Grant Thornton

Clerk's Stamp

CLERK OF THE COURT
FILED
APR 28 2017
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER:	**1701-03460**
COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE:	**CALGARY**
APPLICANT:	**ALBERTA ENERGY REGULATOR**
RESPONDENTS:	**LEXIN RESOURCES LTD.**
DOCUMENT:	**RECEIVER'S SECOND REPORT APRIL 28th, 2017**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING DOCUMENT

RECEIVER
Grant Thornton Limited
Suite 900, 833 – 4th Avenue SW
Calgary, AB T2P 3T5

Attention: Andrew Basi / Michael Costello
Telephone: 1 (403) 296-2992 / 1 (403) 296-3087
Facsimile: 1 (403) 260-2571
E-mail: Andrew.Basi@ca.gt.com / Michael.Costello@ca.gt.com

RECEIVER'S COUNSEL
Borden Ladner Gervais LLP
1900, 520-3rd Ave SW
Calgary, AB T2P 0R3

Attention: Robyn Gurofsky / Jessica L. Cameron
Telephone: 1 (403) 232-9774/ 1 (403) 232-9715
Facsimile: 1 (403) 266-1395
E-mail: rgurofsky@blg.com / jcameron@blg.com

Table of Contents

Introduction 4

Limitations of Report 5

Background 6

Organizational Structure 6

Activities of the Receiver 16

Revenue and Production Reporting Matters 35

Estate Financial Position and Projected Receipts & Disbursements 36

Recommendations 38

Appendices

1. Document Protocol Order, April 4, 2017
2. Excerpts of Affidavit of Michael Smith, March 15, 2017
3. PPR Search – 0989 Resource Partnership
4. PPR Search – 1501393 BC Ltd.
5. Bankruptcy Order – LR Processing Ltd and LR Processing Partnership – Nov. 26, 2017
6. Correspondence – Sulfanol matter
7. Correspondence on Corporate Records matters
8. Correspondence from Groia & Company to Receiver – AER Records Review matter
9. Correspondence from Receiver to Groia & Company – AER Records Review matter
10. Correspondence from Groia & Company to Receiver re: Privileged Documents
11. Correspondence from Receiver to Groia & Company re: Privileged Documents
12. Correspondence from Groia & Company to Receiver re: DPO Process
13. Correspondence from Receiver to Groia & Company re: DPO Process
14. R&D to April 21, 2017
15. Projected R&D to June 30, 2017

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 March 22, 2017, Lexin filed an application for leave to appeal the Receivership Order with the Alberta Court of Appeal. Lexin's leave to appeal application was originally scheduled to be heard April 5, 2017; however, that application has been adjourned to May 16, 2017.

3. On March 30, 2017, the Receiver issued its First Report (the "**First Report**").

4. On April 4, 2017, the Court approved a Document Protocol Order ("**DPO**") outlining the processes to be followed by the Receiver, the Orphan Well Association ("**OWA**"), AER and Groia & Company to be able to access the electronic and hard copy records of the Company ("**Records**") in a manner that maintains the potential privilege to these Records asserted by Groia & Company, Lexin's legal counsel. A copy of this Order is attached as **Appendix 1**.

5. The purpose of this report (the "**Second Report**") is to:

    a) provide additional background on the Company, its organizational structure and its assets, to the extent this information is known to the Receiver, including the implications of this information on the Receiver's ability to fulfil its duties and obligations in the Receivership Order and to conduct a future sales process;

    b) provide this Court and other interested parties with a summary of the activities of the Receiver since the First Report and additional information with respect to the Receiver's continued efforts to obtain the Records of the Company;

    c) provide information on the financial position of the receivership and estimated projections of the Receiver's cash requirements until June 30, 2017 for purposes of increasing the Receiver's borrowing powers; and

d) seek the advice and direction of this Court with respect to:

   i. the Receiver's request to obtain powers to examine individuals under oath, whom the Receiver believes may have information which the Receiver requires for it to properly investigate Lexin's Property, business, operations, transactions, and general dealings;

   ii. the treatment of document requests from Working Interest Partners ("**WIP**"), which the Receiver proposes be treated as Lexin Emergency Records pursuant to the DPO; and

   iii. the determination of privilege over Records being asserted by Groia & Company.

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 in the First Report.

Limitations of Report

7. The information contained in the Second Report has been obtained from the available records of the Company, publicly available information, information obtained from various Company stakeholders, and discussions with former Lexin 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 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.

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

Background

10. 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.

11. 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.

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

Organizational Structure

13. In the First Report, the Receiver attempted to ascertain the organizational structure of Lexin and related entities. Attached to the First Report as Appendix 1 was a diagram attempting to explain the intercompany relationships as we understood them; which was noted as being subject to change as further information became available. Our understanding of these intercompany relationships was, and still remains, based largely on current and historical corporate searches.

14. The following is a table of defined terms used in the remainder of the Second Report for the entities involved. The defined terms for each of these entities shall include their predecessor names as noted in the table below.

	Current Name of Entity	**Predecessor Name of Entity (prior to name change)**	**Defined Term hereafter**
a	Lexin Resources Ltd.	MFC Energy Corp. 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	Notine Holdings Inc.	1049601 BC Ltd.	**"Notine"**
i	Jixin Energy Inc.	MFCE Resources Ltd.	**"Jixin"**
j	MFC Bancorp Ltd.	MFC Industrial Ltd.	**"Bancorp"**

Lexin

15. As outlined in the First Report, Lexin is incorporated pursuant to the laws of British Columbia. Its directors at the date of Receivership were Michael Smith and Jasmina Cezek. Since the First Report, Groia & Company has informed the Receiver that Jasmina Cezek has resigned as a director of the Company.

0989

16. The Receiver thus far has been unable to obtain the 0989 partnership agreement. As such, the Receiver is basing the following on the affidavit of Michael Smith of March 15, 2017 ("**Smith affidavit**") filed in Lexin's March 15, 2017 CCAA application, relevant excerpts of which are appended as **Appendix 2** to this report:

a) *Lexin owns 99.999% of 0989 (Paragraph 50 (d))*; and

b) *105 owns the remaining 0.001% (Paragraph 52)*.

17. As a result, it appears as though Lexin controls 0989.

18. Based on paragraph 51 of the Smith affidavit:

    a) *Lexin contributed substantially all of its oil and gas assets to 0989 when it formed the partnership.*

    b) *Legal title to these assets in some cases are held by Lexin, but beneficially owned by 0989.*

19. Based on the Receiver's work since its appointment, it has become apparent, even in the absence of the Receiver's access to the Records pending the completion of the process under the DPO, that much of Lexin's oil and gas activity was conducted through and in the name of 0989, which entity is not included in the Receivership Order. This includes:

    a) Beneficial interest in Petroleum and Natural Gas ("**mineral**") leases – while legal title may have been held in the name of Lexin, the leases appear to have been accounted for by Lexin as being 0989 assets;

    b) Joint Venture activity – much of Lexin's relationship with its WIPs appear to have been conducted in the name of 0989;

    c) Trade vendor activity – much of Lexin's activity with its field operations and administrative creditors appear to have been conducted in the name of 0989;

    d) Employee activity – we understand from former employees that until about June 2016, at which time Lexin terminated the substantial majority of its employees, payroll activity was conducted under Lexin's account; however, payroll for the few remaining employees was subsequently done under 0989's account. The Receiver does not have access to the Records at this point to be able to verify or refute the above assertions;

    e) Equipment ownership – the equipment required for Lexin's oil and gas operations appears to have been owned by 0989 prior to their sale of much of this equipment to 597, as discussed more fully below;

f) Property insurance – consistent with the above equipment ownership information, the named insured under the former property insurance policy administered by Lexin, was 0989 and not Lexin;

g) Secured advances – the initial $37.6 million secured advance by Finance, as discussed more fully below, was registered against both Lexin and 0989 at the Alberta Personal Property Registry ("**PPR**"); however, the funds were represented as being wired only to 0989.

20. Many of Lexin's known creditors are common to 0989's known creditors. As the Receiver does not have access to all of the Records at this time, it makes this observation solely based on information provided to it by Lexin's creditors and the PPR searches on both entities.

21. A PPR search of 0989 is attached as **Appendix 3** to this report. All of the PPR registrants for 0989, including Finance, a creditor listed as having security over all of 0989's present and after acquired property ("**ALLPAAP**"), also appeared on the PPR search for Lexin.

105

22. The Receiver does not have access to the 105 books and records, including minute books. As such, it is basing the following on the Smith affidavit:

    a) *Lexin owns 100% of the shares of 105 (Paragraph 50 (e))*; and

    b) *105's only asset is the 0.001% interest in 0989* (*Paragraph 53*).

23. As a result, it appears as though Lexin controls 105.

24. Based on the Smith affidavit, the 105 balance sheet was shown as having no creditors. However, a PPR search of 105, which is attached as **Appendix 4** to this report, reveals that Baker Hughes Canada Company registered a writ against 105 on September 7, 2016 (as well as against Lexin and 0989) in the approximate amount of $100,000.

LR Ltd. and LR Processing

25. As outlined in the First Report, the only voting shareholder of LR Ltd. is 0989. As a result, it appears as though Lexin indirectly controls LR Ltd.

26. The Receiver does not have access to LR Processing's partnership agreement. As such, it is basing the following on the Smith affidavit:

    a) *0989 owns a 99.9999% interest in LR Processing (Paragraph 50 (f)).*

27. As a result, it appears as though Lexin indirectly controls LR Processing. Lexin is also the AER License holder for the Mazeppa Plant that is located on lands owned by LR Ltd.

28. A Bankruptcy Order was issued against LR Ltd. and LR Processing on November 25, 2016. LR Ltd. and LR Processing have appealed that Bankruptcy Order. A copy of the Bankruptcy Order is appended as **Appendix 5** to this report. The Receiver understands that the appeal has not been fast tracked and that a date for hearing the appeal has not yet been set.

29. The Receiver has been made aware by AER and other stakeholders that some of the pipelines that are required to flow sour gas for Lexin and 0989 in and around the High River area are licensed by AER to LR Processing. The Receiver understands that this licensing arrangement may negatively affect the Lexin sales process if access to these pipelines is not available or suitable agreements for access cannot be negotiated with LR Processing.

597

30. As outlined in the First Report, the sole director of 597 is Samuel Morrow. In the United States Securities Exchange Commission ("**SEC**") Form 20-F filing ("**20-F**") of Bancorp, Lexin's former parent company, Mr. Morrow is listed as the Deputy Chief Executive Officer and Chief Financial Officer of Bancorp.

31. Through its counsel, Lerners LLP ("**Lerners**"), 597 has informed the Receiver that 597 purchased various oil and gas equipment owned by 0989 for $14,093,000 on December 29,

2015. The purchase price was tendered through the issuance of 14,093,000 Class A voting shares of 597 to 0989.

32. On April 17, 2017, the Receiver wrote to Lerners on behalf of Lexin as the 99.99% owner of 0989, requesting certain information to which it was entitled pursuant to the British Columbia *Business Corporation Act*, including but not limited to access to the share register and 597's financial statements. On April 19, 2017 Lerners advised the Receiver that the 597 shares were sold by 0989 to Finance and as such that it was not entitled to this information. The Receiver is attempting to obtain additional information regarding this transaction.

33. Following its purchase of the equipment above, based on information provided by Lerners, 597 entered into the following two agreements:

    a) Lease Agreement – on December 29, 2015, 0989 agreed to lease certain oil and gas equipment from 597 for approximately $129,000 per month for a 36 month period, with an option to purchase this equipment for $1.15 million at the end of the term. Under the terms of the lease agreement, 0989 is obligated to insure the equipment and to add 597 as an additional named insured under the policy.

    b) Storage Agreement - on June 30, 2016, Lexin and 0989 agreed to store certain oil and gas equipment for 597 for $10,000 per month, subject to adjustment at various points in time based on the volume of equipment being stored. Based on the schedule 597 provided to the Receiver, all of the storage locations appear to be Lexin-licensed sites. There are no insurance requirements of 0989 or Lexin under the terms of the Storage Agreement.

34. Lerners has notified the Receiver and AER that 597 wishes to remove the equipment leased to 0989 and stored at Lexin-licensed sites. As this equipment is located at Lexin-licensed sites, it is subject to the terms of the Equipment Order, which includes the requirement that AER approve the removal of any equipment from Lexin-licensed sites.

35. AER have notified the Receiver that any attempt to remove the equipment from the various Lexin-licensed sites will represent an attempt to abandon the sites by Lexin and as such would be a violation of provisions of the Alberta *Oil and Gas Conservation Act* ("**OGCA**").

36. In addition, the AER wrote to Lerners and 597 on April 20, 2017 asserting a priority lien over the equipment pursuant to the OGCA.

37. The Receiver is reviewing 597's position in respect of the equipment, including its ownership interest as well as the AER's lien claim.

<u>Finance</u>

38. As outlined in the First Report, based on corporate and PPR searches:

    a) Finance is listed as a secured creditor of Lexin;

    b) Samuel Morrow is listed as one of Finance's directors; and

    c) Michael Smith is listed as Finance's President.

39. Based on a PPR search of 0989, Finance is also listed as having an ALLPAAP against 0989 and Lexin.

40. On Bancorp's 20-F Exhibit 8.1 - "*List of Significant Subsidiaries As At December 31, 2016*", Finance is listed as a wholly-owned subsidiary of Bancorp.

41. Through its counsel at Lerners, Finance has informed the Receiver that:

    a) Finance wire transferred $37,570,500 to 0989 on June 30, 2015 and documented this with a promissory note, loan agreement and general security agreement, all of which documents, as provided to the Receiver by Lerners, appear to have been signed or co-signed by Michael Smith on behalf of both entities where applicable; and

    b) The balance of the loan outstanding by 0989 to Finance at March 30, 2017 is $15,058,114.08.

42. The Receiver notes that the loan agreement lists 0989 as borrower. Lexin does not appear to have pledged a guarantee, however, it has executed a GSA (through Michael Smith) in favour of Finance as security for the loan to 0989.

43. The Receiver continues to investigate this transaction, including the outstanding balance of $15 million claimed by Finance as at March 31, 2017.

<u>Notine</u>

44. As outlined in the First Report:

    a) Based on a corporate search:

        i. Samuel Morrow is listed as one of Notine's directors; and

        ii. Gerardo Cortina, a director of Bancorp as per Bancorp's 20-F, ceased being a Notine director on February 13, 2017;

    b) Based on information provided by AER, 171 well and facility licenses were transferred from Lexin to Notine between November 2015 and April 2016. Additionally, AER advised the Receiver that several days after the Receivership Order, Notine contacted the AER requesting a transfer of interests presently listed in Lexin's name to Notine, which Notine asserts were omitted from earlier transfers from Lexin to Notine due to possible clerical errors; and

    c) Based on information provided by Alberta Energy ("**AE**"), 81 Crown mineral lease agreements were transferred from Lexin to Notine.

45. Based on a PPR search, Finance registered an ALLPAAP against Notine on February 19, 2016.

46. Through its counsel at the time, Blake Cassels & Graydon LLP ("**Blakes**"), Notine informed the Receiver that:

a) Notine entered into a Purchase and Sale Agreement ("**Notine PSA**") with Lexin on November 6, 2015 for the purchase of various assets located in the Niton area of west central Alberta (the "**Niton Assets**");

b) The vending of certain of the assets included in this PSA, comprising one well and one facility, defined in their letter as 16-09 Assets, were not completed due to various complications arising from the conveyance process; and

c) The Receiver should not take any action to market, sell, convey, transfer, lease, or assign the 16-09 Assets to any person other than Notine.

47. The Receiver requested further information from Blakes, including a copy of the aforementioned PSA and the consideration regarding the November 6, 2015 transaction.

48. On April 21, 2017, the Receiver received correspondence from Lerners, represented to the Receiver as being Notine's new counsel, providing the following responses to the Receiver's request for further information noted above:

    a) A copy of the Notine PSA pursuant to which Notine purchased the Niton Assets from 0989 for a purchase price of $50,000,000; and

    b) A copy of a receipt for the issuance of 50 million Class A shares in Notine to 0989, purportedly representing the consideration payable under the Notine PSA of $50,000,000.

49. On April 24, 2017, the Receiver wrote to Lerners on behalf of Lexin as 99.99% owner of 0989, requesting a copy of Notine's share register, financial statements and other similar information to which the Receiver believes it is entitled pursuant to the British Columbia *Business Corporations Act*. The Receiver received a response from Lerners on April 27, 2017 indicating that 0989 sold its shares in Notine to MFC Energy Holdings Austria GmbH and as such, the Receiver was not entitled to the requested information. The Receiver is further investigating this matter.

50. In addition to understanding the relevant Notine corporate and financial information requested above, the Receiver continues to analyze this transaction and the consideration paid.

Jixin

51. As outlined in the First Report, based on a historical corporate search, Jixin's prior registered office was with Sangra Moller and one of Jixin's prior officers was Liao Isui, an individual who has the same address listed by Michael Smith in Hong Kong.

52. Based on information provided by the AER, the Receiver understands that 11 well and facility licenses were transferred from Lexin to Jixin in October 2015, with Jixin's LLR decreasing from 1.02 at that time to 0.16 in April 2017.

53. Based on information provided by AE, 5 Crown mineral lease agreements were transferred from Lexin to Jixin in October 2015.

54. The Receiver understands that certain field operators working at Lexin-licensed sites (up until the cessation of all of Lexin's operations in March 2017) were purportedly engaged by Jixin.

55. The Receiver is continuing its investigations into these matters.

Bancorp

56. As outlined in the First Report:

    a) Bancorp is a publicly traded company listed on the New York Stock Exchange and incorporated pursuant to the laws of British Columbia.

    b) Bancorp's registered office is with Sangra Moller.

    c) There are 7 directors listed for Bancorp, including Michael Smith and Gerardo Cortina. Additionally, Samuel Morrow is listed as an officer of Bancorp, along with Michael Smith and Gerardo Cortina.

d) A review of the public filings by Bancorp with the SEC indicated that as of March 31, 2015, Lexin, 0989 and LR Processing (under their predecessor names) were all listed as being wholly owned subsidiaries of Bancorp.

57. A review of the public filings by Bancorp with the SEC for Bancorp's fiscal year-ended December 31, 2015 indicated that the above entities were no longer listed as being wholly owned material subsidiaries of Bancorp. These same filings noted that in 2015 Bancorp sold a 95% economic and controlling interest in its Southern Alberta hydrocarbon properties.

58. The Receiver has been advised that certain Lexin equipment was sold to an arm's length third party purchaser in December, 2015 and was provided with a copy of a PSA in support, together with a wire confirmation evidencing the $1.575 million purchase price paid to Sangra Moller in trust. Upon review of the PSA, the Receiver notes that Bancorp is listed as the vendor. The Receiver has written to Bancorp requesting details on Bancorp's sale of Lexin oil and gas equipment as well as inquiring as to what consideration, if any, Lexin received as a result of the transaction.

59. The Receiver is continuing its investigations into these matters.

Activities of the Receiver

60. Since filing the First Report, the Receiver has taken a number of steps, which have been categorized into the following major areas:

a) Environmental and Safety Issues;
b) Asset Preservation and Protection Issues;
c) Records and Document Protocol Order Issues;
d) Creditor/Stakeholder Issues;
e) Section 163 Issues; and
f) Sales Process Issues.

Each of these major areas are discussed further below.

Environmental and Safety Issues

61. The Receiver has continued to meet with AER and OWA to understand the urgent environmental and safety issues associated with the Sites.

62. The Receiver has continued working with AER and OWA to ensure the continuation of power to the Sites, as well as ensuring that the Incident Line and other important utility providers do not cancel service to the Sites. To aid in this objective, the Receiver has had a number of accounts for the above entities transferred into the Receiver's name.

63. The Receiver has worked with the AER to attend to a sulfanol tank located at the Mazeppa Plant which has the potential to leak. The sulfanol tank is currently being monitored by the AER pending a potential agreement to its removal by Groia & Company. The Receiver received a request from Groia & Company to borrow funds on behalf of Lexin to pay for the removal and disposal of sulfanol from the Mazeppa Plant, a site licensed to Lexin, but owned and operated (and believed to be accounted for) by LR Processing. The Receiver has denied this request for the reasons outlined in the correspondence contained in **Appendix 6**.

Asset Preservation and Protection Issues

64. The following are updates on the activities of the Receiver since the First Report as it relates to asset preservation and protection issues:

    a) Cash

        i. The Receiver has received copies of the Company's historical banking records from TD Bank and has received confirmation from TD Bank that the Company's account held with TD Bank has been frozen.

        ii. The Receiver has not received any positive response to the letters that it sent to all the major Canadian Chartered Banks inquiring as to the potential existence of any Lexin bank accounts at their financial institution.

iii. The Receiver has sent a letter to a Raiffeisen Bank International AG ("**RBI**") in Austria, where the Receiver learned the Company had been having its natural gas revenue wired to for an undetermined period commencing in 2016, as discussed below under Accounts Receivable. The Receiver has received a response from RBI containing various requests RBI says it requires before it can consider the Receiver's request. The Receiver is reviewing the processes and options with respect to complying with RBI's requests.

b) Accounts Receivable

i. Revenue – as explained in more detail later in this Report, in April the Receiver contacted Streamline Energy Group Ltd. ("**SEGL**"), the marketing logistics company that Lexin utilized on a fee for service basis, to help market Lexin's hydrocarbons. The Receiver met with SEGL on April 7, 2017 to discuss the relationship between Lexin and SEGL, and the manner in which Lexin received payment for the sale of its hydrocarbons. During and subsequent to this meeting, the Receiver was advised by SEGL that beginning sometime in 2016, Lexin requested a change to its wire instructions from its Canadian account to an account held with RBI in Austria. The Receiver was provided with a document showing that approximately $159,000 was scheduled to be wired by Cargill Power & Gas Markets, a division of Cargill Ltd. ("**Cargill**") for Lexin's benefit on March 24, 2017, four days after the Receivership Order. The Receiver was unaware of this wire until its meeting with SEGL on April 7, 2017. The Receiver has notified both Cargill and RBI to forward any present or future funds for Lexin to the Receiver. The Receiver has not yet received a response to this request from Cargill.

ii. Licensees – the Receiver sent letters to the 53 companies identified by AER as being the licensee for wells and facilities in which Lexin was listed as having a working interest. The letter requested that any present and future funds owing to Lexin be forwarded to the Receiver and also inquired as to whether the licensee was insuring Lexin's portion of the equipment located on their site.

c) Seismic

i. The Receiver contacted the prospective seismic purchasers referenced in the First Report to investigate the status of Lexin's seismic and in particular the nature of certain claims made by parties who believe to have purchased, or be in the process of purchasing, Lexin's seismic data. Both of the prospective seismic parties, who are in the seismic brokerage business, have confirmed to the Receiver that they are not in possession of any seismic data owned by Lexin.

ii. The Receiver has been advised that Lexin may have sold the seismic data to Finance in February 2017, on or about the time the AER issued suspension orders over Lexin assets. The Receiver has sent Finance a letter asking whether Finance has in fact purchased Lexin's seismic and providing any relevant documentation supporting this alleged sale, together with the consideration paid. No response has been given as of the date of this report.

iii. The Receiver has reviewed the listing of records located at Calgary Archives, as referenced in the Records discussion below, and has identified over 600 boxes that are identified with the word "Seismic".

iv. The Receiver is continuing its investigations into this matter.

d) Leases

i. Crown mineral

1. As outlined in the First Report, the Receiver has contacted AE about the possibility of either reinstating or reissuing the Crown leases that

have been revoked to maximize any value available in a sales process for the benefit of Lexin's stakeholders.

2. In the absence of the Receiver's access to CS Explorer, which is believed to be Lexin's land management software, the Receiver is unable to determine which of the 322 current mineral leases in Lexin's name referred to in the First Report, are coming due. The Receiver had made attempts with AE to determine which mineral leases are coming due on a monthly basis, but their systems are default-based and not advance-notice based. AE has confirmed to the Receiver that they are stayed from cancelling any further leases and the Receiver continues to work with AE to ensure as best it can, the preservation of Lexin's leases.

3. In response to inquiries by certain WIPs about the status of Lexin's mineral leases, the Receiver has instructed the WIPs to the extent they are aware of any Lexin-held mineral leases that are coming due, to make the mineral lease payments on Lexin's behalf and to invoice the Receiver for Lexin's portion of the payment.

ii. Freehold mineral

1. The Receiver met with PrairieSky Royalty Ltd. ("**PSK**"), believed to be one of Lexin's largest freehold lessors, to discuss the 16 freehold leases (the entirety of their Lexin inventory) that PSK cancelled for non-payment by Lexin prior to the receivership. PSK has advised the Receiver that they are in the process of re-marketing some of these leases. The sale of these leases may require a resolution of the licensing and equipment issues involved with the wells located on these lands;

2. In the absence of the Receiver's access to CS Explorer, the Receiver is attempting to locate alternative information sources to determine

any additional freehold leases that are either overdue or coming due and may be cancelled, notwithstanding the fact that these lessors would be stayed from doing so under the Receivership Order. The Receiver has been focussing these efforts on the higher value and higher producing (prior to cessation) leases as outlined in more detail in the Sales Process section.

iii. Surface leases – As outlined in the First Report, the Receiver has been in communication with the SRB to discuss the approximately 800 ongoing applications from landowners against Lexin, and to obtain a further understanding of the surface lease issues.

e) Equipment

i. As outlined in the First Report, the Receiver wrote to parties it has come to understand were potentially selling Lexin assets, including equipment. One of these parties provided the information contained in the disclosure in the Organizational Structure section (under Bancorp) providing supporting documentation for its purchase of Lexin assets from Bancorp. Again, the Receiver has written to Bancorp requesting details outlining how Bancorp came to be in a position to sell Lexin assets. As of the date of this report, the Receiver has not received a response.

ii. Based on property insurance information provided by Marsh Canada Limited ("**Marsh**"), as outlined further under Insurance disclosure below, the Receiver believes that virtually all of the equipment at Lexin's Sites appeared to be directly or indirectly owned or leased by 0989.

iii. Information on the status of the equipment leased from 597 is contained in the Organizational Structure section of this report under 597.

iv. As outlined in the First Report, all of the equipment located on the Sites is subject to the Equipment Order, requiring the written approval of AER to its removal. The Receiver has been working with AER in this regard.

f) Insurance

i. As outlined in the First Report:

1. the Receiver contacted Marsh, the Company's former insurance broker and obtained information on the insurance coverage that Lexin had prior to its cancellation for non-payment in September 2016; and

2. the Receiver specifically requested insurance information from Groia & Company; however, to date no response on this issue has been received.

ii. Based upon materials provided by Marsh, the property insurance portion of the policy that Lexin had was in the name of 0989, as the equipment owner (and lessee).

iii. The Receiver is working with Marsh to obtain liability coverage for Lexin that is reflective of the nature of this engagement (i.e. a receivership with no care and custody of the Sites), a process that is being complicated by the unprecedented circumstances surrounding Lexin, and as further complicated by the Receiver's lack of access to Records and the increased risk profile this represents to an insurer.

iv. The Receiver has confirmed with the OWA that they possess appropriate site specific coverage for the assets under their care and custody.

v. For the Sites where there are WIPs contained in AER's records, AER has notified these WIPs that they are responsible for the care and custody of the Sites, which care and custody would include maintaining appropriate liability insurance for the Sites. The Receiver is aware from its attendance at an April 6, 2017 meeting arranged by and held at AER offices that some WIPs are not presently in a position to be able to maintain appropriate liability insurance for the Sites, as they are strictly financial partners and are not qualified operators. As a result, the Receiver has concerns respecting potential safety and environmental issues associated with these Sites. The Receiver has expressed its concerns in a letter to AER and suggested that such Sites be assessed by AER on a well-by-well basis and where appropriate, a contract operator put in place by AER. The AER has advised the Receiver that it continues to be in discussions with certain WIPs and where the WIPs are unable to take proper care and custody of the Sites, AER has transferred care and custody to these Sites to the OWA with further Sites under consideration.

<u>Records and Document Protocol Order</u>

65. As outlined in the First Report, the Receiver has experienced numerous challenges locating and taking possession of the Records and for various reasons outlined in the First Report and expanded upon herein, has not yet had an opportunity to review the vast majority of these Records.

66. The following are updates on the activities of the Receiver since the First Report as it relates to Records issues:

    a) The Receiver issued a request to meet with the directors of the Company, prior to learning from Groia & Company that Jasmina Cezek had resigned, leaving Michael Smith as the sole director of Lexin. The Receiver was advised by counsel for Lexin that Michael Smith would discuss the possibility of a meeting after the Receiver had dealt with a number of matters that were outlined in the letter attached as Appendix 2 to the First Report. The Receiver has not yet met with Michael Smith.

    b) The Receiver has sent several requests to each of Sangra Moller and MEG (the sole director and officer of which is listed as Michael Smith and the listed registered office for Lexin, transferred from Sangra Moller three days after the date of the receivership order) for delivery of the Lexin corporate minute books and other records. The Receiver has not yet received Lexin's corporate minute books and other corporate records. Correspondence from the Receiver's legal counsel to the registered offices, as well as subsequent correspondence as between Michael Smith and the Receiver's legal counsel is attached hereto as **Appendix 7**.

c) The Receiver has issued correspondence to Logan International Corporation ("**Logan**"), the company the Receiver was advised was holding the Lexin employment records. Logan has provided information that the Receiver is in the process of reviewing.

67. Over 4,000 bankers boxes are now being stored at Calgary Archives and are in the process of being catalogued and indexed pursuant to the DPO. The Receiver is in the process of consolidating Records stored at various locations in and around Southern Alberta, to the Calgary Archives facility, as more particularly outlined below:

a) ATB Location (300, 1207 11th Avenue SW in Calgary, AB) – as outlined in the First Report, the Receiver attended this location to conduct a preliminary review of the Records, the vast majority of which are contained in bookcases, file cabinets or desk drawers. The Receiver attended this location with Calgary Archives the week of April 24, 2017 to assess the documents located there and to begin the boxing and transportation to Calgary Archives process.

b) 6th Avenue Location (404, 6th Avenue SW, Calgary Alberta) – no Records have been identified at the 6th Avenue Location.

c) The Mazeppa Plant – the Receiver attended the Mazeppa Plant during the week of April 10 and oversaw the removal and transportation by Calgary Archives of the approximately 1,650 boxes located there that were believed to be Lexin Records. Any records that were believed to be related to the Mazeppa Plant owned by LR Processing (and there were a significant number of such documents) were left there. Should any Mazeppa Plant documents be identified during the documentation process at Calgary Archives they will be returned to the Mazeppa Plant. Likewise, should it be determined that any Lexin Records are still located at the Mazeppa Plant, they will be collected from there.

d) Gladys field office – Calgary Archives transported the approximately 170 boxes of Records from the Gladys field office sea container to Calgary Archives the week of April 17, 2017.

e) Other field offices – given the small volume, the Receiver anticipates documenting the various banker's boxes and filing cabinets located there during the week of May 1, 2017.

f) Inglewood Westkey Self Storage Unit – Calgary Archives transported the approximately 270 boxes of Records to Calgary Archives on April 24, 2017.

g) Calgary Archives – the approximately 1,900 boxes stored there by Lexin prior to the receivership will remain there.

h) Banker's Court – no Records identified, however, this is the location at which the AER seized multiple racks of servers.

i) Former joint-venture accountant – the Lexin joint venture accountant who the Receiver was informed by Groia & Company was terminated by Lexin shortly after the receivership, provided one box of materials and electronic storage devices to the Receiver.

68. As referenced earlier, on April 4, 2017 the Court approved a DPO, representing a protocol for reviewing the Lexin Records for claims of privilege being asserted by Groia & Company on behalf of Lexin. This document is attached as Appendix 1.

69. The general summary of the DPO, as it applies to the OWA, as discussed in the following paragraph, is that the Paper Records (as defined in the DPO) are divided into two categories:

a) Lexin Emergency Records ("**Emergency Records**") – these are records identified by the Receiver as being immediately releasable to OWA for public safety purposes regarding their use in the care and custody of the Sites following a documentation process whereby Groia & Company are notified of the catalogued list of such documents by the Receiver.

b) Reviewable Paper Records ("**Paper Records**") – these are records which Groia & Company may review for privilege claims.

70. The Receiver has sent four sets of correspondence to Groia & Company containing general indices of Paper Records catalogued to date, including two lists of Paper Records which the Receiver has identified as Lexin Emergency Records immediately releasable to the OWA in accordance with the DPO.

71. The process for the electronic Records under the DPO involves a document imaging and search term process managed by an independent Database Management Specialist ("**DMS**"). The Receiver has engaged a DMS for this purpose.

72. The estimated volume of Records subject to the DPO is as follows:

a) Paper Records – approximately 4,500 bankers boxes, plus various documents in filing cabinets, bookcases and desks;

b) Electronic Records – unknown, but contained on multiple disassembled servers plus various personal computers and electronic storage media that would be reflective of a 24 year-old operation (previously Compton Petroleum) that was at one time an intermediate oil and gas company producing over 30,000 BOE/day, with revenues in excess of $500 million, employing over 200 personnel and managing over 2,000 licensed wells, facilities and pipelines.

73. Based on the provisions outlined in the DPO and the high volume of Records the timing for completion of the DPO process is uncertain.

74. A Schedule B to the DPO approved by the Court addressed the Records, both paper and electronic, that were previously seized by AER from the abandoned ATB location (the "**AER DPO**").

75. The Receiver, its legal counsel, Ms. Okun from Groia & Company and two representatives from the AER met at the Receiver's office on April 12, 2017 (the "**DPO Meeting**") to allow Groia & Company to review the Paper Records in accordance with the AER DPO. The meeting took place from approximately 9:15 a.m. to 6:30 p.m. at which time Ms. Okun reviewed the AER seized Paper Records and marked a number of them as privileged.

76. The following day, on April 13, 2017, Ms. Roberts-Jones of Groia & Company wrote expressing concerns about the manner in which the DPO Meeting was run. In particular, Groia & Company complained that: a) two AER investigators were in the room when the AER DPO only contemplated one and the investigators appeared to hold the view that Ms. Okun could not be trusted; and b) Ms. Okun should have been permitted to remove the documents marked privilege to allow Ms. Okun to prepare a list describing such documents. A copy of the correspondence from Ms. Roberts-Jones dated April 13, 2017 is attached hereto as **Appendix 8**.

77. The Receiver's counsel advised Groia & Company that: a) the AER investigators advised at the DPO Meeting that both investigators were required to be present to protect the AER's "chain of custody requirements". The Receiver understood that this was not a situation of mistrust, but a chain of custody issue and that none of Ms. Okun, the Receiver, or the Receiver's counsel would be permitted to remain in the room alone with the records; and b) allowing Ms. Okun to remove the records marked "privileged" would have placed the Receiver in breach of paragraph 7 of the AER DPO. Further, it was suggested to Ms. Okun at the DPO Meeting that she take notes and pictures of the records marked "privileged" to assist in preparing the list describing such documents. A copy of this correspondence is attached hereto as **Appendix 9**. No further correspondence from Groia & Company on this issue has been received.

78. Groia & Company provided its index of documents marked "privilege" at the DPO Meeting in a letter dated April 17, 2017, a copy of which is attached hereto and marked as **Appendix 10**. The Receiver is of the view that the general descriptions provided by Groia & Company are not sufficient to allow the Receiver to determine whether the privilege claims being asserted are appropriate. As such, the Receiver wrote to Groia & Company on April 25, 2017, requesting further particulars of the privilege claims. A copy of the letter is attached hereto and marked as **Appendix 11**. The Receiver seeks the advice and direction of the Court with respect to the articulation of the privilege claims asserted by Groia & Company.

79. On April 25, 2017, Groia & Company advised the Receiver of its position that the Receiver was not compliant with the DPO on the basis that: i) the list indexes of records (both Reviewable and Emergency Records) provided by the Receiver to Groia & Company on April 22 and 24, 2017, respectively, did not provide sufficient description of files or box contents catalogued by Calgary Archives; and ii) that the Receiver was not providing the indexes on a continuous basis, as contemplated by the DPO. A copy of this letter is attached hereto and marked as **Appendix 12**.

80. On April 26, 2017, the Receiver replied to Groia & Company's complaints. Attached hereto and marked as **Appendix 13** is a copy of that correspondence. In its response, the Receiver advised, among other things, that the requests made by Groia & Company went beyond what was contemplated by the DPO and would unduly prejudice Lexin's estate, both from a cost and a timing perspective.

81. The Receiver has made arrangements for the initial review by Groia & Company to commence on Thursday April 27, 2017 at Calgary Archives. Groia & Company have advised the Receiver that they intend to review all of the Records contained on the indexes delivered by the Receiver on April 22 and 24, 2017.

82. In the absence of the Receiver's immediate access to the Records, the Receiver has utilized the following alternative sources of information to better understand Lexin's assets, undertakings and properties and to try and fulfill the Receiver's obligations under the Receivership Order:

a) AE;
b) AER;
c) Creditors;
d) Former Employees;
e) GLJ Petroleum Consultants Ltd. ("**GLJ**");
f) Marsh;
g) PSK;
h) SEGL;
i) TD Bank; and
j) WIPs.

83. While not ideal, nor cost-efficient relative to (nor a replacement for) direct access to the Records, the above sources of information have been helpful to the Receiver in the performance of its duties, whilst it awaits access to the Records.

84. The Receiver will be addressing software licensing and access issues following the completion of the DPO process. The Receiver is aware that the licenses for much of the software that the Company utilized has expired or was in default for non-payment.

<u>Creditor/Stakeholder Issues</u>

85. The following are updates on the activities of the Receiver since the First Report as it relates to Creditor/Stakeholder issues:

a) PPR registrants - the Receiver's legal counsel has been receiving and reviewing the responses it has received to its letter sent to registrants requesting the supporting documentation for their PPR registrations.

b) WIPs -

i. The Receiver has received inquiries from certain WIPs about equipment removed and/or sold by Lexin or 0989 that was co-owned by the WIPs. The

Receiver continues to respond to inquiries from WIPs and to obtain information on this issue.

ii. AER Meeting - on April 6, 2017, the Receiver attended a meeting arranged by and held at AER's offices to speak to WIPs that were required by the AER to take care and custody of the Sites in February 2017. The Receiver was available to answer questions from the WIPs.

iii. The Receiver has received various inquiries from WIPs wishing to recommence production at the Sites at which they have assumed care and custody. It is the Receiver's understanding that AER is not prepared to allow Lexin Licensed Sites to resume production. The Receiver is analyzing each request and is in communication with the AER regarding these requests.

iv. The Receiver has received multiple requests for Records from certain of the WIPs pertaining to specific Sites under the care and custody of the WIPs. The Receiver wrote to Groia & Company on each of April 13 and 22, 2017, proposing that such document requests be treated as Lexin Emergency Records under the DPO and be immediately releasable to the WIPs. The Receiver has not received a response as of the date of this Report, and seeks the advice and direction of the Court with respect to the treatment of these document requests.

c) Former employees – the Receiver has continued to document claims made by former employees, including those few employees who continued working for Lexin subsequent to the termination of substantially all of Lexin's employees in June 2016 and who, based on information provided to the Receiver, appeared to be paid under 0989's payroll account.

d) General creditors - the Receiver has continued to respond to various creditor and stakeholder communications and has continually added to its creditor list given the absence of Company records that would otherwise represent the starting point for this receivership process, as well as continued populating its log for documenting the numerous land-related inquiries received by the Receiver. The Receiver has also established a direct call-in number to field creditor inquiries, which number is posted on its web-site page: www.grantthornton.ca/Lexin.

e) Caveatees – the Receiver has continued to respond to various requests from landowners who have had caveats registered by Lexin prior to the receivership that require removal and/or attention. In particular:

   i. The Receiver, through its counsel, has been assisting the Retties who went on the record at the initial application for the appointment of a receiver indicating that they wished to register a condominium plan for an RV park on lands over which Lexin had previously registered caveats. After reviewing current survey reports and land titles certificates, the Receiver has advised Retties' counsel that it will not oppose an application for the discharge of a caveat re: pipeline right of way registered against the Retties' lands on the basis that the pipeline in question does not cross the subdivided portion of the Retties' lands. The Receiver has reviewed the form of order and is satisfied that the order discharges the caveat as against title to the Retties' lands only, and not against other lands.

   ii. The Receiver was advised of an application on behalf of a landowner seeking the discharge of certain Lexin caveats from title. The Receiver has advised counsel for the applicant that the application is stayed by the Receivership Order and that it would require considerable time – and likely access to Lexin's records – in order for the Receiver to make a determination as to whether the discharge of caveats sought was appropriate in the circumstances.

f) Pipeline crossing and proximity matters – the Receiver has received various requests from third parties seeking approval to cross or encroach upon Lexin's roads and pipeline rights of way. The Receiver is working on a protocol with AER and OWA to address these requests.

g) Regulatory matters – the Receiver has notified various parties involved in regulatory matters involving Lexin that their matters are stayed as a result of the Receivership Order. In particular, the Receiver has advised AER that an application pending before it for a reconsideration of the issuance of licenses to Lexin with respect to the two critical sour gas wells located within the city limits of Calgary is stayed by virtue of the Receivership Order. The Receiver continues to be in communication with counsel for the landowners who brought the reconsideration application, and who have expressed concerns about the fact that these wells produce sour gas with a high H2S content close to residential properties as well as the South Calgary Hospital. The Receiver is currently evaluating this situation but notes it does not have care and custody of these wells.

h) Notice and Statement of Receiver ("**Notice**") - Given the Receiver's inability to immediately access the Records, the Receiver issued a preliminary Notice listing only the PPR registrants as Lexin's creditors. The Receiver noted that it would be issuing a more fulsome Notice following its ability to access the Records.

Section 163 Examination Issue

86. As referenced in the Organizational Structure above, the Receiver is continuing its investigations into the complex inter-relationships and transactions conducted between the various entities.

87. The Receiver has been presented with numerous additional challenges on what is already a complex receivership involving an oil and gas company with over 1,600 Sites, including:

a) the lack of the Receiver's immediate access to Records arising from the claims of privilege asserted by Groia & Company on behalf of Lexin and the resulting requirements contained in the DPO;

b) the lack of any Company management to speak to the Receiver, the apprehension expressed by certain former employees to speak to the Receiver, and the fact that it appears as though a number of the former management have left the country;

c) the complexity and number of related parties to Lexin and their inter-relationships, including the number and nature of the transactions between Lexin and these parties; and

d) the volume of litigation surrounding Lexin, both prior to and subsequent to the Receiver's appointment.

88. Given these challenges, the Receiver believes that its investigations into Lexin's affairs would be aided with the Court's approval for the Receiver to conduct examinations under oath of any persons reasonably thought to have knowledge of the affairs of Lexin, including the related entities with which it transacted.

89. These examinations are available to Trustees in Bankruptcy under section 163 of the Bankruptcy and Insolvency Act ("**BIA**") and will be referred to hereafter as "**Section 163 Examinations**".

90. Based on the Receiver's investigations to date, on a preliminary basis, the Receiver would propose to conduct Section 163 Examinations of the following individuals (whose current or former roles with Lexin and related parties, to the best of the Receiver's knowledge, are also referenced):

a) Michael Smith (director of Lexin and Bancorp; officer of Finance; and a Management Committee member of 0989);
b) Samuel Morrow (director of 597, Notine and Finance, and an officer of Bancorp);
c) Rob Jennings (former director of Lexin and Management Committee member of 0989);
d) Jasmina Cezek (former director of Lexin and Management Committee member of 0989);
e) Robert Chenery (former President and COO of Lexin and Management Committee member of 0989)
f) Patrick Amantea (former comptroller of Lexin);
g) Terry McCrary (former consultant to Lexin)
h) Pradeep Kumar (former consultant to Lexin); and

i) Any other person that the Receiver reasonably believes has knowledge of the affairs of Lexin.

Sales Process Issues

91. The Receiver has continued to compile a list of the information required to commence a fair and robust sales process, the vast majority of which is dependent upon the Receiver's ability to access the Records.

92. The Receiver has continued to document parties interested in purchasing the Lexin assets and has responded to these parties informing them that they have been added to a list of potential purchasers and will be notified when the Receiver is in a position to commence a sales process.

93. One of the items that the Receiver has been able to advance further in the absence of the Records is an update to the December 31, 2014 reserve report. The Receiver contracted GLJ, the company that prepared the 2014 reserve report, to mechanically update this report to December 31, 2016.

94. The Receiver is using this reserve information from GLJ, which includes detailed information by well, along with the historical reported production by well information available via the AER's LLR information, to focus its due diligence efforts on the higher value and higher producing (prior to cessation) properties.

95. The Receiver will also be subscribing to Accumap in order to assist it in the due diligence efforts required for conducting the sales process.

96. The Receiver has also met with Caledonian Royalty Corporation ("**Caledonian**"), the company with a GORR over substantially all of Lexin's properties and ALLPAAP security over Lexin's assets. Caledonian was the party that made the proposal in February 2017 to resume production in the High River area as outlined in the March 17, 2017 Affidavit of Charles Selby, filed in the within proceedings. The Receiver met with Caledonian as many of the issues that are involved with the successful implementation of this partial resumption of

production proposal are directly related to the future success of a sales process. The Receiver continues to be in communication with Caledonian.

97. The Receiver anticipates bringing an application for the approval of a sales process once all of the relevant Records are properly catalogued and indexed, the privilege claims have been appropriately resolved in accordance with the DPO, asset ownership issues are addressed and an organized data room has been established.

Revenue and Production Reporting Matters

98. As referenced in the First Report, the Receiver was informed by AE that effective May 2016, Lexin ceased volumetric reporting on Petrinex, the government-mandated software that administers this information and is the source for managing Crown royalty and freehold mineral tax obligations in Alberta.

99. As referenced earlier, to further the Receiver's investigations on this matter the Receiver contacted SEGL, the marketing logistics company utilized by Lexin on a fee for service basis to help Lexin manage the transportation and marketing of it hydrocarbons.

100. As a result of these investigations, the Receiver learned that in the period since the above-noted cessation of Lexin's Petrinex reporting in May 2016, based on the volume and revenue schedules that SEGL maintained from information provided to it by the purchasers, Lexin has sold over $3 million of natural gas.

101. There may be additional unreported revenue amounts for natural gas liquids ("**NGL**") and oil during this same period as the schedules maintained by SEGL were not fully detailed with dollar amounts, but these revenue sources are believed to be significantly lower than natural gas revenue.

102. The Receiver has not had an opportunity to independently verify any of the above-noted information from SEGL as the Receiver does not have immediate access to Lexin's Records, pending the completion of the DPO process.

103. Since filing the First Report, the Receiver learned that Lexin's marketing of natural gas since September 2016 was conducted solely via Cargill, with the other two companies previously engaged for this purpose ceasing purchases in March and September 2016, respectively.

104. The Receiver also learned that approximately $159,000 was scheduled to be wired by Cargill for Lexin's benefit on March 24, 2017, four days after the Receivership Order. The Receiver has notified Cargill both by fax and couriered letter to forward any present or future funds for Lexin to the Receiver. The Receiver has not yet received a response from Cargill.

105. The Receiver intends to send additional letters to the remainder of the companies that marketed Lexin's NGLs and oil as soon as it is in a position to identify such parties from the Records.

106. The Receiver has been in contact with Critical Control Energy Services Inc., the company that supplied the software that electronically managed Lexin's hydrocarbon production, in order to obtain information that would be useful in this matter and in preparation for the Receiver gaining access to the electronic portion of the Records.

107. The Receiver will be continuing its investigations into these matters.

Estate Financial Position and Projected Receipts & Disbursements

108. As noted in the First Report, the Receiver has issued a Receiver's Certificate in the amount of $200,000 to the lender, AER, which is the maximum borrowing level permitted in the Receivership Order.

109. The actual receipts and disbursements ("**R&D**") for the Lexin estate as at April 21, 2017 is contained in **Appendix 14** and is summarized on the following table:

Actual as at April 21, 2017		
Receipts	$	205,441
Disbursements		5,812
Cash Held in Trust	$	199,629

110. The projected R&D for the estate over the ensuing months to June 30, 2017, inclusive of the actual R&D above, is contained in **Appendix "15"** and is summarized on the following table:

Projected to June 30, 2017		
Receipts	$	1,252,191
Disbursements		1,231,674
Receipts less Disbursements	$	20,517

111. The key underlying assumptions to these projections, which are all cost focussed, given the non-producing nature of the properties, are contained in the footnotes of the Projected R&D, but on a high level are summarized as follows:

a. Receiver and legal counsel costs – estimated at $700,000 (to date the majority of these relate to addressing immediate environmental and safety issues, the DPOs as well as to extracting information pertaining to the various related party transfers).

b. Contractor (land and accounting) costs – estimated at $75,000.

c. Utilities – electricity, emergency response line and line-locate costs for accounts that have been placed into the Receiver's name for consolidation purposes estimated at $100,000.

d. DPO related costs – hard copy records transportation, archiving and indexing costs, plus electronic records data imaging and searching costs necessitated by the requirements of the DPO estimated at $200,000, not including incremental professional costs associated with the process.

e. Mineral and surface lease, property tax and insurance costs – unknown pending further research and access to Records issues, following which the Receiver will be in a better position to attempt to quantify these costs.

112. While the Receiver does not have care and custody of the wells, the R&D demonstrates that there are significant costs associated with the recovery of Records and compliance with

the DPO, together with anticipated utilities and related costs that support the request for the increase to the Receiver's borrowings and related charge.

113. Based on the above, the Receiver will require a $1,000,000 increase in its borrowing powers from $200,000 at present to $1,200,000. This amount may be required to be increased for the various items denoted in the projected R&D as being "unknown", once the Receiver has had an opportunity to review the Records and determine its financial effects.

Recommendations

114. The Receiver respectfully recommends that the Court:

   a. Approve the Receiver's actions to date as detailed in the First Report and the Second Report;

   b. Approve an increase in the Receiver's Borrowing Powers from $200,000 to $1,200,000, along with a corresponding increase to the Receiver's Borrowings Charge; and

   c. Provide advice and direction on:

      i. The determination of privilege being asserted by Groia & Company regarding the Records;

      ii. The treatment of document requests from WIPs, which the Receiver proposes be treated as Lexin Emergency Records pursuant to the DPO; and

      iii. The Receiver's authority to conduct Section 163 Examinations.

115. Subject to the above, the Receiver intends to continue its administration of the receivership.

DATED at Calgary Alberta, the 28th day of April 2017.

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

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

Michael Costello, CPA, CA, CBV
Senior Consultant

TAB 1

COURT FILE NUMBER	**1701-03460**	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	Calgary	
APPLICANT	**ALBERTA ENERGY REGULATOR**	
RESPONDENT	**LEXIN RESOURCES LTD.**	
DOCUMENT	**DOCUMENT PROTOCOL ORDER**	

JUDICIAL CENTRE OF CALGARY
FILED
APR 04 2017
CLERK OF THE COURT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Robyn Gurofsky Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9774 Facsimile: (403) 266-1395 Email: rgurofsky@blg.com File No. 547730-000021	I hereby certify this to be a true copy of the original Document Protocol Order Dated this 4 day of April 2017 for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: April 4, 2017

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice A.D. Macleod

UPON THE APPLICATION of Grant Thornton Limited in its sole capacity as receiver of Lexin Resources Ltd. and not in its personal capacity (the "**Receiver**"); **AND UPON** having read the First Report of the Receiver dated March 30, 2017; **AND UPON** having heard the submissions of Counsel for the Receiver and any other counsel in attendance at this Application;

IT IS HEREBY ORDERED THAT:

1. Service of notice of this Application is deemed good and sufficient and this Application is properly returnable today.

2. The Protocol for the Review of Records by the Receiver and Disclosure to the Orphan Well Association, substantially in the form attached hereto as **Schedule "A"** is hereby approved.

3. The Protocol for the Review of Records seized by the Alberta Energy Regulator, substantially in the form attached hereto as **Schedule "B"** is hereby approved.

4. Service of this order shall be deemed good and sufficient by service on the Service List (as found at Schedule "A" to the Application) and by posting this order on the website maintained by the Receiver in respect of the Lexin Resources Ltd. receivership proceedings.

Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A"

Protocol for the Review of Records by the Court- Appointed Receiver of Lexin Resources Ltd. and the Urgent Disclosure of Records of Lexin Resources Ltd. to the Orphan Well Association

The following protocol (the "**Protocol**") outlines the manner in which Grant Thornton Limited, in its sole capacity as the Court-Appointed Receiver (the "**Receiver**") of Lexin Resources Ltd. ("**Lexin**") and not in its personal capacity, will review the records of Lexin Resources Ltd. and how the Orphan Well Association (the "**OWA**") will receive records on an urgent basis from the Receiver.

The Protocol applies to all Lexin records including those records as defined in the "Direction Regarding Inspection of Lexin Resources Ltd. (Lexin) Records and Licensed Sites" issued by the Alberta Energy Regulator (the "**AER**") on February 14, 2017 (the "**Lexin Records**"). Certain of the Lexin Records are required by the OWA for the urgent purpose of assisting the OWA in completing its mandate as delegated by the AER including responding in the event of an emergency and in relation to the designation of several Lexin properties as orphans for the purposes of suspension in accordance with s. 70(2)(a) of the *Oil and Gas Conservation Act*, RSA 2000, c O-6.

Any reference to "days" in this Protocol shall be "business days".

1. The Receiver has authority to take possession of all of the Lexin Records pursuant to the terms of the Receivership Order dated March 20, 2017.

2. Apart from the Lexin Emergency Records (as defined below), which are required on an urgent basis, the OWA may from time to time request Lexin Records from the Receiver as required, which request or requests shall be subject to the protocol set out herein.

3. Any interested party may apply to Court for advice and direction with respect to any step or procedure outlined in this Protocol.

<u>Paper Records</u>

4. Upon taking possession of hard copies of the Lexin Records (the "**Paper Records**"), but prior to review of same, the Receiver shall provide to counsel for Lexin, Groia & Company Professional Corporation ("**Groia & Company**"), a general index of the Paper Records on a continuous basis as those records are collected and catalogued. Such index may be limited to, depending upon the circumstances, a label on the box of documents if that is sufficient for identifying its contents. To the extent that a document is immediately identifiable on its face as a Lexin Emergency Record (as defined below), the Receiver may release same immediately to the OWA with a concurrent notification to Groia & Company that it has been released.

5. Upon receipt of the general index or indexes as the case may be, Groia & Company shall immediately (and in any case, within two (2) days), identify those documents or boxes of documents that it will not be reviewing for privilege (the "**Non-Privileged Records**"), and those documents or boxes of documents which may be "potentially privileged" and subject to review by Groia & Company (the "**Reviewable Paper Records**"). The Non-

Privileged Records shall be immediately reviewable by the Receiver. Lexin and Groia & Company acknowledge and agree that the Lexin Emergency Records (as defined below) shall form part of the Non-Privileged Records and shall not be subject to any privilege claim asserted by Lexin or Groia & Company.

6. Failure to provide the Receiver with the list of Non-Privileged Records and Reviewable Paper Records within two (2) days of receipt of the general index or indexes will result in Lexin waiving privilege claims to any of the Paper Records.

7. Groia & Company will take immediate steps to review the Reviewable Paper Records, such review to be completed within two (2) days of identifying the records as Reviewable Paper Records. Failure to review the Reviewable Paper Records within two (2) days will result in Lexin waiving privilege claims to any of the Reviewable Paper Records. If any of the Lexin Emergency Records (as defined below) are inadvertently included within the Reviewable Paper Records, Groia & Company will immediately advise the Receiver upon discovery and return such record(s) to the Receiver, and the Receiver may then immediately provide access to such record(s) to the OWA in accordance with paragraph 26 of this Protocol.

8. Upon the completion of the review contemplated in paragraph 7, above, any Reviewable Paper Records which Groia & Company identifies as subject to solicitor/client privilege will be placed in a sealed envelope and will not be reviewed by the Receiver or the OWA.

9. Within two (2) days of reviewing the Reviewable Paper Records, Groia & Company will provide a list of the Reviewable Paper Records marked privileged. Such list shall include a general description of each Reviewable Paper Record so marked, as well as the nature of the privilege claimed.

10. The Receiver may determine whether it wishes to advance any process to challenge the claim of privilege on the Reviewable Paper Records or otherwise marked as privileged and sealed.

11. Those Reviewable Paper Records that were claimed as privileged will remain secured by the Receiver and will not be released for review to the Receiver or to the OWA until Lexin agrees or a Court order authorizes such release.

12. The Receiver shall maintain a listing of any Paper Records which are provided to the OWA.

Electronic Records

13. An IT firm will be identified by the Receiver to safely extract the data (the "**Electronic Records**") from any servers or other electronic database and establish a new database. The IT consultant shall be appointed as the database management specialist, or if the IT consultant is unable to provide such service, the Receiver shall appoint an independent database management specialist ("**DMS**") to manage the database.

14. Immediately upon receiving a request from the Receiver (and no later than one (1) day from receiving such request), Groia & Company will provide the DMS with a confidential list of search terms identifying features (law firm domain names, law firm e-mail addresses, law firm and lawyer names, issues on which legal advice was likely sought/received, etc.) that would indicate Electronic Records which might be subject to solicitor/client privilege ("**Reviewable Electronic Records**").

15. The DMS will create a folder of the Reviewable Electronic Records that are recovered based on the search terms provided by Groia & Company, which folder shall be marked "potentially privileged".

16. The Electronic Records that are not identified as "potentially privileged" will be made immediately available to the Receiver and Groia & Company. Groia & Company may, upon review of the Electronic Records not marked "potentially privileged", determine that some of the Electronic Records are privileged, in which case it shall immediately advise the Receiver of the privilege claim. Lexin and Groia & Company hereby acknowledge and agree that that the Lexin Emergency Records (as defined below) shall not form part of the Reviewable Electronic Records nor shall they be subject to any privilege claim asserted by Lexin or Groia & Company. In the event of receiving notification that certain of the Electronic Records not marked "potentially privileged" are subject to a privilege claim, the Receiver shall immediately destroy all copies of the documents at issue in its possession in electronic or hard form, the original Electronic Records being maintained by the DMS. The documents at issue shall then be marked as privileged and treated as such by all parties and described by Groia & Company pursuant to paragraph 19. Such privilege claims shall remain subject to challenge pursuant to paragraph 20 of this Protocol.

17. The DMS will provide Lexin's counsel with an electronic collection of the Reviewable Electronic Records and Groia & Company, within five (5) days of receipt of such electronic collection, will conduct a review of the Reviewable Electronic Records to determine whether they are subject to privilege and will mark any of those records determined to be privileged as "privileged" (the "**Privileged Electronic Records**"). If any of the Lexin Emergency Records (as defined below) are inadvertently included within the Reviewable Electronic Records, Groia & Company will immediately advise the DMS upon discovery of such record(s), the DMS may then immediately provide such record(s) to the Receiver and the Receiver shall be at liberty to provide a copy of such record(s) to the OWA in accordance with paragraph 28 of this Protocol.

18. The DMS will immediately provide the Reviewable Electronic Records that were determined not to be privileged to the Receiver.

19. The DMS will advise the Receiver of the number of Privileged Electronic Records and within two (2) days of having marked the Privileged Electronic Records as privileged, Groia & Company shall provide a general description of each of the Privileged Electronic Records as well as the nature of the privilege claimed.

20. The Receiver may determine whether any further process is necessary to challenge the claim of privilege on those Privileged Electronic Records.

21. Those Privileged Electronic Records will remain secured by the Receiver and not be released for review to the Receiver or to the OWA until Lexin agrees or a Court order directs such release.

22. The Receiver shall maintain a listing of any Electronic Records which are provided to the OWA.

23. Nothing that Lexin or its counsel does in compliance with this Protocol shall constitute a waiver of privilege, and Lexin continues to have the right to assert a privilege claim over any document that is in or comes into the possession of the OWA or the Receiver, save and except for the Lexin Emergency Records which Lexin and Groia & Company acknowledge are not subject to privilege.

Emergency Records

24. Upon taking possession of the Lexin Records, the OWA requests that the Receiver identify the following on an urgent basis from among the Lexin Records:

    a. Emergency Response Plans for each field and well licensed by Lexin;

    b. Well files and data in respect of each well licensed by Lexin, including:

        i. Emergency Planning Zone ("EPZ") calculations, Shut-In Casing Pressure ("SICP"), Absolute Open Flow ("AOF"), and gas analyses;

        ii. Downhole configurations;

        iii. Recent workover information;

        iv. Completion information;

        v. Cement tops;

        vi. Well logs;

        vii. Monitoring data-sensors;

        viii. Vendor information for workovers/maintenance; and

        ix. Electronic well information and data from software programs including CS Explorer and Peleton WellView;

    c. Surface files in respect of each well licensed by Lexin;

    d. Facility files and data in respect of each facility licensed by Lexin, including:

i. Equipment lists; and

ii. Process flow diagrams (connections);

e. Pipeline files and data in respect of each pipeline licensed by Lexin, including:

i. Plats, maps, information, and ratings;

ii. Cathodic protection information; and

iii. Maintenance records and information;

f. Environmental data in respect of all assets licensed by Lexin; and

g. Landowner data in respect of all assets licensed by Lexin, including:

i. Landowner contact information, names, phone numbers, addresses, list of concerns; and

ii. Surface lease information;

(collectively, the "**Lexin Emergency Records**").

25. Lexin hereby acknowledges that the Lexin Emergency Records are not subject to any privilege claim asserted by Lexin or Groia & Company. Neither Lexin nor Groia & Company shall label or identify any of the Lexin Emergency Records as privileged, such records being immediately releasable to the Receiver and the OWA.

26. To the extent that any of the Lexin Emergency Records are identified by the Receiver in hard copy, the OWA requests that the Receiver provide the OWA with access to such records on an urgent basis, including for the purposes of making copies. The Receiver shall maintain a listing of all of the Lexin Emergency Records which are provided to the OWA.

27. In respect of any Lexin Emergency Records which are not identified by the Receiver in hard copy, the OWA may provide to the Receiver a list of search terms to assist in locating such records in electronic format from among the Lexin Records. To the extent that the Lexin Emergency Records are identified on their face based on the search terms provided, such Lexin Emergency Records shall be immediately releasable to the OWA, with concurrent notification to Groia & Company of such release.

28. To the extent that any of the Lexin Emergency Records are identified by the Receiver in electronic format, the OWA requests that the Receiver provide an electronic copy of such record(s) to the OWA on an immediate and urgent basis. The Receiver shall maintain a listing of all of the Lexin Emergency Records in electronic format which are provided to the OWA.

SCHEDULE "B"

PROTOCOL FOR THE DISCLOSURE OF RECORDS SEIZED BY THE ALBERTA ENERGY REGULATOR

The following protocol (the "**Protocol**") outlines how Grant Thornton Limited in its capacity as court appointed receiver (the "**Receiver**") of Lexin Resources Ltd. ("**Lexin**") and not in its personal capacity, will receive records of Lexin ("**Records**") seized by the Alberta Energy Regulator (the "**AER**").

Any reference to "days" in this Protocol shall be "business days".

__Paper Records__

1. An AER investigator will attend at the Receiver's office and under the supervision of the investigator and the Receiver, will provide Lexin's counsel with an opportunity to review the paper records (the "**Paper Records**") that have been seized.

2. Lexin's counsel shall have five (5) days within receiving the request from the Receiver to attend at the Receiver's office at a time agreed upon by the Receiver, and review the Paper Records as contemplated in paragraph 1, above. Failure to attend at the Receiver's office at a time agreed upon by the Receiver within five (5) days of such request will result in Lexin waiving privilege claims to any of the Paper Records.

3. Any Paper Records which Lexin's counsel identifies as subject to solicitor/client privilege will be placed in a sealed envelope and will not be reviewed by the AER or the Receiver.

4. Within two (2) days of reviewing the Paper Records, Lexin's counsel will provide a list of the Paper Records marked privileged. Such list shall include a general description of each Paper Record so marked, as well as the nature of the privilege claimed.

5. The AER will take the balance of the Paper Records and have them copied, and provide a copy to the Receiver and counsel for Lexin.

6. The Receiver and the AER may each determine whether they wish to advance any process to challenge the claim of privilege on the Paper Records marked as privileged and sealed.

7. Those Paper Records that were claimed as privileged will remain secured by the AER and will not be released to the Receiver or to the AER for its investigation until Lexin agrees or a Court order authorizes such release.

__Electronic Records__

8. An IT firm will be identified by the AER and the Receiver to safely extract the data (the "**Electronic Records**") from the servers under the oversight of the AER investigators and

establish a database. The IT consultant shall be appointed as the database management specialist, or if the IT consultant is unable to provide such service, the Receiver, in consultation with the AER, shall appoint an independent database management specialist ("**DMS**") to manage the database.

9. Within five (5) days of receiving a request, Lexin's counsel will provide the DMS with a confidential list of search terms identifying features (domain names, e-mail addresses, law firm and lawyer names, issues on which legal advice was likely sought/received, etc.) that would indicate Electronic Records which might be subject to solicitor/client privilege.

10. The DMS will load the full set of files and will not allow the Receiver or the AER access to the full database (original database).

11. The DMS will create a folder of the Electronic Records that are recovered based on the search terms provided by Lexin's legal counsel, which folder shall be marked "potentially privileged".

12. The Electronic Records that are not identified as "potentially privileged" will be made available to the Receiver, AER and Lexin's counsel. Lexin's counsel may, upon review of the Electronic Records not marked "potentially privileged", determine that some of the Electronic Records are privileged, in which case it shall immediately advise the Receiver and the AER of the privilege claim. In the event of such notification, the AER and the Receiver shall immediately destroy all copies of the documents at issue in their possession in electronic or hard form with no impact on the investigation proceedings initiated by the AER. The original Electronic Records shall be maintained by the DMS. The documents at issue shall then be marked as privileged and treated as such by all parties and described by Lexin's counsel pursuant to paragraph 15. Such privilege claims shall remain subject to challenge pursuant to paragraph 16 of this Protocol.

13. The DMS will provide Lexin's counsel with an electronic collection of the records identified through the screening process as "potentially privileged" and Lexin's counsel, within five (5) days of receipt of such electronic collection, will conduct a review of the "potentially privileged" Electronic Records to determine whether they are subject to privilege and will mark any of those "potentially privileged" Electronic Records determined to be privileged as "privileged".

14. The DMS will provide the "potentially privileged" subset of Electronic Records that were determined not to be privileged to the Receiver and AER.

15. The DMS will advise the Receiver and the AER of the number of Electronic Records that Lexin is claiming as privileged and within two (2) days of having marked the Electronic Records as privileged, Lexin's counsel shall provide a general description of each of the Electronic Records marked privileged as well as the nature of the privilege claimed.

16. The Receiver and AER may each determine whether any further process is necessary to challenge the claim of privilege on those remaining documents.

17. Those Electronic Records that were claimed as privileged will remain secured by the AER and not be released to the Receiver or to the AER for its investigation until Lexin agrees or a Court order directs such release.

18. Nothing that Lexin or its counsel does in compliance with this Protocol shall constitute a waiver of privilege, and Lexin continues to have the right to assert a privilege claim over any document that is in or comes into the possession of the Receiver or the AER.

TAB 2

This is the 1st Affidavit
of Michael Smith in this case
and was made on March 15, 2017

No. ______________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c.57

AND

IN THE MATTER OF LEXIN RESOURCES LTD. AND 1051393 B.C. LTD.

PETITIONERS

AFFIDAVIT OF MICHAEL SMITH

I, Michael Smith, businessman, c/o Unit 803, 8/F, Dina House, Ruttonjee Centre, 11 Duddell Street, Central, in Hong Kong Special Administrative Region, China, MAKE OATH and SAY AS FOLLOWS:

1. I am a member of the Management Committee of 0989 Resource Partnership ("0989 Resource"), a Director and Officer of Lexin Resources Ltd. ("Lexin") and a Director of 1051393 B. C. Ltd. ("105"), (collectively, 0989 Resource, Lexin and 105 are referred to herein as the "Parties"). As such I have personal knowledge of the facts and matters

47. As is apparent from the foregoing, the Parties have struggled financially for some time. As a result of the Dispute with the AER and the ongoing actions, Lexin is currently unable to meet its obligations as they become due. 0989 Resource's immediate financial difficulties are due to its lack of liquidity.

48. Absent a formal stay of proceedings under the CCAA, it is unlikely that the Parties will be able to deal with their creditors and protect their business and assets while they attempt to restructure.

49. The Parties are optimistic that a restricting under the CCAA will allow them to preserve the value of their assets and allow them to emerge from the protection as a viable going concern with improved long-term financial prospects.

ASSETS AND PROPERTIES

50. Lexin's primary assets consist of:

Licences:

(a) 1,600 licenses in Alberta (the "Sites") the operation of which has been suspended by the AER Closure Order. The licenses include:

- 1,380 wells,
- 81 facilities, and
- 201 pipelines

(b) licenses respecting 134 abandoned wells, 5 abandoned facilities and 6 abandoned pipelines;

These licenses are not operated and not marketable and therefore were attributed no value for the purposes of the preparation of the balance sheet, attached to my affidavit as **Exhibit "K"**.

Cash and cash equivalents:

(c) Approximately $5,000

Securities and Interests:

(d) Lexin holds a 99.999% interest in 0989 Resource, the book value of which at April 30, 2016 was estimated at $48.7 million.

(e) Lexin also holds 100% of shares of 105, the book value of which is approximately $239.00.

(f) Through 0989 Resource, Lexin owns a 99.9999% interest in LR Processing Partnership, which includes the Mazeppa Plant (as defined above). There has been no value attributed to Lexin's interest in the Mazeppa Plant due to the bankruptcy of LR Processing Partnership.

51. Lexin contributed substantially all of its oil and gas assets to 0989 Resource when it formed the partnership. Legal title to these assets in some cases are held by Lexin, but beneficially owned by 0989 Resource.

52. As earlier stated, Lexin holds a 99.999% interest in 0989 Resource and the remaining 0.001% interest is held by 105.

53. 105's only asset is its 0.001% partnership interest in 0989 Resource, which at the time of this affidavit is estimated to be $440.00.

54. 0989 Resource's assets include (estimated):

Cash:

(a) approximately $287.00;

Trade & Other Accounts Receivable:

(b) between approximately $310,000 and 793,000;

Inventory:

(c) approximately $39,000;

Property, Plant & Equipment:

(d) approximately $111,340,178; and

Exploration & Evaluation Assets:

(e) approximately $54,112,410.

55. In summary, the aggregate value of the Parties' assets at the time of this application is approximately $215,058,455. I understand that the value of the assets, including property, plant & equipment and exploration & evaluation assets is based on historical carrying values, which have not been marked to market to their fair market value in light of the current market conditions and the AER's Closure Order. The Parties require the stay of the

CCAA. Hence, we made the decision to seek this relief on Monday, March 13, 2017, after we had carefully considered other alternatives and received the AER's filed Receivership Application materials on Monday afternoon.

72. Accordingly, it is my belief that, in the circumstances, an immediate stay of proceedings is necessary.

SWORN BEFORE ME at 7TH FLOOR,)
in RUTTONJEE HOUSE, 11 DUDDELL STREET, CENTRAL)
on 15TH MARCH 2017 HONG KONG)
)
)
)
A Commissioner for taking oaths/notary)

MICHAEL SMITH

LEUNG YU KEW
Notary Public
7th Floor, Ruttonjee Hou
11 Duddell Street
Central, Hong Kong SA

2 0 1 6 3 2 4 8 7 1 0 3 0

This is Exhibit "K" referred to in the

affidavit of Michael Smith

sworn before me, this 15th

day of March, 2017

LEUNG YU KEW
Notary Public
7th Floor,
11 Duddell
Central, SAR

A COMMISSIONER FOR TAKING AFFIDAVITS

2016324871030

14 March 2017

	Lexin Resources		0989 Resource		1051393 BC	
Cash	$	4,973	$	287	$	-
Trade & Other Accounts Receivable	$	-	$	792,650	$	-
Inventory	$	-	$	39,000	$	-
Total Current Assets	$	4,973	$	831,937	$	-
Property, Plant & Equipment	$	-	$	111,340,178	$	-
Partnership Interest in 0989	$	47,492,709	$	-	$	475
Exploration & Evaluation Assets	$	-	$	54,112,410	$	-
Total Assets	$	47,497,682	$	166,284,525	$	475
Trade & Other Accounts Payable	$	9,172,950	$	6,237,133	$	-
Secured Debt	$	-	$	15,058,114	$	-
Asset Retirement Obligations	$	-	$	97,496,094	$	-
Total Liabilities	$	9,172,950	$	118,791,341	$	-
Shareholders' Equity	$	38,324,732	$	47,493,184	$	475
Total Liabilities & Shareholders' Equity	$	47,497,682	$	166,284,525	$	475

** Excludes Inter - Company Payables and Receivables within the Lexin group of companies*

Balance Sheet Assumptions

Cash:	Current Balances as of 14 March
Trade & Other Accounts Receivable:	Management estimate
Inventory:	Management estimate
Property, Plant & Equipment and Exploration & Evaluation Assets	Values based on historial carrying values taken from most recent historical internal balance sheet and not marked to market in light of the current market conditions and the AER proceedings
Partnership Interest in 0989	14 March estimated book value for 0989 times respective partnership interests
Trade & Other Accounts Payable:	Management Estimate
Asset Retirement Obligations	Taken from most recent internal balance sheet

TAB 3

Government of Alberta ■

Personal Property Registry
Search Results Report

Search ID#: Z08928110

Transmitting Party
Grant Thornton LLP

900, 833 4th Avenue
Calgary, AB T2P 3T5

Party Code: 60003095
Phone #: 403 260 2500
Reference #: lexin

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Both Exact and Inexact Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Registration Number: 15121415472 Registration Type: SECURITY AGREEMENT
Registration Date: 2015-Dec-14 Registration Status: Current
Expiry Date: 2025-Dec-14 23:59:59

Exact Match on: Debtor No: 3

Amendments to Registration

16042611966	Amendment	2016-Apr-26

Debtor(s)

Block		Status
1	MFC RESOURCE PARTNERSHIP SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Deleted by 16042611966

Block		Status
2	MFC ENERGY CORPORATION SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Deleted by 16042611966

Block		Status
3	0989 RESOURCE PARTNERSHIP SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current by 16042611966

Block		Status
4	LEXIN RESOURCES LTD. SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current by 16042611966

Secured Party / Parties

Block **Status**

1	MFC ENERGY FINANCE INC. SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current

Collateral: General

Block	Description	Status
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. ALL PRESENT AND AFTER-ACQUIRED EQUIPMENT OF THE DEBTOR, INCLUDING WITHOUT LIMITATION, ALL DRIVERS, COMPRESSORS, PUMPS, PRESSURE VESSELS (FLARE KNOCKOUTS, ACCUMULATORS, AIR RECEIVERS, BULLETS, COOLERS, DRUMS, DRYERS, EXCHANGERS, FILTER UNITS, LINE HEATER SHELLS, REBOILERS, SCRUBBERS, SEPARATORS, HEATERS AND TOWERS), TANKS, C-CANS, PIG BARREL ASSEMBLIES, BUILDINGS, BULLET AND FLARE STACKS, FLARE STACKS, MOTORS, ENGINES, GENERATORS, PIPING, LINE HEATERS, SKIDS, METER SUITCASES, PUMP JACKS, SHELTERS, SHEDS, TURBINES AND BLOWERS.	Current

Particulars

Block	Additional Information	Status
1	MFC ENERGY CORPORATION IS A PARTNER OF MFC RESOURCE PARTNERSHIP AND, AS SUCH, IT HOLDS TITLE TO CERTAIN PROPERTY FOR AND ON BEHALF OF MFC RESOURCE PARTNERSHIP. 1041189 B.C. LTD. CHANGED ITS NAME TO MFC ENERGY FINANCE INC. ON JULY 2, 2015.	Deleted By 16042611966

Block	Additional Information	Status
2	LEXIN RESOURCES LTD. (FORMERLY MFC ENERGY CORPORATION) IS A PARTNER OF 0989 RESOURCE PARTNERSHIP (FORMERLY MFC RESOURCE PARTNERSHIP) AND, AS SUCH, IT HOLDS TITLE TO CERTAIN PROPERTY FOR AND ON BEHALF OF 0989 RESOURCE PARTNERSHIP (FORMERLY MFC RESOURCE PARTNERSHIP). 1041189 B.C. LTD. CHANGED ITS NAME TO MFC ENERGY FINANCE INC. ON JULY 2, 2015.	Current By 16042611966

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Registration Number: 15121415572 Registration Type: LAND CHARGE
Registration Date: 2015-Dec-14 Registration Status: Current
Registration Term: Infinity

Exact Match on: Debtor No: 3

Amendments to Registration

16042611998	Amendment	2016-Apr-26

Debtor(s)

Block		Status
1	MFC RESOURCE PARTNERSHIP SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Deleted by 16042611998

Block		Status
2	MFC ENERGY CORPORATION SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Deleted by 16042611998

Block		Status
3	0989 RESOURCE PARTNERSHIP SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current by 16042611998

Block		Status
4	LEXIN RESOURCES LTD. SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current by 16042611998

Secured Party / Parties

Block **Status**

1	MFC ENERGY FINANCE INC. SUITE 1860, 400 BURRARD STREET VANCOUVER, BC V6C 3A6	Current

Particulars

Block	Additional Information	Status
1	MFC ENERGY CORPORATION IS A PARTNER OF MFC RESOURCE PARTNERSHIP AND, AS SUCH, IT HOLDS TITLE TO CERTAIN PROPERTY FOR AND ON BEHALF OF MFC RESOURCE PARTNERSHIP. 1041189 B.C. LTD. CHANGED ITS NAME TO MFC ENERGY FINANCE INC. ON JULY 2, 2015.	Deleted By 16042611998

Block	Additional Information	Status
2	LEXIN RESOURCES LTD. (FORMERLY MFC ENERGY CORPORATION) IS A PARTNER OF 0989 RESOURCE PARTNERSHIP (FORMERLY MFC RESOURCE PARTNERSHIP) AND, AS SUCH, IT HOLDS TITLE TO CERTAIN PROPERTY FOR AND ON BEHALF OF 0989 RESOURCE PARTNERSHIP (FORMERLY MFC RESOURCE PARTNERSHIP). 1041189 B.C. LTD. CHANGED ITS NAME TO MFC ENERGY FINANCE INC. ON JULY 2, 2015.	Current By 16042611998

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Registration Number: 16050318110 Registration Type: SECURITY AGREEMENT

Registration Date: 2016-May-03 Registration Status: Current

Expiry Date: 2021-May-03 23:59:59

Exact Match on: Debtor No: 2

Amendments to Registration

16050412447	Amendment	2016-May-04

Debtor(s)

Block		Status
1	MFC RESOURCE PARTNERSHIP 400, 1035 - 7 AVENUE, SW CALGARY, AB T2P 3E9	Current

Block		Status
2	0989 RESOURCE PARTNERSHIP 400, 1035 - 7 AVENUE, SW CALGARY, AB T2P 3E9	Current

Block		Status
3	MFC ENERGY CORPORATION 400, 1035 - 7 AVENUE, SW CALGARY, AB T2P 3E9	Current

Block		Status
4	LEXIN RESOURCES LTD. 400, 1035 - 7 AVENUE, SW CALGARY, AB T2P 3E9	Current

Secured Party / Parties

Block **Status**

1	TAQA NORTH 2100, 308 - 4THE AVENUE, SW CALGARY, AB T2P 0H7	Current

Collateral: General

Block	Description	Status
1	All of the Debtor's right, title and interest in: (i) all natural gas, solution gas and any other gas, together with associated substances, delivered to the acceptance point of either the gathering and compression facilities comprising the Brant Farrow Gathering System operated by the Secured Party or to the plant facilities operated by the Secured Party located at 14-05-019-24W4 (the "plant");and which may include bit is not limited to sulphur and all fluid hydrocarbons not defined as crude oil under the provisions of the Oil and Gas Conservation Act(Alberta) and regulations and amendments or substitutions to such Act (collectively, "Gas") remaining after processing, after Plant fuel requirements are satisfied and after Plant losses (collectively, the "Residue Gas");and	Deleted By 16050412447
2	(ii) all substances which are recovered from Gas and are available for delivery from the Plant which may include, but shall not be limited to, sulphur, ethane, propane, butanes, and pentanes plus, or any mixture thereof, but excluding Residue Gas and also such substances which are lost or consumed as fuel in the operation of the Plant (collectively, the "Plant Products"). For certainty, the collateral described in the paragraphs (i)and(ii) above includes, without limitation, Residue Gas and Plant products that are produced from or in connection with the following wells: 102/10-29-019-24W4/00; 100/05-33-019-24W4/00; 100/09-05-020-24W4/00; 100/09-05-020-24W4/02; 100/14-17-018-25W4/00;100/13-23-018-25W4/00; 100/13-23-018-25W4/02; 102/08-34-018-25W4/00; 100/06-06-019-25W4/00; 100/02-36-018-26W4/00; 100/07-36-018-26W4/00; 100/10-36-018-26W4/00;100/14-36-018-26W4/03; 100/03-10-021-26W4/00; and 100/12-10-021-26W4/00; (collectively, the "Wells")	Deleted By 16050412447
3	Proceeds: goods, investment property, documents of title, chattel paper, instruments, money and intangibles.	Current
4	All of the Debtor's right, title and interest in: (i) all natural gas, solution gas and any other gas, together with associated substances, delivered to the acceptance point of either the gathering and compression facilities comprising the Brant Farrow Gathering System operated by the Secured Party or to the plant facilities operated by the Secured Party located at 14-05-019-24W4 (the "Plant");and which may include but is not limited to sulphur and all fluid hydrocarbons not defined as crude oil under the provisions of the Oil and Gas Conservation Act(Alberta) and regulations and amendments or substitutions to such Act (collectively, "Gas") remaining after processing, after Plant fuel requirements are satisfied and after Plant losses (collectively, the "Residue Gas");and	Current By 16050412447

5	(ii) all substances which are recovered from Gas and are available for delivery from the Plant which may include, but shall not be limited to, sulphur, ethane, propane, butanes, and pentanes plus, or any mixture thereof, but excluding Residue Gas and also such substances which are lost or consumed as fuel in the operation of the Plant (collectively, the "Plant Products"). For certainty, the collateral described in the paragraphs (i) and (ii) above includes, without limitation, Residue Gas and Plant Products that are produced from or in connection with the following wells: 102/10-29-019-24W4/00; 100/05-33-019-24W4/00; 100/09-05-020-24W4/00; 100/09-05-020-24W4/02; 100/14-17-018-25W4/00;100/13-23-018-25W4/00; 100/13-23-018-25W4/02; 102/08-34-018-25W4/00; 100/06-06-019-25W4/00; 100/02-36-018-26W4/00; 100/07-36-018-26W4/00; 100/10-36-018-26W4/00;100/14-36-018-26W4/03; 100/03-10-021-26W4/00; and 100/12-10-021-26W4/00; (collectively, the "Wells")	Current By 16050412447

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Registration Number: 16090723053 Registration Type: WRIT OF ENFORCEMENT
Registration Date: 2016-Sep-07 Registration Status: Current
Expiry Date: 2018-Sep-07 23:59:59

Issued in Calgary Judicial Centre
Court File Number is 1601-08777
Judgment Date is 2016-Sep-06
This Writ was issued on 2016-Sep-06
Type of Judgment is Other

Original Judgment Amount: $104,348.46 Costs Are: $1,000.00
Post Judgment Interest: $0.00 Current Amount Owing: $105,348.46

Inexact Match on: Debtor No: 1

Solicitor / Agent

DLA PIPER (CANADA) LLP
1000, 250 2ND STREET SW
CALGARY, AB T2P 0C1

Phone #: 403 296 4470 Fax #: 403 776 8850 Reference #: 70622-00086KPR

Debtor(s)

Block		Status
1	0989 RESOURCES PARTNERSHIP 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Block		Status
2	1051393 BC LTD. 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Block		Status
3	LEXIN RESOURCES LTD. 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Creditor(s)

Block		Status
1	BAKER HUGHES CANADA COMPANY 1500, 850 2ND STREET SW CALGARY, AB T2P 0R8	Current

Business Debtor Search For:

0989 RESOURCE PARTNERSHIP

Search ID #: Z08928110 **Date of Search:** 2017-Mar-21 **Time of Search:** 15:55:43

Registration Number: 17030236906 Registration Type: WRIT OF ENFORCEMENT
Registration Date: 2017-Mar-02 Registration Status: Current
Expiry Date: 2019-Mar-02 23:59:59

Issued in Calgary Judicial Centre
Court File Number is 1601-17137
Judgment Date is 2017-Feb-22
This Writ was issued on 2017-Mar-02
Type of Judgment is Other
Original Judgment Amount: $362,669.57 Costs Are: $1,305.52
Post Judgment Interest: $0.00 Current Amount Owing: $363,975.09

Exact Match on: Debtor No: 2

Solicitor / Agent

TAQA NORTH
2100, 308 - 4TH AVENUE SW
CALGARY, AB T2P 0H7

Phone #: 403 724 5008

Debtor(s)

Block		Status
1	LEXIN RESOURCES LTD. 1000, 925 W. GEORGIA ST VANCOUVER, BC V6C 3L2	Current

Block		Status
2	0989 RESOURCE PARTNERSHIP 1000, 925 W. GEORGIA ST VANCOUVER, BC V6C 3L2	Current

Personal Property Registry
Search Results Report

Search ID#: Z08928110

Creditor(s)

Block		Status
1	TAQA NORTH 2100, 308 4TH AVENUE SW CALGARY, AB T2P 0H7	Current

Result Complete

TAB 4

Government of Alberta ■

Personal Property Registry
Search Results Report

Search ID#: Z09010387

Transmitting Party

BORDEN LADNER GERVAIS LLP

Centennial Place, East Tower
1900, 520-3rd Avenue SW
CALGARY, AB T2P 0R3

Party Code: 50008002
Phone #: 403 232 9500
Reference #: 547730/21

Search ID #: Z09010387 **Date of Search:** 2017-Apr-13 **Time of Search:** 10:47:09

Business Debtor Search For:

1051393 BC LTD.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Business Debtor Search For:

1051393 BC LTD.

Search ID #: Z09010387 **Date of Search:** 2017-Apr-13 **Time of Search:** 10:47:09

Registration Number: 16090723053	Registration Type: WRIT OF ENFORCEMENT
Registration Date: 2016-Sep-07	Registration Status: Current
	Expiry Date: 2018-Sep-07 23:59:59

Issued in Calgary Judicial Centre
Court File Number is 1601-08777
Judgment Date is 2016-Sep-06
This Writ was issued on 2016-Sep-06
Type of Judgment is Other

Original Judgment Amount: $104,348.46	Costs Are: $1,000.00
Post Judgment Interest: $0.00	Current Amount Owing: $105,348.46

Exact Match on: Debtor No: 2

Solicitor / Agent

DLA PIPER (CANADA) LLP
1000, 250 2ND STREET SW
CALGARY, AB T2P 0C1

Phone #: 403 296 4470 Fax #: 403 776 8850 Reference #: 70622-00086KPR

Debtor(s)

Block		Status
1	0989 RESOURCES PARTNERSHIP 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Block		Status
2	1051393 BC LTD. 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Block		**Status**
3	LEXIN RESOURCES LTD. 1000-925 GEORGIA ST W VANCOUVER, BC V6C 3L2	Current

Creditor(s)

Block		**Status**
1	BAKER HUGHES CANADA COMPANY 1500, 850 2ND STREET SW CALGARY, AB T2P 0R8	Current

Result Complete

TAB 5

COURT FILE NUMBER:	**25-094659** **25-094662**
COURT:	**COURT OF QUEEN'S BENCH OF ALBERTA IN BANKRUPTCY AND INSOLVENCY**
JUDICIAL CENTRE:	**CALGARY**
PROCEEDING:	**IN THE MATTER OF THE BANKRUPTCY OF LR PROCESSING PARTNERSHIP AND LR PROCESSING LTD.**
DOCUMENT:	**BANKRUPTCY ORDER**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Billington Barristers** 1910 Elveden House 717 - 7th Avenue SW Calgary, AB T2P 0Z3 Main: (403) 930-4100 Fax: (403) 930-4110 **Richard N. Billington, Q.C.** Direct: (403) 930-4101 File: 16001-001

DATE ON WHICH THIS ORDER WAS PRONOUNCED:	**November 25, 2016**
LOCATION OF HEARING:	**Calgary, Alberta**
NAME OF JUSTICE WHO MADE THIS ORDER:	**Honourable Justice J. Strekaf**

UPON THE APPLICATION FOR A BANKRUPTCY ORDER (Application) filed on May 9, 2016 by Young EnergyServe Inc., a creditor of LR Processing Partnership (formerly known as MFC Processing Partnership) and LR Processing Ltd. (formerly known as MPP Ltd); AND UPON reading the Amended Application and the Affidavits and evidence provided by the parties, as listed in Schedule "A" to this Order; AND UPON READING the Affidavits of Service for the Application material; AND UPON READING the Consent of MNP Ltd. to act as Trustee; AND UPON HEARING counsel for the Applicant and for the Respondents at hearings held June 13, 2016, July 12, 2016, and July 15, 2016, and at the trial of an issue held November 22 and 23, 2016 as to the ability of the respondents to pay their debts; AND UPON IT APPEARING THAT MFC Processing Partnership changed its name to LR Processing Partnership on July 15, 2016 and that MPP Ltd. changed its name to LR Processing Ltd. on July 15, 2016; AND UPON IT APPEARING that LR Processing Partnership and LR Processing Ltd. and committed acts of bankruptcy by ceasing to meet their liabilities generally as they become due; AND UPON IT APPEARING that the respondents LR Processing Partnership and LR Processing Ltd. are not able to pay their debts; IT IS HEREBY ORDERED THAT:

1. The Superintendent of Bankruptcy is hereby directed to amend its records in estate numbers 25-094659 and 25-094662 to reflect the name change from MFC Processing Partnership to LR Processing Partnership ~~and~~ from MPP Ltd to LR Processing Ltd., and to amend all records as appropriate, and the style of cause in these actions is amended accordingly.
2. LR Processing Partnership, a limited partnership carrying on business in the City of Calgary and in the City of High River, in the Province of Alberta, be and is hereby adjudged bankrupt and a Bankruptcy Order is hereby made against LR Processing Partnership.
3. LR Processing Ltd., a corporation carrying on business in the City of Calgary, in the Province of Alberta, be and is hereby adjudged bankrupt and a Bankruptcy Order is hereby made against LR Processing Ltd.
4. MNP Ltd. is hereby appointed Trustee of the estate of LR Processing Partnership and the estate of LR Processing Ltd. (the Trustee).

5. The costs of the Applications are adjourned to be determined at a later date.

J.C.Q.B.A (in Bankruptcy)

SCHEDULE "A"

Affidavits and Evidence

1. Affidavit of Guy Young, sworn May 6, 2016 and filed May 9, 2016;
2. Affidavit of Annette Starrett, sworn May 4, 2016, filed May 10, 2016;
3. Affidavit of Brad Keeley, sworn May 4, 2016, filed May 10, 2016;
4. Affidavit of Derek Polsfut, sworn May 4, 2016, filed May 10, 2016;
5. Affidavit of Jared Jamison, sworn May 4, 2016, filed May 10, 2016;
6. Affidavit of Ken Kielly, sworn May 4, 2016, filed May 10, 2016;
7. Affidavit of Martin Sorensen, sworn May 4, 2016, filed May 10, 2016;
8. Affidavit of Robert Welke, sworn May 4, 2016, filed May 10, 2016;
9. Affidavit of Scott Howe, sworn May 4, 2016, filed May 10, 2016;
10. Affidavit of Scott Mamchur, sworn May 4, 2016, filed May 10, 2016;
11. Affidavit of Steve Briggs, sworn May 4, 2016, filed May 10, 2016;
12. Affidavit of Paul Neunherz, sworn May 5, 2016, filed May 10, 2016;
13. Affidavit of Stacy Richter, sworn May 5, 2016, filed May 10, 2016;
14. Affidavit of Michael Young, sworn and filed May 17, 2016;
15. Affidavit of Tatsiana Okun, sworn and filed May 17, 2016;
16. Affidavit of Darryl Thom, sworn May 26, 2016, filed June 2, 2016;
17. Affidavit of Chad Varcoe, sworn June 1, 2016, filed June 2, 2016;
18. Affidavit of Jon Telehanic, sworn June 1, 2016, filed June 2, 2016;
19. Affidavit of Kathleen Marie Andrews, sworn June 1, 2016, filed June 2, 2016;
20. Affidavit of Mark Drossos, sworn June 1, 2016, filed June 2, 2016;
21. Affidavit of Kirk Hennel, sworn June 3, 2016, filed June 3, 2016;
22. Affidavit of Michael Smith, sworn and filed June 8, 2016;

23. Affidavit of Guy Young, sworn and filed June 9, 2016;

24. Affidavit of Kevin Richard, sworn June 10, 2016, filed June 13, 2016;

25. Affidavit of David Allan Wright, sworn and filed July 11, 2016;

26. Applicant's Estimate of Value of Security, signed July 13, 2016, filed July 17, 2016;

27. Affidavit of David Allan Wright, sworn July 13, 2016, filed July 14, 2016;

28. Affidavit of Michael Smith, sworn July 15, 2016, unfiled;

29. Affidavit of Michael Smith, sworn September 29, 2016, filed October 3, 2016;

30. Affidavit of Ron Young, sworn September 29, 2016, filed September 30, 2016;

31. Affidavit of Michael Devonshire, sworn and filed October 17, 2016;

32. Transcript of the oral questioning of Michael John Smith, taken November 8, 2016, filed November 9, 2016;

33. Affidavit of Michael Smith, sworn and filed November 21, 2016.

TAB 6

Groia & Company

Bonnie Roberts Jones
Direct Line: 416-203-4476
Email: brjones@groiaco.com

April 11, 2017

VIA EMAIL *(rgurofsky@blg.com)*

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

Attention: Robyn Gurofsky

Dear Ms. Gurofsky:

RE: In the matter of the Receivership of Lexin Resources Ltd.
Court of Queen's Bench Action No. 1701-03460

On April 4, 2017, the AER wrote to Groia & Company asking if its clients were prepared to dispose of certain substances stored at the Mazeppa facility. I enclose this correspondence for your information, along with our response of today's date. As you will see from this correspondence and from your review of the communications between Lexin and the AER over the past year, Lexin has consistently maintained its position that it is concerned with and wants to address health, safety and environmental issues, but needs the assistance of the AER to deal with these matters. Unfortunately, all of its overtures to the AER in this regard prior to the Receivership were met with rejection.

Despite this fact, Lexin would like to ensure that the sulfanol is properly disposed of and is prepared to borrow the funds to do so, but needs the Receiver's leave in this regard. Kindly advise at your earliest convenience as to whether the Receiver is prepared to allow Lexin to borrow the funds necessary to (1) reimburse the AER for the removal of fluids from the retention pond (as outlined in the AER's April 4 correspondence); and (2) safely remove the substances that the AER has advised are a further risk to the environment.

We look forward to your response.

Yours truly,

Bonnie Roberts Jones
/jr

Alberta Energy Regulator

Via Email: jgroia@groiaco.com

April 4, 2017

Calgary Head Office
Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4
Canada

www.aer.ca

Groia & Company Professional Corporation
Lawyers
Wildeboer Dellelce Place
11th Floor, 365 Bay Street
Toronto, Ontario M5H 2V1
Attention: Mr. Joe Groia

Dear Sir:

Re: Mazeppa Facility

On February 15, 2017 the AER issued an Environmental Protection Order No. 201702-03 (the Order) to Lexin Resources Ltd. (Lexin) ,and LR Processing Ltd., Jasmina Cezek, Rob Jennings and Mr. Michael J. Smith (the parties) in relation to the Mazeppa facility, Facility Licence No. F2588, located at SE ¼ 35-019-28W4M. We understand that you represent some of the parties.

To date the AER has received no response in relation to the Order and none of the parties named in the Order have taken any actions directed in the Order.

On March 28 and 30, 2017, the AER undertook the following work under the Order as a result of concerns that the condition at the site was worsening:

> Removing fluids from the surface-water retention pond as the contents of the pond had overflowed from the ponds and the fluids were now located on the surface of the facility lands. Fluids from the said pond were removed to prevent more fluids from escaping the surface-water retention pond and ultimately exiting the facility lands and entering private property. The cost to the AER to undertake this work is estimated to be $48,000.

In the course of that work, the tank containing sulfanol was noted. Given the state of the tank, the fact that the site is not attended to by the parties and the nature of the substances contained in the tank, the AER is of the opinion that there exists a risk that this tank may fail which would result in the release of substances into the environment which may cause an adverse effect.

As per the terms of paragraph 3 of the Order, the parties are required to immediately remove and properly dispose of these substances stored at the Mazeppa facility in compliance with applicable AER requirements.

As the parties have not complied with the terms of paragraph 3 of the Order, one of the options available to the AER is to undertake further work required under the Order ie. remove and dispose of these substances. Section 245 of the *Environmental*

Protection and Enhancement Act provides that such costs incurred by the AER are recoverable in debt against the persons named in the Order.

inquiries 1-855-297-8311
24-hour emergency 1-800-222-6514

Further pursuant to section 240 of EPEA where an environmental protection order is directed to more than one person, all persons named in the order are jointly responsible for carrying out the terms of the order and are jointly and severally liable for payment of the costs of doing so, including any costs incurred by the Director under section 245(2).

Given the above, please advise by April 10, 2017 if any of your clients plan to remove and properly dispose of the sulfanol in accordance with applicable requirements and the Order.

Please be advised that the AER will be taking action under s. 245 of the *Environmental Protection and Enhancement Act*, for the costs incurred to date and any future costs incurred undertaking work required under the Order.

Yours truly,

K Cameron

Keely Cameron
Legal Counsel

Bonnie Roberts Jones
Direct Line: 416-203-4476
Email: brjones@groiaco.com

Groia & Company

April 11, 2017

VIA EMAIL *(Keely.Cameron@aer.ca)*

Keely Cameron
Legal Counsel
Alberta Energy Regulator
Suite 1000, 250 – 5th Street S.W.
Calgary, AB T2P 0R4

Dear Ms. Cameron:

Re: Lexin Resources Ltd. ("Lexin")

We are in receipt of your correspondence of April 4, 2017.

Firstly, we note that both Jasmina Cezek and Robert Jennings have resigned from the board of Lexin Resources Ltd. ("Lexin").

As you are aware, Lexin has consistently maintained its position that dealing with health, safety and environmental concerns is a priority, and has been seeking, without success, the AER's assistance in ensuring that these issues are dealt with.

Lexin is prepared to borrow the funds needed to reimburse the AER for the removal of fluids from the retention pond and to remove and properly dispose of the sulfanol identified in your correspondence and will today be seeking leave of the Receiver to do so. We will be in touch to make arrangements to complete the removal of the sulfanol tank as soon as we have the Receiver's response in this regard.

Yours truly,

Bonnie Roberts Jones
/jr

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
Rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

Borden Ladner Gervais

File No. 547730.21

April 12, 2017

Delivered by Email (brjones@groiaco.com)

Groia & Company Professional Corporation
365 Bay Street, Suite 1100
Toronto, ON M5H 2V1

Attention: Bonnie Roberts Jones

Dear Ms. Jones:

Re: In the Matter of the Receivership of Lexin Resources Ltd. (the "Company" or "Lexin") Court of Queen's Bench Action No. 1701-03460

Thank you for your correspondence dated April 11, 2017 in which you ask whether the Receiver is prepared to allow Lexin to borrow the funds necessary to (1) reimburse the AER for the removal of overflowing pond water at the Mazeppa Plant; and (2) safely remove sulfanol or other substances from the Mazeppa Plant.

I can advise you that the Receiver is not prepared to authorize your client to borrow funds on behalf of Lexin. The Receiver will work directly with the AER within the receivership to address these matters on behalf of Lexin, as deemed appropriate by the Receiver. The Receiver has no authority or control over LR Processing Ltd. whom the Receiver understands owns the Mazeppa Plant, nor does it have any authority or control over Michael Smith, Jasmina Cezek or Rob Jennings, the other parties named in the AER's letter of April 4, 2017.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky

TAB 7

Appendix 7

Jessica L. Cameron
T (403) 232-9715
F (403) 266-1395
jcameron@blg.com
Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave S W
Calgary, AB, Canada T2P 0R3
T 403 232 9500
F 403 266 1395
blg.com

Borden Ladner Gervais

File No. 547730/000021

March 23, 2017

Delivered by Courier

Sangra Moller LLP
925 W Georgia St
Vancouver, BC V6C 3L2

Dear Sirs:

Re: In the Matter of the Receivership of Lexin Resources Ltd. ("Lexin"), Alberta Court of Queen's Bench Action No. 1701-03460

We are counsel to Grant Thornton Limited the court-appointed receiver (the "**Receiver**") of Lexin pursuant to an order granted by the Alberta Court of Queen's Bench on March 20, 2017 (the "**Receivership Order**"), a copy of which is enclosed for your reference.

Pursuant to the Receivership Order, the Receiver kindly requests that you immediately deliver to it all of the minute books, corporate records, and any and all further Records, as defined in the Receivership Order, pertaining to Lexin (collectively referred to as the "**Corporate Records**"). Further, the Receiver kindly requests that you advise whether any Corporate Records are stored or otherwise contained on a computer or other electronic system, such that appropriate arrangements can be made for the Receiver to recover and fully copy such information.

The Corporate Records may be delivered directly to the Receiver at the address specified below; alternatively, we would be happy to make arrangements to have a courier attend to collect the Corporate Records directly from your office:

Grant Thornton Limited
Attention: Andrew Basi & Michael Costello
833 4 Ave SW #900
Calgary, AB T2P 3T5

Lastly, the Receiver would kindly request your assistance in advising whether you are aware of any Corporate Records or other Property (as that term is defined in the Receivership Order), which may be in the possession of third parties.

Borden Ladner Gervais

We trust you will find the foregoing to be in order and look forward to the immediate delivery of the Corporate Records.

Yours truly,

Borden Ladner Gervais LLP

for Jessica L. Cameron

cc: Grant Thornton Limited (via email)
Receiver Lexin Resources Ltd.
Andrew Basi, Michael Costello and Breanne Smith

Jessica L. Cameron
T (403) 232-9715
F (403) 266-1395
jcameron@blg.com
Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave S W
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

Borden Ladner Gervais

File No. 547730/000021

March 30, 2017

Delivered by Courier

MEG International Services Ltd.
c/o 1-1850 Harley Avenue
Coquitlam, BC V3K 7A1

Attention: Michael Smith

MEG International Services Ltd.
c/o Sanghra Moller LLP
1000 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Dear Sirs:

Re: In the Matter of the Receivership of Lexin Resources Ltd. ("Lexin"), Alberta Court of Queen's Bench Action No. 1701-03460

We are counsel to Grant Thornton Limited the court-appointed receiver (the "**Receiver**") of Lexin pursuant to an order granted by the Alberta Court of Queen's Bench on March 20, 2017 (the "**Receivership Order**"), a copy of which is enclosed for your reference.

We have been advised by Sanghra Moller LLP that subsequent to the granting of the Receivership Order, Lexin changed its registered and records office to 1-1850 Harley Avenue, Coquitlam, BC V3K 7A1, which we understand is a premise occupied by MEG International Services Ltd. ("**MEG**"). We also understand that MEG's registered office and records address is with Sanghra Moller LLP at 1000 Cathedral Place 925 West Georgia Street, Vancouver BC, V6C 3L2

Pursuant to the Receivership Order, the Receiver kindly requests that you immediately deliver to it all of the minute books, corporate records, and any and all further Records, as defined in the Receivership Order, pertaining to Lexin (collectively referred to as the "**Corporate Records**") under MEG's control, including any Lexin Records MEG has stored at Sanghra Moller LLP. Further, the Receiver kindly requests that you advise whether any Corporate Records are stored or otherwise contained on a computer or other electronic system, such that appropriate arrangements can be made for the Receiver to recover and fully copy such information.

The Corporate Records may be delivered directly to the Receiver at the address specified below; alternatively, we would be happy to make arrangements to have a courier attend to collect the Corporate Records directly from your office:

Borden Ladner Gervais

Grant Thornton Limited
Attention: Andrew Basi & Michael Costello
833 4 Ave SW #900
Calgary, AB T2P 3T5

Lastly, the Receiver would kindly request your assistance in advising whether you are aware of any Corporate Records or other Property (as that term is defined in the Receivership Order), which may be in the possession of third parties.

We trust you will find the foregoing to be in order and look forward to the immediate delivery of the Corporate Records.

Yours truly,

Borden Ladner Gervais LLP

Jessica L. Cameron

Enc.

cc: Grant Thornton Limited (via email)
Receiver Lexin Resources Ltd.
Andrew Basi, Michael Costello and Breanne Smith

Jessica L. Cameron
T (403) 232-9715
F (403) 266-1395
jcameron@blg.com
Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave S W
Calgary, AB, Canada T2P 0R3
T 403 232 9500
F 403 266 1395
blg.com

Borden Ladner Gervais

File No. 547730/000021

April 6, 2017

Delivered by Courier

MEG International Services Ltd.
c/o 1-1850 Harley Avenue
Coquitlam, BC V3K 7A1

Attention: Michael Smith

MEG International Services Ltd.
c/o Sanghra Moller LLP
1000 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Dear Sirs:

Re: In the Matter of the Receivership of Lexin Resources Ltd. ("Lexin"), Alberta Court of Queen's Bench Action No. 1701-03460

We write further to our correspondence dated March 30, 2017, a copy of which is enclosed for reference. We have not yet received a response to that correspondence and would appreciate a reply at your earliest opportunity as the Receiver continues to require the requested records for the administration of Lexin's receivership. We look forward to your prompt attention to our requests.

Yours truly,

Borden Ladner Gervais LLP

for Stellar

Jessica L. Cameron

Enc.

cc: Borden Ladner Gervais LLP (via email)
Robyn Gurofsky

Grant Thornton Limited (via email)
Receiver Lexin Resources Ltd.
Andrew Basi, Michael Costello and Breanne Smith

Cameron, Jessica

From:	MEG International Services Ltd <megintlsevc@gmail.com>
Sent:	April-08-17 12:58 AM
To:	Cameron, Jessica
Subject:	Boxes

Dear Ms. Cameron,

We have no records that you described with your request. Please be more specific and state their exact contents.

I have now been told we did make a delivery of some boxes to long term storage, but we show a different amount of boxes and no inventory list. If you have such list, please send.

You will learn I am sure being specific is always productive.

Michael Smith
President

Cameron, Jessica

From:	Gurofsky, Robyn
Sent:	April-10-17 10:24 AM
To:	Bonnie Roberts Jones (brjones@groiaco.com)
Cc:	jgroia@groiaco.com; Tatsiana Okun (tokun@groiaco.com); Cameron, Jessica
Subject:	Lexin - Requests Sent to Registered Offices
Attachments:	Boxes; RE: Lexin Resources Ltd.msg; CAL01 -#2215002-v1-LT MEG International Ltd. co Sanghra Moller LLP.PDF; CAL01 -#2203285-v1-BLG letter Mar 23 to Sangra Moller LLP re Corporate Records of Lexin.PDF
Categories:	In DM, #2216758 : RGUROFSKY : 547730 : 000021 : CAL01

Bonnie,

Please see attached the email from Mr. Smith (titled "Boxes") responding to our various letters addressed to Lexin's registered offices. I would ask that you please advise your client as to his obligations under the receivership order. It is imperative that we obtain Lexin's corporate minute books, as well as other records that are located at the registered office, whether it be at the MEG International offices or the offices of Sangra Moller. We do not intend to respond to Mr. Smith's email. If we do not get the records requested, we will take steps to put all of this correspondence in front of the Court, including Mr. Smith's email, and obtain the appropriate relief.

Regards,

Robyn

Borden Ladner Gervais

Robyn Gurofsky
Partner
T 403.232.9774 | F 403.266.1395 | RGurofsky@blg.com
Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

Cameron, Jessica

From: Michael Smith <mjsmith1628@gmail.com>
Sent: April-13-17 8:21 PM
To: Gurofsky, Robyn

Ms. Gurofsky,

1) Please be advised that Groiaco do not represent me personally in any on you need

2) Please respond to my email and we can move these matter on

I will have some additional questions for you partnership shortly.

Thanks

Michael Smith

Michael Smith
Email: mjsmith1628@gmail.com

Date: April 18, 2017.

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

Attention: Robyn Gurofsky

Dear Ms. Gurofsky,

Re: Boxes, threats, AER and Mazeppa

First, let me state I am now impressed with your process, you have possible looked at yourself and realized communication creates solutions and your prior refusal to communicate with me was just an ordinary emotional outbursts.

Lets also put away your threats and remember solutions find results not silly threats.

In reference to the judge making orders, I very much encourage his participation. Please provide his contact details. Let bring him into your request for punishment. Believe it will be good.

I am still not yet completely sure you really have a solutions concepts with your present manners. You should not blame myself but I will try.

Please confirm in what capacity you are writing to me. Best you include the identification you are basing the inquiry and my formal name is Mr. Smith. We do use first name, only for real long term friends. (Need this by return).

Your response to my questions are still not very clear (please try harder). I will try get to and see what information and facts are available.

Should be able to respond to you by the end of the week (remember my request in paragraph 5). I have sent a copy of this letter and for your information to others and AER. We have been told they are your ultimate superiors.

Very much looking for solutions.

Sincerely,

Michael Smith

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

Borden Ladner Gervais

File No. 547730/000021

April 18, 2017

Delivered by Email (mjsmith1628@gmail.com and megintlsevc@gmail.com)

MEG International Services Ltd.
c/o 1-1850 Harley Avenue
Coquitlam, BC V3K 7A1

MEG International Services Ltd.
c/o Sangra Moller LLP
1000 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Attention: Michael Smith

Dear Sir:

Re: In the Matter of the Receivership of Lexin Resources Ltd. ("Lexin"), Alberta Court of Queen's Bench Action No. 1701-03460

Thank you for your correspondence dated April 18, 2017. We reiterate our previous requests for Lexin records, as set out in correspondence dated March 23, 2017, March 30, 2017, April 6, 2017 and April 14, 2017. If we do not have a substantive response to our requests by close of business on April 21, 2017, we will proceed to prepare our court application.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky

cc: Bonnie Roberts Jones, Joe Groia (Groia & Company) - via email

MEMO

To: Ms. Gurofsky

From: Mr. Smith
President, MEG International Services Ltd. ("MEG")

Copy: D. F.

Date: April 24, 2017

Subject: Your request of March 30th for certain boxes

MEG is pleased to report that our people have now researched and can confirm the following facts:

<u>Items</u>:	12 boxes not the previously 16 number, these may be the items of interest but MEG cannot give you any guarantees
<u>Condition</u>:	Good, as at March 27th
<u>Shipping Instructions</u>:	Boxes placed in the usual manner for long term storage
<u>Boxes</u>:	No numbering system was received or index for any items
<u>Required Identification</u>:	Describe the boxes in the internal system NO SBI Hart
<u>Shipment Date</u>:	March 27th and waybill issued
<u>Arrival Date</u>:	Estimated May 15th, 2017
<u>Financial</u>:	Surety bond and cash for cost
<u>Consignee</u>:	Fenix Logistic Services Ltd. 10/F., Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong, China
<u>Box Contents</u>:	Documents only, No Commercial Value
<u>Insurance</u>:	None

Cameron, Jessica

From: Gurofsky, Robyn
Sent: April-24-17 9:50 AM
To: MEG International Services Ltd; Michael Smith
Cc: Bonnie Roberts Jones (brjones@groiaco.com); Tatsiana Okun (tokun@groiaco.com)
Subject: Lexin - Memo re: Boxes
Attachments: Memo to Ms Gurofsky.pdf

Further to your below email and the attached, please advise as to the following:

1. In the attached under "items" you reference "previously 16 number". What does this refer to?
2. In the attached under "shipping instructions", what long term storage are you referring to?
3. In the attached under "Required Identification", you reference "internal system NO SBI Hart". What does this refer to?
4. In the attached under "shipment date" you reference March 27th and waybill issued. Where were these boxes shipped from? To what location are these boxes being shipped? Please provide a copy of the waybill.
5. In the attached under "Financial", what does "surety bond and cash for cost" mean?
6. Please advise as to the contents of these boxes.

I look forward to your immediate reply.

Robyn Gurofsky
Partner
T 403.232.9774 | F 403.266.1395 | RGurofsky@blg.com
Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

Borden Ladner Gervais LLP | It begins with service
Calgary | Montréal | Ottawa | Toronto | Vancouver
blg.com | To manage your communication preferences or unsubscribe, please click on blg.com/mypreferences/

From: MEG International Services Ltd [mailto:megintlsevc@gmail.com]
Sent: April-24-17 12:21 AM
To: Gurofsky, Robyn <RGurofsky@blg.com>
Subject: Fwd:

Ms. Gurofsky

Enclosed Memo regarding boxes of documents.

Yours truly,

Mr. Smith
President

Cameron, Jessica

From: Gurofsky, Robyn
Sent: April-24-17 9:40 AM
To: Michael Smith
Cc: Bonnie Roberts Jones (brjones@groiaco.com); Tatsiana Okun (tokun@groiaco.com)
Subject: Lexin - Post

Further to your message below, please advise as to the following:

1. What is being sent?
2. From where is it being sent?
3. To whom is it being sent?
4. What is the cost?

I look forward to your immediate reply.

Sincerely,

Robyn Gurofsky
Partner
T 403.232.9774 | F 403.266.1395 | RGurofsky@blg.com
Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

Borden Ladner Gervais LLP | It begins with service
Calgary | Montréal | Ottawa | Toronto | Vancouver

From: Michael Smith [mailto:mjsmith1628@gmail.com]
Sent: April-24-17 3:43 AM
To: Gurofsky, Robyn <RGurofsky@blg.com>
Subject:

Ms. Gurofsky

Please provide your FedEx account number so we may send you some post.

Thanks

Mr. Smith

TAB 8

Groia & Company

April 13, 2017

VIA EMAIL *(rgurofsky@blg.com)*

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 – 3rd Ave. S.W.
Calgary, Alberta T2P 0R3

Attention: Robyn Gurofsky

Dear Ms. Gurofsky:

Re: In the matter of the Receivership of Lexin Resources Ltd.
Court of Queen's Bench, Action No. 1701-03460

I have now been briefed by Ms. Okun on the events of yesterday that took place in your office and I am both surprised and disappointed to hear how the events unfolded.

Firstly, Ms. Okun advises that there were two AER investigators in the room, contrary to the Protocol. While Ms. Okun did not object at the beginning of the review process to this fact, it became clear early on that the AER investigators held the view that Ms. Okun cannot be trusted and treated her thus. Such a situation will not be allowed again. Ms. Okun is an officer of the court and would never do anything improper to or with the documents at issue.

Secondly, the privileged documents do not belong to the AER or to the Receiver and, according to the Protocol, our office should have access to the privileged documents to prepare a list as required by paragraph 4. Ms. Okun advises that she was not allowed to take the privileged records with her on the basis that she could not be trusted with them. This is a highly offensive charge and runs contrary to both the Protocol and to Lexin's rights.

Groia & Company Professional Corporation ■ Lawyers
Wildeboer Dellelce Place
365 Bay Street, 11th Floor
Toronto, Ontario M5H 2V1
Tel: 416-203-2115 Fax: 416-203-9231
www.groiaco.com

I require the documents that were marked privileged by Ms. Okun to be delivered to Groia & Company's offices immediately. If there is a finding later on that Groia & Company erred with respect to any particular document, it will be returned to the AER.

Yours truly,

Bonnie Roberts Jones

BRJ/cwk

TAB 9

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
Rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

BLG
Borden Ladner Gervais

File No. 547730.21

April 14, 2017

Delivered by Email (brjones@groiaco.com)

Groia & Company Professional Corporation
365 Bay Street, Suite 1100
Toronto, ON M5H 2V1

Attention: Bonnie Roberts Jones

Dear Ms. Jones:

**Re: In the Matter of the Receivership of Lexin Resources Ltd. (the "Company" or "Lexin")
Court of Queen's Bench Action No. 1701-03460
Document Review – AER Document Protocol**

Thank you for your letter dated April 13, 2017. In your letter, you state that you were surprised and disappointed to hear how events unfolded during the document review process undertaken pursuant to the AER Document Protocol (the "**Protocol**"). I was only present for the first ten minutes (approximately) of the process, however, I did receive an update from my client.

Firstly, I wish to point out that the review process was undertaken at the offices of Grant Thornton Limited in accordance with paragraph 1 of the Protocol, not the offices of Borden Ladner Gervais LLP as stated in your letter.

Secondly, the AER investigators in attendance at the Receiver's office, Brian Temple and Stephanie Pipa, advised us at the review that they were both required to attend so as to ensure an AER investigator was in the room at all times to protect their "chain of custody" requirements. Thus, in the event one investigator needed to leave the room, there would always be an AER investigator in attendance with the records. Based on the advice from the AER investigators, we understood that their concern was not specifically attributable to Ms. Okun, whom we recognize to be a member of the legal profession and an officer of the Court, but to all parties in the room being Lexin's counsel, the Receiver and for a brief period, the Receiver's counsel. We were specifically advised by Mr. Temple at the review process that this was necessary to protect the AER's chain of custody obligations. None of the parties in attendance at the review objected to this, nor am I told did it impact the review process itself.

Lastly, the Protocol specifically contemplates in paragraph 7 that the Paper Records (as defined in the Protocol) claimed as privileged by Lexin's counsel will remain secured by the AER and will not be released to the Receiver or the AER for review unless Lexin agrees or a Court order is obtained. I discussed this matter with Ms. Okun before the commencement of the review and suggested that a combination of taking notes and pictures of the documents she intended to mark privileged would assist in the creation of the list contemplated in paragraph 4 of the Protocol. I am advised by my client that Ms. Okun appeared to take notes and photographs of the documents she had marked privileged. I am also advised by my client that the documents marked privileged were placed in an envelope and sealed with tape, labelled "privileged" and signed by all parties in attendance. I understand that the AER took those documents and secured them in accordance with paragraph 7 of the Protocol.

As discussed when the terms of the Protocol were originally negotiated, the Paper Records were always contemplated as remaining secured with the AER to ensure compliance with the AER's "chain of custody" requirements. A plain reading of paragraph 7, consented to by your client, reflects this. As a result, we are unable to deliver the documents marked privileged to Groia & Company's offices as this would place the Receiver in breach of the Protocol. In any event, and as advised above and contemplated by the Protocol, the AER is in possession of these records, not the Receiver.

I trust the foregoing to be in order. Should you continue to have concerns regarding the manner in which the Protocol was followed, I would be happy to discuss this with you. Otherwise, you are free to bring an application pursuant to paragraph 3 of the Protocol.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky

TAB 10

Groia & Company

Tatsiana Okun
Direct Line: 416-203-4489
Email: tokun@groiaco.com

April 17, 2017

VIA EMAIL (*rgurofsky@blg.com*)

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

Attention: Robyn Gurofsky

Dear Ms. Gurofsky:

RE: In the matter of the Receivership of Lexin Resources Ltd.
Court of Queen's Bench Action No. 1701-03460

Further to my attendance on April 12, 2017 for a review of the Paper Records seized by the Alberta Energy Regulator (the "AER"), attached is a list of the records marked privileged, including a general description of the records and the nature of the privilege claimed, which is provided to you in accordance with paragraph 4 of the Protocol for the Disclosure of the Records Seized by the Alberta Energy Regulator.

During the review, these records were placed in sealed envelopes and are not to be reviewed by the AER or the Receiver.

Yours very truly,

Tatsiana Okun

Groia & Company Professional Corporation ■ Lawyers
Wildeboer Dellelce Place
365 Bay Street, 11th Floor
Toronto, Ontario M5H 2V1
Tel: 416-203-2115 Fax: 416-203-9231
www.groiaco.com

List of the Documents Marked Privileged

Reviewed on April 12, 2017 ~9:15am-6:15pm at the Receiver's Office

Item No.	General Description	Nature of the Privilege Claimed
B1	1 page document	Solicitor-client privilege
B2	4 documents marked as "privileged & confidential"	Solicitor-client privilege
B3	1 page document marked as "privileged & confidential"	Solicitor-client privilege
B4	none	n/a
B5	none	n/a
B6	• ***1 DVD – not reviewed for privilege** • 2 copies of the same email chain • email	Solicitor-client privilege
B7	• email • draft documents	Solicitor-client privilege
B8	none	n/a
B9	• list and attached fax and emails • letter • 1 folder marked "Lawsuits" containing legal documents • various documents relating to unrelated companies (primarily MFC Power General Partner Ltd., 1049601 B.C. Ltd., Notine Holdings Inc., MFC Processing Partnership)	Solicitor-client privilege Litigation privilege Not-relevant
B10	#1 – Lexin's privileged documents • draft legal documents • documents marked as "privileged & confidential" • 1 page document • email • legal memorandum • letter from counsel • legal document with notes #2 – various documents relating to unrelated companies (primarily Kasese Cobalt Company Ltd., Notine Holdings Inc. and MFC Industrial Ltd.) #3 – various documents relating to unrelated companies (primarily MFC Power General Partner Ltd. and MFC	Solicitor-client privilege Litigation privilege Not-relevant Solicitor-client privilege Not-relevant

	Power General Partnership) #4 – various documents relating to unrelated companies (primarily MFC Processing Partnership and MPP Ltd.)	Not-relevant
B11	• emails • notes from meetings and phone calls with legal counsel • legal documents with notes to/for counsel • various documents relating to unrelated companies (primarily Jixin Energy Inc.)	Solicitor-client privilege Litigation privilege Not-relevant

TAB 11

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
Rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

Borden Ladner Gervais

File No. 547730.21

April 25, 2017

Delivered by Email (tokun@groiaco.com)

Groia & Company Professional Corporation
365 Bay Street, Suite 1100
Toronto, ON M5H 2V1

Attention: Tatsiana Okun

Dear Madam:

Re: In the Matter of the Receivership of Lexin Resources Ltd. (the "Company" or "Lexin")
Court of Queen's Bench Action No. 1701-03460
Document Protocol for AER Seized Records (the "Protocol")

Thank you for your correspondence dated April 17, 2017 and in particular your list of the records which you marked privileged during the document review under the Protocol. As noted in your correspondence, pursuant to paragraph 4 of the Protocol, the list of records marked privileged is to contain a general description of the records and the nature of the privilege claimed. In accordance with paragraph 6 of the Protocol, the Receiver is to make a determination, based on the list provided, as to whether it wishes to challenge the privilege claims on the records so marked.

Unfortunately, certain of the descriptions provided are not sufficient for the purposes of paragraph 6 of the Protocol. In particular, we require further detail in respect of the following:

1. Item B1;
2. Item B2;
3. Item B3;
4. Item B6;
5. Item B7;
6. Item B9 (list and attached fax and emails; letter);
7. Item B10, #1; and
8. Item B11.

In particular, if the document is listed as being email or other correspondence, we require the dates where possible and the identity of the author and recipients of the correspondence. Where a document is simply described as "document" we must be told the nature of the document.

Borden Ladner Gervais

We look forward to an updated list of documents marked privileged with the appropriate level of description provided.

If you have any questions, don't hesitate to contact the undersigned.

Yours truly,

Borden Ladner Gervais LLP

for

Robyn Gurofsky

TAB 12

Groia & Company

Tatsiana Okun
Direct Line: 416-203-4489
Email: tokun@groiaco.com

April 25, 2017

VIA EMAIL (*rgurofsky@blg.com*)

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

Attention: Robyn Gurofsky

Dear Ms. Gurofsky:

RE: In the matter of the Receivership of Lexin Resources Ltd. – Emergency Records Court of Queen's Bench Action No. 1701-03460

We write in response to your emails of this Saturday, April 22, 2017 and late last night (at 7:47pm EST) on April 23, 2017 attaching lists of the purported "Lexin Emergency Records" prepared by the Receiver under the Protocol for the Review of Records by the Court-Appointed Receiver of Lexin Resources Ltd. and the Urgent Disclosure of Records of Lexin Resources Ltd. to the Orphan Well Association (the "OWA Protocol").

First, the indexes of Lexin Emergency Records you have provided do not comply with the OWA Protocol as they fail to provide sufficient description for a meaningful identification of the records as Emergency Records in many instances. In addition, where there is more detailed description, on their face, many of the records are not "Emergency Records" within the meaning of paragraph 24 of the OWA Protocol.

Second, the indexes include records that are clearly not Lexin's records and/or may include records that do not belong to Lexin. Examples of such records are found on pages 33-35 and 50-53 of the April 23, 2017 index, where you list records that belong to the Mazeppa Gas Processing Plant and Mazeppa "facility files". As you are aware, these documents belong to LR Processing Partnership and/or LR Processing Ltd., whose property had vested in the trustee in bankruptcy in November 2016.

You are not entitled to release the records you have listed as Lexin Emergency Records on April 22 and 23, 2017 to the OWA. If they have already been released to the OWA, we require you to retract these records immediately.

In order to address these problems, we are prepared to attend to review the records incorrectly or inadequately identified as Emergency Records.

Lexin reserves its rights to claim privilege and review all of the records in question, given the Receiver's breach of the OWA Protocol.

Yours very truly,

Tatsiana Okun

Groia & Company

Bonnie Roberts Jones
Direct Line: 416-203-4476
Email: brjones@groiaco.com

April 25, 2017

VIA EMAIL *(rgurofsky@blg.com)*

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 – 3rd Ave. S.W.
Calgary, Alberta T2P 0R3

Attention: Robyn Gurofsky

Dear Ms. Gurofsky:

**Re: In the matter of the Receivership of Lexin Resources Ltd. – Reviewable Records
Court of Queen's Bench, Action No. 1701-03460**

We are in receipt of your general index of documents sent, purportedly, in compliance with the Protocol for the Review of Records by the Court-Appointed Receiver of Lexin Resources Ltd. and the Urgent Disclosure of Records of Lexin Resources Ltd. to the Orphan Well Association (the "Protocol") on Saturday April 22, 2017.

The requirement under paragraph 4 of the Protocol is that you provide "a general index of the Paper Records on a continuous basis as those records are collected and catalogued. Such index may be limited to, depending upon the circumstances, a label on the box of documents if that is sufficient for identifying its contents."

As you are aware from our telephone discussion of this afternoon, unfortunately, the index that you provided does not comply with paragraph 4 of the Protocol.

Firstly, your index does not comply with the Protocol in that it does not identify the documents with sufficient particularity to allow us to determine which boxes need not be reviewed for privilege and which do not, meaning that virtually every box will need to be reviewed.

Secondly, you were to provide indexes on a continuous basis. You did not do so, but created an index of dozens of boxes at once and sent it out at once (followed up the next day with an index dealing with hundreds of boxes, to which we will reply soon), making it impossible for us to review those documents in a 48 hour period.

Without prejudice to our position that you have not complied with the Protocol in these two ways and that we are therefore not required to complete our review within 48 hours, we will be attending in Calgary on Thursday, April 27 to begin the review of those documents listed in your general index sent on Saturday April 22. We will commence our review with the files starting on pages 1 and 46 of the April 22 index identified as "Project Honey" files, "Uganda" files starting on page 38, and "Mineral" files starting on page 52 of the index.

We understand that these records have been moved from the Mazeppa Gas Processing Plant to Calgary Archives. Please confirm that the appropriate arrangements will be made and that there is an appropriate place for the review to be undertaken in a healthy and safe manner.

Yours truly,

Bonnie Roberts Jones

BRJ/cwk

TAB 13

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
Rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com

Borden Ladner Gervais

File No. 547730.21

April 25, 2017

Delivered by Email (tokun@groiaco.com)

Groia & Company Professional Corporation
365 Bay Street, Suite 1100
Toronto, ON M5H 2V1

Attention: Tatsiana Okun and Bonnie Roberts Jones

Dear Madam:

Re: In the Matter of the Receivership of Lexin Resources Ltd. (the "Company" or "Lexin")
Court of Queen's Bench Action No. 1701-03460
Document Protocol – Emergency Records

Thank you for your respective letters each dated April 25, 2017 outlining concerns regarding the Emergency Records and Reviewable Records indexes provided to you on April 22, 2017 and on April 24, 2017 (not April 23, 2017 as suggested in your letter). We acknowledge the advice from Ms. Roberts Jones of your office on April 25, 2017 that Groia & Company takes no issue with the indexes of Emergency Records and Reviewable Records provided to you on April 13, 2017.

<u>Lexin Emergency Records</u>

In your letter you indicate that the Receiver's indexes fail to comply with the Document Protocol in that they do not sufficiently describe the documents. We respectfully disagree. The indexes contain descriptions of both files and boxes and include well files and facility files, in many cases with the specific well/facility or property identified by geographic location. The descriptions on the index mirror the descriptions used by Lexin on files and in addition contain Lexin's file numbers.

A review of the Emergency Records definition contained in the Document Protocol, consented to by your office, indicates that well files and facility files constitute Emergency Records. A general statement that the records contained in the indexes do not meet the definition of Emergency Records is not particularly helpful. Please be more specific about which files on the index do not meet the definition of Emergency Records.

Records listed on pages 33 to 35 of the index provided on April 25, 2017 reference the Mazeppa Gas Plant. While Lexin holds the license to this facility and is entitled to these records, we will be moving these records to the Reviewable Records list as the Orphan Well Association (the "**OWA**") does not have care and custody of this facility and therefore does not require access to the records.

Borden Ladner Gervais

Lastly, we can advise that the OWA has not yet been provided with any of the records contained in the April 22 or April 24 index.

Reviewable Records

We strongly reject your statement that the Receiver has not complied with the Protocol.

With respect to the allegation that the indexes are not being provided on a continuous basis in accordance with paragraph four of the Document Protocol, I can advise that the Receiver is using its best efforts to provide the indexes on a continuous basis. As the Receiver obtains the index from Calgary Archives, it must prepare, sort, review and in some cases revise the index. The Receiver will continue to use its best efforts to provide the indexes on a continuous basis as they are prepared and available for review.

I would also confirm our advice to you that if a reasonable request is made to extend the 48 hour deadline for reviewing records as set out in paragraph 7 of the Document Protocol, the Receiver would consider such request.

If you believe that a more detailed description is necessary, which we do not believe to be the case, the cost of cataloging and indexing these records will increase significantly. In addition, when preparing the Document Protocols, it was never intended that your office would review all of the files retrieved. There is a cost of $6.60 per box retrieved at Calgary Archives. Your instructing client should bear the additional costs of this, not the stakeholders in the receivership estate. We therefore require your confirmation that your client will provide a retainer in the amount of $30,000 in advance to be held by the Receiver to address these issues. Should the cost to conduct more in depth reviews of the documents exceed this amount, a further retainer would be required.

Lastly, I understand from a discussion with Ms. Roberts Jones that Groia & Company have not reviewed these lists with its client. The Receiver is of the view that neither the OWA nor the public of Alberta should be further prejudiced by your instructing client's apparent lack of urgency and attention to safety matters as a result of purported prejudice claims that prevent access to the Records.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky

TAB 14

In the Matter of the Receivership of
Lexin Resources Ltd.

APPENDIX 14

Receipts and Disbursements - March 20, 2017 to April 21, 2017

Receipts	
Receiver's borrowings	200,000
Cash held at receivership	3,636
Collection of AR & other refunds	1,804
	205,441
Disbursements	
Contract services	4,375
Utilities and other services	851
Storage costs	241
OSB filing & Ascend fees	345
	5,812
Cash in Trust	**199,629**

TAB 15

In the Matter of the Receivership of
Lexin Resources Ltd.

APPENDIX 15

Projected Receipts and Disbursements - March 20, 2017 through to June 30, 2017

	Notes	Actual to April 21, 2017	Projected March Accrued	April Accrued	May	June	Total
Receipts							
Receiver's borrowings	*1*	200,000			750,000	250,000	1,200,000
Cash held at receivership		3,636					3,636
Collection of AR & other refunds	*2*	1,804					1,804
Sale of Company vehicles	*3*	-			46,750		46,750
		205,441	-	-	796,750	250,000	1,252,191
Disbursements							
Receiver fees and costs	*4*	-	140,342	120,000	120,000	120,000	500,342
Receiver's counsel fees and costs	*5*	-	57,496	50,000	50,000	50,000	207,496
Contract services	*6*	4,375		10,000	30,000	30,000	74,375
Utilities and other services	*7*	851	9,677	30,000	30,000	30,000	100,528
Storage costs	*8*	241	1,426	4,200	5,300	5,300	16,467
Removal and indexing of Records	*9*	-		50,000	30,000	10,000	90,000
Data Management Specialist	*10*	-		50,000	50,000	10,000	110,000
Server set-up & ongoing maintenance	*11*	-			25,000	5,000	30,000
Software licensing fees	*12*	-		15,000	10,000	10,000	35,000
Mail forwarding		-	248				248
OSB filing & Ascend fees		345					345
GST on disbursements	*13*	-	10,459	16,460	17,515	13,515	57,949
Interest on Receiver's borrowings	*14*	-	338	1,266	1,308	6,012	8,924
Equipment lease rentals	*15*	-					-
Property taxes	*16*	-					-
Non-operated prop. expense (JIBs)	*16*	-					-
Insurance	*16*	-					-
Mineral lease rentals - Crown	*16*	-					-
Mineral lease rentals - Freehold	*16*	-					-
Surface lease rentals - Crown	*16*	-					-
Surface lease rentals - Freehold	*16*	-					-
		5,812	219,986	346,926	369,123	289,827	1,231,674
Receipts less Disbursements		199,629	(219,986)	(346,926)	427,627	(39,827)	20,517

Notes on projections

1 Reconciling figure
2 Assumed for conservatism purposes to be nil pending results of Reciever's letters sent to operating WIPs
3 Based on preliminary figures from auctioneer, net of estimated commission and disposal costs
4 Based on actual WIP and preliminary estimates
5 Based on actual WIP and preliminary estimates
6 Present and projected providers of land, accounting and other services
7 Inclusive of electricity, telephone (emergency line) and line locating service providers
8 Based on quotations from service provider and volume estimates from work performed by Receiver and contractors
9 Based on quotations from service provider and volume estimates from work performed by Receiver and contractors
10 Based on quotations from service provider
11 Preliminary estimate
12 Preliminary estimate, inclusive of set-up
13 Calculated based on 5% of applicable items and assuming no ITC's pending GST return filing efforts following receipt of Records
14 Based on 7.7% of outstanding amounts in arrears
15 Pending resolution of matter
16 Unknown, pending receipt of Records and other efforts required to determine quntum of items