sum of $7,020,000 plus accrued interest and costs;

    c) Secured Convertible Promissory Notes – (Axiom Financing as defined in the Halldorson Affidavit) – principal sum of $2,150,000, plus accrued interest and costs; and

    d) Secured Convertible Promissory Notes (Prosdocimi Financing as defined in the Halldorson Affidavit) – Various – principal sum of $2,200,000 USD plus accrued interest and costs.

19. An Intercreditor, Agency and Priority Agreement was entered into on July 20, 2015 between Hallmark, the Axiom Financing Investors and the Prosdocimi Investors. This agreement, amongst other matters, confirmed the parties' direction to proceed with a transaction with

the Prospective Purchaser, and that the parties shall rank pari passu for all secured indebtedness and appoint Hallmark as the Collateral Agent for the parties.

20. The Receiver's counsel is undertaking a review of the security documents and registrations of the secured parties, including the Aqua-Pure GSA, and will provide the Receiver with an opinion on its validity and enforceability of the same in due course.

Liquidity Issues & Amending Agreement

21. Aqua-Pure's primary asset is its wholly-owned subsidiary Fountain Quail. Historically, Fountain Quail has been heavily financed by Aqua-Pure through both equity injections and various financing arrangements.

22. Immediately upon appointment, the Receiver was advised that Fountain Quail has insufficient cash resources to fund, among other critical costs, payroll coming due at the end of August 2015. The Receiver has been in dialogue with Richard Broderick, the President of Fountain Quail, to obtain an understanding of the financial status and to obtain information on immediate cash requirements. The Receiver is advised that due to the financial status of Fountain Quail, its ability to secure additional financing is limited and unlikely.

23. The Receiver is reviewing items presented as critical payments by Fountain Quail which includes approximately $62,000 in payroll due to the payroll service provider on August 27, 2015.

24. Prior to the appointment of the Receiver, management of the Company, in consultation with Hallmark and the Prospective Purchaser, negotiated the Amending Agreement with Eureka Resources LLC ("**Eureka**"), whereby the terms of the agreement would be amended in exchange for immediate cash consideration. A copy of the Amending Agreement is attached to this report as part of the Confidential Appendix 3 to this report. The Receiver is of the opinion that disclosing the content of the Amending Agreement publically is not in the best interests of the Company, and therefore it should remain confidential.

25. The Receiver and its counsel have reviewed the Amending Agreement and held discussions with the key stakeholders. The Receiver can advise that Hallmark, the Prospective Purchaser

and Fountain Quail are supportive of the Amending Agreement. The Confidential Appendix 3 includes further correspondence from these key stakeholders in support of the Amending Agreement.

26. The Receiver's initial investigation into obtaining interim financing from the existing secured lenders of Aqua-Pure or third party lender on an expedited basis indicates that they are not willing to advance funding under the Receiver's Certificate.

27. Given the support of the key stakeholders and the urgency to obtain a source of funding for payroll, the Receiver respectfully recommends the Court approve the Amending Agreement.

Recommendation and Intended Course of Action

28. The Receiver respectfully recommends that the Court approve the Amending Agreement.

29. Subject to approval of the Amending Agreement from the Court, the Receiver intends to advance, under the Aqua-Pure GSA, the funds necessary from the Amending Agreement to fund payroll and other critical costs of Fountain Quail.

30. As directed in the Receivership Order, the Receiver intends to conduct a review of the sales process completed prior to the receivership proceedings, and, if determined appropriate, negotiate a binding agreement with the Prospective Purchaser, subject only to approval of the Court.

DATED at Calgary Alberta, the 24th day of August 2015.

Grant Thornton Limited,
in its capacity as receiver of
Aqua-Pure Ventures Inc.
and not in its personal capacity

For:

Per: Andrew Basi, CA, CIRP
Senior Vice President

Nathan Bell, CA, CIRP
Manager

Clerk's Stamp:
JUDICIAL CENTRE OF CALGARY
FILED
AUG 18 2015
CLERK OF THE COURT

COURT FILE NUMBER	1501-09111
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF(S)	HALLMARK RESOURCES LTD.
DEFENDANT(S)	AQUA-PURE VENTURES INC.
DOCUMENT	**RECEIVERSHIP ORDER**
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I hereby certify this to be a true copy of the original ORDER
Dated this 18th day of August 2015
for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: August 18, 2015

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary

NAME OF JUSTICE WHO MADE THIS ORDER: Mr. Justice Yamauchi

RECEIVERSHIP ORDER

UPON the application of Hallmark Resources Ltd. ("**Hallmark**") in respect of Aqua-Pure Ventures Inc. (the "**Debtor**"); AND UPON having read the Application, the Affidavit of Jeffery Halldorson, sworn August 6, 2015, filed (the "**Halldorson Affidavit**"); AND UPON reading the consent of Grant Thornton Limited to act as receiver and manager ("**Receiver**") of the Debtor, filed; AND UPON hearing counsel for Hallmark and other interested parties; IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

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

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA"), and sections 13(2) of the *Judicature Act*, R.S.A. 2000, c.J-2, 99(a) of the *Business Corporations Act*, R.S.A. 2000, c.B-9, and 65(7) of the *Personal Property Security Act*, R.S.A. 2000, c.P-7, Grant Thornton Limited is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

(a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive, preserve and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(c) to manage, operate and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part other business, or cease to perform any contracts of the Debtor;

(d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

(e) to purchase or lease machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;

(f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

(g) to settle, extend or compromise any indebtedness owing to or by the Debtor;

(h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

(i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;

(j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court;

(k) to evaluate the sufficiency of the Sale Process (as defined in the Halldorson Affidavit) and the offers received as a result of the Sale Process, and to determine whether a further sale process is required;

(l) to make a recommendation to the Court for the approval of one of the proposed sale transactions if the Receiver deems the Sale Process to have been adequate;

(m) to otherwise market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(n) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required.

(o) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(p) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(q) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(r) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

(s) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

(t) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and

(u) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.

5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall

provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OF REMEDIES

9. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

13. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be

liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, S.C. 2005, c.47 ("**WEPPA**").

14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:

(i) before the Receiver's appointment; or

(ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.

(b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.

(c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,

(i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

A. complies with the order, or

B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;

(ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,

A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or

B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or

(iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

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

RECEIVER'S ACCOUNTS

17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA.

18. The Receiver and its legal counsel shall pass their accounts from time to time.

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

FUNDING OF THE RECEIVERSHIP

20. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

21. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

23. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

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

GENERAL

25. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

26. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.

27. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

29. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and

empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

30. The Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

31. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

32. This Order is issued and shall be filed in Court of Queen's Bench Action No. 1501-09111.

33. The Receiver shall establish and maintain a website in respect of these proceedings at http://www.grantthornton.ca/services/reorg/creditor_updates and shall post there as soon as practicable:

(a) all materials prescribed by statue or regulation to be made publically available; and

(b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. ______________________

AMOUNT $______________________

1. THIS IS TO CERTIFY that Grant Thornton Limited, the receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of appointed by Order of the Court of Queen's Bench of Alberta, (the "Court") dated the 18th day of August, 2015 (the "**Order**") made in action number ______________, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $_________, being part of the total principal sum of $______________ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of ______ per cent above the prime commercial lending rate of Bank of _______ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at *.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _______ day of _______________, _________.

Grant Thornton Limited, solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

Per: ___________________________________

Name:

Title:

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made this 3rd day of April, 2012.

ARTICLE 1
SECURITY INTEREST

1.1 SECURITY INTEREST

Fountain Quail Water Management LLC (the "**Debtor**"), having its chief executive office at **11578 Airway Blvd #A, Roanoke, TX 76262, fax number: 817-491-9161**, as continuing security for the repayment and the performance of each of the Obligations (as defined herein) of the Debtor to **Aqua-Pure Ventures Inc., fax number: (403) 301-4126** (the "**Secured Party**") having its address at **#1, 135 Commercial Drive S.W., Calgary, Alberta T3Z 2A7** grants to the Secured Party a continuing, specific and fixed security interest in all of the Debtor's present and after acquired personal property of every nature and kind now or at any time and from time to time existing, wherever situate, including, without limiting the generality of the foregoing:

(a) **Accounts:** All debts, accounts, claims, rents, moneys and choses in action which now are or which may at any time hereafter be due or owing to or owned by the Debtor or in which the Debtor now or hereafter has any other interest, and also all securities, bills, notes and other documents now held or owned or which may be hereafter taken, held or owned by the Debtor or anyone on behalf of the Debtor in respect of the said debts, accounts, claims, rents, moneys and choses in action or any part thereof (collectively, the "**Accounts**");

(b) **Chattel Paper:** All chattel paper in which the Debtor now or hereafter has an interest, and any part thereof (the "**Chattel Paper**");

(c) **Documents of Title:** All documents of title, whether negotiable or non-negotiable, including, without limitation, all warehouse receipts and bills of lading, in which the Debtor now or hereafter has an interest, and any part thereof (collectively, the "**Documents of Title**");

(d) **Equipment:** All goods in which the Debtor now or hereafter has an interest other than Inventory (as defined herein) or consumer goods and any part thereof, including, without limitation, all tools, apparatus, fixtures, plant, machinery, tools and furniture (collectively, the "**Equipment**");

(e) **Instruments:** All letters of credit, advances of credit and all other instruments in which the Debtor now or hereafter has an interest, and any part thereof (collectively, the "**Instruments**");

(f) **Intangibles:** All intangible property of whatever kind in which the Debtor now or hereafter has an interest, including, without limitation, all of the Debtor's choses in action, contractual rights, agreements, licences, permits, goodwill, patents, trade marks, industrial designs, copyrights and other industrial or intellectual property (collectively, the "**Intangibles**");

(g) **Inventory:** All inventory of whatever kind and wherever situated, in which the Debtor now or hereafter has an interest, including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property now or hereafter held for sale, lease, resale or exchange or furnished or to be furnished under contracts for service or that are used or consumed in the business of the Debtor, and any part thereof (collectively, the "**Inventory**");

(h) **Money:** All money in which the Debtor now or hereafter has an interest, and any part thereof (the "**Money**");

(i) **Proceeds:** All proceeds and personal property in any form derived directly or indirectly from any dealing with the Collateral (as defined herein) or any part thereof and any payment that indemnifies or compensates for such property lost, damaged or destroyed, and proceeds of proceeds and any part thereof (collectively, the "**Proceeds**"); and

(j) **Securities:** All shares, limited partnership units, stock, warrants, bonds, debentures, debenture stock and other security in which the Debtor now or hereafter has an interest, and any part thereof (collectively, the "**Securities**").

1.2 FIXED NATURE OF SECURITY INTERESTS

The Security Interests (as defined herein) are intended to operate as a fixed and specific charge of all of the Collateral presently existing, and with respect to all future Collateral, to operate as a fixed and specific charge of such future Collateral which shall attach as of the moment the Debtor acquires any rights therein.

1.3 ATTACHMENT

The Debtor acknowledges that value has been given. The Security Interests are intended to attach, as to all of the Collateral in which the Debtor has an interest, upon the execution by the Debtor of this Security Agreement, and, as to all Collateral in which the Debtor acquires an interest after the execution of this Security Agreement, when the Debtor acquires such interest.

1.4 LEASES

The last day of any term reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Debtor is hereby excepted out of the Security Interests. The Debtor shall assign and dispose of the same in such manner as the Secured Party may from time to time direct in writing without cost or expense to the Secured Party. Upon any sale, assignment, sublease or other disposition of such lease or agreement to lease, the Secured Party shall, for the purpose of vesting the aforesaid residue of any such term in any purchaser, assignee, sublessee or such other acquirer of the lease, agreement to lease or any interest therein, be entitled by deed or other written instrument to assign to such other person, the aforesaid residue of any such term in place of the Debtor and to vest the same freed and discharged from any obligation whatsoever respecting the same.

ARTICLE 2
DEFINITIONS

2.1 COLLATERAL

The property, assets, rights and undertaking charged hereunder, including all of such Accounts, Chattel Paper, Documents of Title, Equipment, Intangibles, Instruments, Inventory, Money, Proceeds and Securities together with all increases, additions and accessions thereto, and all substitutions or any replacements thereof are, unless otherwise specified, herein referred to as the "**Collateral**".

2.2 SECURITY INTEREST

The security interests granted pursuant to this Security Agreement are herein referred to as the "**Security Interests**".

2.3 DEFINED TERMS

Unless the context otherwise requires or unless otherwise specified, all the terms used herein without initial capitals which are defined in the *Personal Property Security Act* (Alberta) as it may be amended, restated or succeeded by successor legislation of comparable effect (the "**Act**"), have the same meanings herein as in the Act.

ARTICLE 3
OBLIGATIONS SECURED

3.1 OBLIGATIONS SECURED

The Collateral constitutes and will constitute continuing security for the following obligations (the "**Obligations**") of the Debtor to the Secured Party:

(a) **Indebtedness:** The prompt payment, as and when due and payable, of all amounts now or hereafter owing by the Debtor to the Secured Party, including by way of guarantee or indemnity, whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent including any extensions and renewals thereof; and

(b) **Performance of Agreements:** The strict performance and observance by the Debtor of all agreements, warranties, representations, covenants and conditions of the Debtor made pursuant to this Security Agreement or any other agreement between the Debtor and the Secured Party all as now in effect or as hereafter entered into or amended.

ARTICLE 4
DEBTOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 DEBTOR'S REPRESENTATIONS AND WARRANTIES

The Debtor represents and warrants to and covenants and agrees with and for the benefit of the Secured Party that:

(a) **Incorporation, Licenses and Qualifications:** The Debtor is a limited liability company, duly incorporated, properly organised and validly existing under the laws of Texas and is duly registered and qualified to do business under such laws and the laws of each other jurisdiction in which the character of the properties owned by it or the nature of the activities conducted by it make such registration or qualification advisable or necessary;

(b) **Corporate Authority and Power:** The Debtor has, and at all times hereafter shall have, full power and lawful authority, corporate and other, to enter into this Security Agreement and to grant the Security Interests;

(c) **No Other Corporate Names or Styles:** The Debtor does not now and shall not, without first informing the Secured Party in writing, carry on business under or use any name or style other than the name(s) specified in this Security Agreement;

(d) **No Actions or Material Adverse Changes:** There is no action or proceeding pending or to the knowledge of the Debtor threatened against the Debtor before any court, administrative agency, tribunal, arbitrator, government or governmental agency or any fact known to the Debtor and not disclosed to the Secured Party which might involve any material adverse change in the properties, business, prospects or condition of the Debtor, or question the validity of this Security Agreement or any other material agreement to which the Debtor is a party (or the Debtor's ability to perform its obligations under this Security Agreement) and there are no outstanding judgments, writs of execution, work orders, injunctions, directives against the Debtor or its properties;

(e) **Non-Conflict:** Neither the execution nor the performance of this Security Agreement requires the approval of any regulatory agency having jurisdiction over the Debtor nor is this Security Agreement in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Debtor or of the provisions of any agreement to which the Debtor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or of any judgment, decree, award, ruling or order to which the Debtor or any of its property may be subject;

(f) **Ownership and Collateral Free of Charges:** The Debtor is the owner of or has rights in the Collateral free and clear of all encumbrances whatsoever other than the permitted encumbrances, if any, set forth in Schedule "A" (the "**Permitted Encumbrances**");

(g) **Place of Business of Debtor:** The following is/are the Debtor's places of business (the "**Places of Business**"):

Fountain Quail Water Management LLC
11578 Airway Blvd, Suite 'A'
Roanoke, TX 76262

(h) **Insurance:** The Collateral is insured in accordance with the terms hereof;

(i) **Account Debtor:** Each of the Accounts, Chattel Paper and Instruments constituting Collateral is genuine and enforceable in accordance with its terms against the party obligated to pay thereunder (the "**Account Debtor**");

(j) **Amounts Due From Account Debtor:** The amount represented by the Debtor to the Secured Party from time to time as owing by each Account Debtor or by all Account Debtors shall, to the best of the Debtor's knowledge be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, save and except for normal cash discounts where applicable and a reasonable reserve for bad debts;

(k) **No Default:** The Debtor is not in breach of any agreement to which it is a party;

(l) **Enforceability:** This Security Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against the Debtor in accordance with its terms, subject only to bankruptcy, insolvency or other statutes or judicial decisions affecting the enforcement of creditors' rights in general and to general principles of equity under which specific performance and injunctive relief may be refused by a court in its discretion;

(m) **Financial Information:** In all information and financial statements supplied for the benefit of the Secured Party, the Debtor has made no untrue statement of any fact, and has revealed all facts the omission of which would make such information and statements misleading. The Debtor has disclosed all facts which adversely affect or, so far as the Debtor can reasonably foresee, will adversely affect the business, properties, prospects or financial condition of the Debtor or the ability of the Debtor to perform its obligations hereunder. All accounting information and financial statements supplied for the benefit of the Secured Party have been prepared in accordance with generally accepted accounting principles; and

(n) **Reliance and Survival:** All representations and warranties of the Debtor made herein or in any certificate or other document delivered by or on behalf of the Debtor for the benefit of the Secured Party are material, shall survive the execution and delivery of this Security Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

4.2 DEBTOR'S COVENANTS

Unless compliance with the following covenants is waived by the Secured Party in writing or unless non-compliance with any such covenants is otherwise consented to by the Secured Party by written agreement with the Debtor, the Debtor covenants and agrees that:

(a) **Keep Collateral in Good Repair:** The Debtor shall keep the Collateral in good order, condition and repair;

(b) **Compliance with Agreements and Laws:** The Debtor shall not use the Collateral in violation of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation, court order or ordinance;

(c) **Notification to Secured Party:** The Debtor shall promptly notify the Secured Party of:

(i) **Claims and Liens:** any claim, lien, charge, security interest or other encumbrance made or asserted against any of the Collateral, and

(ii) **Proceedings:** any suit, action or proceeding affecting any of the Collateral or which could affect the Debtor,

and the Debtor shall, at its own expense, defend the Collateral against any and all such claims, liens, charges, security interests or other encumbrances and against any and all such suits, actions or proceedings;

(d) **No Accessions or Fixtures:** The Debtor shall prevent the Collateral from becoming an accession to any property other than the Collateral or from becoming a fixture unless the Security Interests rank prior to the interests of all other persons in the realty;

(e) **Marking the Collateral:** The Debtor shall, at the request of the Secured Party, mark, or otherwise take appropriate steps to identify, the Collateral to indicate clearly that it is subject to the Security Interests;

(f) **Disposition of Collateral:** The Debtor will not transfer, assign, sell, lease or otherwise dispose of the Collateral or any interest therein except for:

(i) Inventory in the ordinary course of business on customary trade terms; and

(ii) Equipment which has become worn out, damaged or otherwise unsuitable for its purpose, on condition that the Debtor substitutes for such Equipment property of equal value free from all other encumbrances other than Permitted Encumbrances, if any. Such substituted property shall become part of the Collateral as soon as the Debtor acquires any interest in it;

(g) **Encumbrances:** Except for the Permitted Encumbrances, the Debtor shall not create, assume or suffer to exist any mortgage, hypothec, charge, pledge, security interest, claim, lien, charge or other encumbrance in, of or on any of the Collateral;

(h) **Change of Places of Business, Collateral and Name:** The Debtor shall not change the location of its Place(s) of Business, chief executive office, any of the Collateral or the records in respect thereof or change its name without giving to the Secured Party twenty days prior written notice of the change of location or of the new name, as applicable;

(i) **Servicing of Payables:** The Debtor shall promptly pay when due all amounts which are payable by it howsoever arising, including without limiting the generality of the foregoing, all rents, charges, taxes, rates, levies, assessments, fees and duties and shall provide the Secured Party with evidence of such payment upon request;

(j) **Notice of Loss of Collateral:** The Debtor shall give immediate written notice to the Secured Party of:

(i) all loss or damage to or loss of possession of the Collateral otherwise than by disposition in accordance with the terms hereof; and

(ii) any failure of any Account Debtor in payment or performance of obligations due to the Debtor which may affect the Collateral;

(k) **Conduct of Business:** The Debtor shall carry on and conduct business in a proper and efficient manner so as to protect and preserve the Collateral;

(l) **Inspection of Records and Collateral:** The Debtor shall at all times keep accurate and complete records of the Collateral as well as proper books of account for its business all in accordance with generally accepted accounting principles, consistently applied. The Debtor shall permit the Secured Party or its authorised agent to have access to all premises occupied by the Debtor or any place where the Collateral may be found to inspect the Collateral and to examine the books of accounts, financial records and reports of the Debtor and to have temporary custody of, make copies of and take extracts from such books, records and reports;

(m) **Access to Information:** The Secured Party or its agents shall have the right to inspect the Collateral and review and copy any and all information and data relating to the Collateral or to any other transactions between the parties hereto wherever and however such data may be stored. In the event that the use of a computer system is required to access any information and data which the Secured Party is entitled to access and examine hereunder, the Debtor shall allow the Secured Party the use of its computer system for such purpose and shall provide assistance in that regard. If for any reason the said information and data cannot be accessed and retrieved at the Debtor's premises the Secured Party may remove the medium in which such information or data is stored from the Debtor's premises to any other place which has a computer system that will give the Secured Party the opportunity to retrieve, record or copy such information and data. The Secured Party shall be entitled to reproduce and retain a copy of any such information and data in any format whatsoever;

(n) **Delivery of Documents:** The Debtor shall deliver to the Secured Party promptly upon request:

(i) **Documents of Title, etc.:** any Chattel Paper, Instruments, Securities, and Documents of Title, and upon such delivery, where applicable, duly endorse the same for transfer in blank or as the Secured Party may direct;

(ii) **Books of Account:** all computer software, tapes, discs, drums and cards, all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral or the Debtor's business for the purpose of inspecting, auditing or copying the same;

(iii) **Financial Statements:** all financial statements prepared by or for the Debtor regarding the Debtor's business;

(iv) **Policies of Insurance:** all policies and certificates of insurance relating to the Collateral;

(v) **Agreements:** all agreements, licenses, permits and consents relating to the Collateral and the Debtor's business; and

(vi) **Other Information:** such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may request;

(o) **Risk and Insurance:** The Debtor shall bear the sole risk of any loss, damage, destruction or confiscation of or to the Collateral during the Debtor's possession thereof or otherwise. The Debtor shall insure the Collateral with insurers acceptable to the Secured Party against loss or damage by fire, theft or other insurable perils customarily insured against by persons having an interest in such Collateral for the full insurable value thereof with the Secured Party as a named insured and with loss payable to the Secured Party as its interest may appear. The Debtor shall also obtain such other insurance coverage as the Secured Party may reasonably require from time to time. All such policies of insurance shall provide that the insurance coverage provided thereunder shall not be changed or cancelled except on thirty (30) days' notice to the Secured Party. If the Debtor shall fail to so insure, the Secured Party may insure the Collateral and the premiums for such insurance shall be added to the balance of the Obligations secured hereunder as they exist at the date of the payment of such premium by the Secured Party;

(p) **Proceeds In Trust:** The Debtor shall and shall be deemed to hold all Proceeds in trust, separate and apart from other Money, Instruments or property, for the benefit of the Secured Party until all amounts owing by the Debtor to the Secured Party have been paid in full;

(q) **No Amalgamation:** The Debtor shall not change the nature of its business or amalgamate or otherwise merge with any person or permit all of or a substantial portion of its property to become the property of any other person, whether in one or a series of transactions, and the Debtor shall not do any act or thing that would materially adversely affect its business, property, prospects or financial condition and shall not permit any corporation of which it is the majority shareholder to do any of the foregoing; and

(r) **No Distributions:** The Debtor shall not pay, declare or set aside for payment any dividends or other distributions in cash or in specie on account of the Debtor's capital nor reduce its capital in any manner.

ARTICLE 5
SECURITIES

5.1 EXERCISE OF RIGHTS

Until the occurrence of an Event of Default and until any transfer of registered ownership in the Securities contemplated hereby, the Debtor shall be entitled to receive dividends or other distributions, vote the Securities and give consents, waivers and ratifications in respect thereof, provided however that no such action shall be taken which would impair the effectiveness of Security Interests created hereby or the value of the Securities or would be inconsistent with or violate the provisions of this Security Agreement or any other written agreement between the Secured Party and the Debtor.

5.2 TRANSFER OF OWNERSHIP

The Secured Party may, at its sole and unfettered discretion, require the Debtor to transfer registered ownership of the Securities into the Secured Party, the Secured Party's agent or a nominee of the Secured Party. Notwithstanding such transfer, prior to the occurrence of an Event of Default, Section 5.1 shall continue to apply and upon such transfer the Secured Party shall provide the Debtor with such proxies and other written authorisations as may reasonably be requested by the Debtor to enable the Debtor to exercise the rights and take the actions described in Section 5.1.

5.3 RIGHTS ON DEFAULT

Upon the occurrence and during the continuance of an Event of Default the Secured Party may elect by written notice to the Debtor and to an officer of the issuer of the Securities, that all rights of the Debtor in the Securities including, without limitation, the right to vote, give consents, waivers or ratifications and take other actions and receive dividends or other distributions, shall cease, and upon such election all such rights shall become vested in the Secured Party.

ARTICLE 6
COLLECTION OF ACCOUNTS

6.1 COLLECTION OF ACCOUNTS

Upon the occurrence of an Event of Default and during its continuance, the Secured Party, on its own account or through a receiver, receiver-manager or agent and whether alone or in conjunction with the exercise of all or any other remedies contemplated hereby, shall have the right, at any time, to notify and direct Account Debtor to make all payments whatever to the Secured Party and the Secured Party shall have the right, at any time, to hold all amounts acquired from any Account Debtors and any Proceeds as part of the Collateral. Upon such occurrence and during such continuance, any payments received by the Debtor shall be held by the Debtor in trust for the Secured Party in the same medium in which received, shall not be commingled with any assets of the Debtor and shall, at the request of the Secured Party, be turned over to the Secured Party not later than the next business day following the day of their receipt.

ARTICLE 7
APPOINTMENT OF ATTORNEY

7.1 APPOINTMENT OF ATTORNEY

Effective upon, and during the continuance of, an Event of Default, the Debtor hereby constitutes and appoints any vice-president or the president of the Secured Party from time to time, or any receiver appointed of the Debtor as provided for in this Security Agreement, the true and lawful attorney of the Debtor irrevocably with full power of substitution to do, make and execute all such documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this Security Agreement. Without limiting the generality of the foregoing, the Secured Party is authorised to sign any financing statements on behalf of the Debtor. The Debtor hereby declares that the irrevocable power of attorney granted hereby, being coupled with an interest, is given for valuable consideration.

ARTICLE 8
DEFAULT

8.1 DEFAULT

The Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events ("**Events of Default**"):

(a) **Performance of Obligations:** The Debtor defaults in performance of any of the Obligations;

(b) **Breach of Agreement:** The Debtor breaches any term, provision, warranty, representation or covenant under this Security Agreement or any other agreement between the Debtor and the Secured Party, all as in effect or as hereafter entered into or amended;

(c) **Guarantor or Indemnitor Default:** Any person who from time to time guarantees the Obligations or who covenants and agrees to indemnify the Secured Party for any loss, costs or damages as a result of the Debtor's failure to perform the Obligations (the "**Guarantor/Indemnitor**"), commits a breach of, or fails to observe or perform, any covenant, representation or warranty in favour of the Secured Party;

(d) **Cease to Carry on Business:** The Debtor or Guarantor/ Indemnitor ceases or threatens to cease to carry on business;

(e) **Bankruptcy, Insolvency:** The dissolution, termination of existence, insolvency, bankruptcy or business failure of the Debtor or Guarantor/Indemnitor, or upon the application for or the appointment of a receiver or receiver manager of any part of the property of the Debtor or Guarantor/Indemnitor, or the commencement by or against the Debtor or Guarantor/Indemnitor of any proceeding under any bankruptcy, arrangement, reorganisation, dissolution, liquidation, insolvency or similar law for the relief of or otherwise affecting creditors of the Debtor or Guarantor/Indemnitor, or by or against any guarantor or surety for the Debtor or Guarantor/Indemnitor, or upon the issue of any writ of execution, warrant, attachment, sequestration, levy, third party demand or garnishment or similar process against the Debtor, Guarantor/Indemnitor or any part of the Collateral;

(f) **Commit Act of Bankruptcy:** The Debtor or Guarantor/Indemnitor commits or threatens to commit an act of bankruptcy;

(g) **Dissolution, Winding Up:** The institution by or against the Debtor or Guarantor/Indemnitor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of the Debtor or Guarantor/ Indemnitor;

(h) **Sale in Bulk:** The Debtor or Guarantor/Indemnitor makes or proposes to make any sale of its assets in bulk;

(i) **Charge Against Collateral:** If any right of distress is levied or is threatened to be levied against the Collateral or if any security interest, mortgage, lien, claim, charge or any other encumbrance affecting the Collateral becomes enforceable against the Collateral or any part thereof;

(j) **Destruction of Collateral:** Any material portion of the Collateral is damaged or destroyed;

(k) **Other Default:** The Debtor or any Guarantor/Indemnitor defaults under any agreement with respect to any indebtedness or other obligation to any person other than the Secured Party if such default has resulted in, or may result, with notice or lapse of time or both, in, the acceleration of any such indebtedness or obligation or the right of such person to realise upon any Collateral; and

(l) **Performance Impaired:** The Secured Party in good faith believes the prospect of payment or performance of the Obligations hereunder is impaired.

8.2 SECURITY ENFORCEABLE

The fact that this Security Agreement provides for Events of Default and rights of acceleration shall not derogate from the demand nature of any Obligation payable on demand.

8.3 WAIVER NOT TO AFFECT SUBSEQUENT BREACH

The Secured Party may waive default or any breach by the Debtor of any of the provisions contained in this Security Agreement. No waiver shall extend to a subsequent breach or default, whether or not the same as or similar to the breach or default waived and no act or omission of the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default of the Debtor or the rights of the Secured Party resulting therefrom. Any such waiver must be in writing and signed by the Secured Party to be effective.

ARTICLE 9
SECURED PARTY'S REMEDIES ON DEFAULT

9.1 INDEBTEDNESS DUE AND RIGHTS AND REMEDIES

Upon the occurrence of an Event of Default, all of the Obligations shall become immediately due and payable without notice to the Debtor, and the Secured Party may, at its option, proceed to enforce payment and performance of same and to exercise any or all of the rights and remedies contained herein, (including, without limitation, the signification and collection of the Debtor's Accounts), or otherwise afforded by law, in equity or otherwise. The Secured Party shall have the right to enforce one or more remedies successively or concurrently in accordance with applicable law and the Secured Party expressly retains all rights and remedies not inconsistent with the provisions herein including all the rights it may have under the Act, and, without restricting the generality of the foregoing, the Secured Party may upon such Event of Default and to the extent permitted by applicable law:

(a) **Appointment of Receiver:** appoint by instrument in writing a receiver (which term shall include a receiver and manager or agent) of the Debtor and of all or any part of the Collateral and remove or replace such receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a receiver. Any such receiver appointed by the Secured Party, with respect to responsibility for its acts, shall, to the extent permitted by applicable law, be deemed the agent of the Debtor and not of the Secured Party. Where the Secured Party is referred to in this Article the reference includes, where the context permits, any receiver so appointed and the officers, employees, servants or agents of such receiver;

(b) **Enter and Repossess:** immediately and without notice enter the Debtor's premises and repossess, disable or remove the Collateral;

(c) **Retain the Collateral:** retain and administer the Collateral in the Secured Party's sole and unfettered discretion, which the Debtor hereby acknowledges is commercially reasonable;

(d) **Dispose of the Collateral:** dispose of any Collateral by public auction, private tender or private contract with or without notice, advertising or any other formality, all of which are hereby waived by the Debtor to the extent permitted by law. The Secured Party may, to the extent permitted by law, at its discretion establish the terms of such disposition, including, without limitation, terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to such dispositions shall be credited against the Obligations only as they are actually received. The Secured Party may, to the extent permitted by law, enter into, rescind or vary any contract for the disposition of any Collateral and may dispose of any Collateral again without being answerable for any loss occasioned thereby. Any such disposition may take place whether or not the Secured Party has taken possession of the Collateral;

(e) **Acceptance:** foreclose upon the Collateral;

(f) **Securities:** require that the Securities be registered in the name of the Secured Party and the Secured Party may thereafter without notice, exercise any and all voting and corporate rights at any meeting of the issuer(s) thereof and exercise any and all rights, privileges or options pertaining to the Securities as if it were the absolute owner thereof, including without limitation, the right to exchange at its discretion, any and all of the

Securities upon the merger, consolidation, reorganisation, recapitalisation or other readjustment of the issuer thereof or upon the exercise by the issuer thereof of any right, privilege or option pertaining to any of the Securities and in connection therewith, to deposit and deliver any and all of the Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine;

(g) **Carry on Business:** carry on or concur in the carrying on of all or any part of the business of the Debtor and may, in any event, to the exclusion of all others, including the Debtor, enter upon, occupy and use all premises of or occupied or used by the Debtor and use any of the personal property (which shall include fixtures) of the Debtor for such time and such purposes as the Secured Party sees fit. The Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, costs, charges, depreciation or damages in connection therewith;

(h) **Payment of Encumbrances:** pay any encumbrance, lien, claim or charge that may exist or be threatened against the Collateral. In any such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations;

(i) **Payment of Deficiency:** if the proceeds of realisation are insufficient to pay all monetary Obligations, the Debtor shall forthwith pay or cause to be paid to the Secured Party any deficiency and the Secured Party may sue the Debtor to collect the amount of such deficiency; and

(j) **Dealing with Collateral:** subject to applicable law, seize, collect, realise, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Collateral in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to the Secured Party advisable and without notice to the Debtor. The Secured Party may charge on its own behalf and pay to others sums for expenses incurred and for services rendered (expressly including legal, consulting, receivers and accounting fees) in or in connection with seizing, collecting, realising, borrowing on the security of, selling or obtaining payment of the Collateral and may add such sums to the Obligations.

9.2 ASSEMBLE THE COLLATERAL

To assist the Secured Party in the implementation of such rights and remedies, the Debtor will, at its own risk and expense and immediately upon the Secured Party's request, assemble and prepare for removal such items of the Collateral as are selected by the Secured Party as shall, in the Secured Party's sole judgment, have a value sufficient to cover all the Obligations.

9.3 SECURED PARTY NOT LIABLE FOR FAILURE TO EXERCISE REMEDIES

The Secured Party shall not be liable or accountable for any failure to exercise its remedies, take possession of, seize, collect, realise, sell, lease or otherwise dispose of or obtain payment for the Collateral and shall not be bound to institute proceedings for such purposes or for the purpose of preserving any rights, remedies or powers of the Secured Party, the Debtor or any other person in respect of same.

9.4 ALLOCATION OF PROCEEDS

All moneys collected or received by the Secured Party in respect of the Collateral may be held by the Secured Party and may be applied on account of such parts of the Obligations at the sole discretion of the Secured Party.

9.5 EXTENSION OF TIME ETC.

The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release the Collateral to third parties and otherwise deal with the Debtor's guarantors or sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party, or the Secured Party's rights, remedies and powers under this Security Agreement.

9.6 FORBEARANCE IS NOT WAIVER

No extension of time, forbearance, indulgence or other accommodation now, heretofore or hereafter given by the Secured Party to the Debtor shall operate as a waiver, alteration or amendment of the rights of the Secured Party or otherwise preclude the Secured Party from enforcing such rights.

9.7 EFFECT OF APPOINTMENT OF RECEIVER

As soon as the Secured Party takes possession of any Collateral or appoints a receiver, all powers, functions, rights and privileges of the Debtor and the directors and officers of the Debtor with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party or the receiver.

9.8 INDEMNITY

The Debtor shall indemnify and save harmless the Secured Party from any and all costs, expenses, liabilities and damages which may be incurred by the Secured Party in connection with:

- **(a)** the Collateral;
- **(b)** the occurrence of an Event of Default; and
- **(c)** the enforcement of its rights hereunder.

9.9 LIMITATION OF LIABILITY

The Secured Party shall not be liable by reason of any entry into or taking possession of any of the Collateral hereby charged or intended so to be or any part thereof, to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or any act or omission for which a secured party in possession might be liable. The Secured Party shall not by virtue of these presents be deemed to be a mortgagee in possession of the Collateral.

The Debtor hereby releases and discharges the Secured Party and the receiver from every claim of every nature, whether sounding in damages or not, which may arise or be caused to the Debtor or any person claiming through or under the Debtor by reason or as a result of anything done by the Secured Party or any successor or assign claiming through or under the Secured Party or the receiver under the provisions of this Security Agreement unless such claim be the result of dishonesty or gross neglect.

ARTICLE 10
MISCELLANEOUS

10.1 COSTS

The Debtor shall reimburse the Secured Party on demand for all interest, commissions, costs of realization (which for the purposes hereof shall include any loans or advances made by the Secured Party to a receiver, receiver-manager or agent) and other costs and expenses (including legal fees and expenses on a solicitor and his own client scale) incurred by the Secured Party or any receiver in connection with the preparation, execution, perfection, protection, enforcement of and advice with respect to this Security Agreement, including, without limitation, those arising in connection with the realization, disposition, retention, protection or collection of any Collateral and the protection or enforcement of the rights, remedies and powers of the Secured Party or any receiver and those incurred for perpetual registration of any financing statement registered in connection with the Security Interests. All amounts for which the Debtor is required hereunder to reimburse the Secured Party or any receiver shall, from the date of disbursement until the date the Secured Party or the receiver receives reimbursement, be deemed advanced to the Debtor by the Secured Party, shall be deemed to be Obligations secured hereby and shall bear interest at the highest rate per annum charged by the Secured Party on any of the other Obligations.

10.2 ENTIRE AGREEMENT

This Security Agreement contains the entire agreement between the parties relating to the Security Interests granted herein. Any modification of this Security Agreement shall not be binding unless in writing and signed by the Secured Party and the Debtor. There are no representations, warranties, covenants or acknowledgements affecting, or relied upon in connection with entering into, this Security Agreement or any Collateral, other than as expressed herein in writing.

10.3 SEVERABILITY

Any provision of this Security Agreement prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and shall be severable without invalidating or otherwise affecting the remaining provisions hereof.

10.4 NO OBLIGATION TO MAKE ADVANCES

Nothing herein shall obligate the Secured Party to make any advance or loan or further advance or extend credit to the Debtor.

10.5 SECURITY IN ADDITION AND NOT IN SUBSTITUTION, REMEDIES CUMULATIVE

The rights, remedies and powers conferred by this Security Agreement are cumulative and are in addition to, and not in substitution for, any other rights, remedies or powers the Secured Party may have under this Security Agreement, by contract, at law, in equity or by or under the Act or any other statute. The Secured Party may proceed by way of any action, suit or other proceeding at law, in equity or by contract, and no right, remedy or power of the Secured Party shall be exclusive of or dependent on any other. The Secured Party may exercise any of its rights, remedies or powers separately or in combination and at any time.

10.6 SECURITY INTERESTS EFFECTIVE IMMEDIATELY

Neither the execution of, nor any filing with respect to, this Security Agreement shall bind the Secured Party to grant any credit to the Debtor, but the Security Interests shall take effect forthwith upon the execution of this Security Agreement by the Debtor.

10.7 STATUTORY WAIVERS

To the fullest extent permitted by law, the Debtor waives all of the rights, benefits and protections given by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of a Secured Party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

10.8 PROVISIONS REASONABLE

The Debtor acknowledges that the provisions of this Security Agreement and, in particular, those respecting rights, remedies and powers of the Secured Party and any receiver against the Debtor, its business and any Collateral upon the occurrence of an Event of Default, are commercially reasonable and not manifestly unreasonable.

10.9 FURTHER ASSURANCES

The Debtor shall at all times, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, transfers, assignments, security agreements and assurances as the Secured Party may reasonably require in order to give effect to the provisions hereof and for the better granting, transferring, assigning, charging, setting over, assuring, confirming or perfecting the Security Interest and the priority accorded to them by law or under this Security Agreement. Debtor further agrees that a carbon, photographic, photostatic or other reproduction of this Security Agreement or of a financing statement is sufficient as a financing statement.

10.10 NOTICES

Every notice, consent, demand and other communication in connection with this Security Agreement and all legal process in regard hereto shall be validly given, made or served if in writing and delivered to, or mailed, postage prepaid, or faxed or other similar form of communication (collectively "**Electronic Communication**") to the intended recipient at its address or fax number first written above or to such other address, number or person as such party may from time to time designate by notice.

Any notice, requisition, demand or other instrument, if delivered, shall be deemed to have been given or made on the day on which it was delivered and if sent by Electronic Communication shall be deemed to have been given or made on the business day next following the day on which it was so sent, and if mailed shall be deemed to have been given or made on the fifth business day following the day on which it was so mailed. Any party hereto may give written notice of a change of address in the same manner in which any notice shall thereafter be given to it as above provided at such changed address.

10.11 DISCHARGE

Upon payment and performance by the Debtor of the Obligations, the Secured Party shall upon request in writing by the Debtor deliver up this Security Agreement to the Debtor and shall at the expense of the Debtor cancel and discharge the Security Interests and execute and deliver to the Debtor such documents as shall be requisite to discharge the Security Interests hereby constituted.

10.12 HEADINGS

All headings and titles in this Security Agreement are for reference only and are not to be used in the interpretation of the terms hereof.

10.13 BINDING EFFECT

This Security Agreement shall be binding on the Debtor, and its successors, heirs, administrators and executors and enure to the benefit of the Secured Party and the successors and assigns of the Secured Party.

10.14 APPLICABLE LAW

This Security Agreement shall be construed and enforceable under and in accordance with the laws of the Province of Alberta and the Debtor hereby irrevocably attorns to the jurisdiction of the Courts sitting at Calgary, Alberta.

10.15 DELIVERY OF COPY

The Debtor hereby acknowledges receiving a copy of this Security Agreement.

EXECUTED by the Debtor effective this 3rd day of April, 2012.

Fountain Quail Water Management LLC

Per: ______________________________ c/s

Schedule A

Permitted Encumbrances

1. Business credit line granted by First State Bank.

2. Equipment lease granted by Alan Ritchey, Inc.