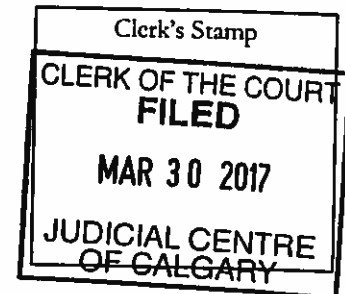




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APPLICANT: ALBERTA ENERGY REGULATOR
RESPONDENTS: LEXIN RESOURCES LTD.
DOCUMENT: RECEIVER'S FIRST REPORT
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ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING DOCUMENT

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Table of Contents

Introduction.....	3
Limitations of Report.....	4
Background.....	4
Organizational Structure.....	5
Assets	8
Status of Operations at the Date of Receiver's Appointment.....	9
Activities of the Receiver.....	13
Records	17
Document Disclosures Protocols	20
Creditors.....	21
Recommendation and Intended Course of Action	24

List of Appendices

- Appendix 1 – Organizational chart of Lexin and Related Entities
- Appendix 2 – Correspondence regarding a possible meeting with the Directors of Lexin
- Appendix 3 – Various correspondence regarding Company records
- Appendix 4 – The Orphan Well Association document disclosure protocol
- Appendix 5 – The Alberta Energy Regulator document disclosure protocol

Introduction

1. On March 20, 2017, on application by the Alberta Energy Regulator (“**AER**”), the Court of Queen’s Bench of Alberta (the “**Court**”) pronounced an order (the “**Receivership Order**”) appointing Grant Thornton Limited (the “**Receiver**”) as receiver and manager of Lexin Resources Ltd. (“**Lexin**” or the “**Company**”).
2. Paragraph 3a of the Receivership Order specifically limits the Receiver’s powers to take possession of or exercise physical control over any Lexin oil and gas wells, pipelines, facilities or sites regulated by the AER (the “**Sites and Abandoned Sites**”). The Receivership Order states the Receiver shall not have the power to take possession of and exercise physical control over the Sites and Abandoned Sites. The Receiver understands that the care and custody of the Sites, as later defined in this report, is either with the Orphan Well Association (“**OWA**”) or the working interest partners (“**WIPs**”).
3. The purpose of this report (the “**First Report**”) is to:
 - a) provide this Court and other interested parties with a summary of the activities of the Receiver since its appointment and information with respect to the Receiver’s efforts to obtain the Records of the Company;
 - b) provide preliminary background on the Company, organizational structure and assets of the Company, to the extent this information is known to the Receiver;
 - c) provide information on the proposed document disclosure protocols established between the Receiver, the OWA and the AER, respectively; and
 - d) seek the advice and direction of this Court with respect to claims of privilege asserted by Groia & Company Professional Corporation (“**Groia & Company**”) on behalf of Lexin.
4. 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 application materials and the affidavit of Laura Chant sworn on March 11, 2017 (the "**Chant Affidavit**").

Limitations of Report

5. The information contained in the First 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.
6. 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 First Report. Any use that any party makes of this report, or any reliance on or decisions to be made based on it is the responsibility of such party.
7. A copy of the First Report and other relevant documents in the receivership proceedings are available on the Receiver's website at: www.grantthornton.ca/Lexin.

Background

8. 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.
9. The events leading up to the receivership of Lexin are outlined in the Chant Affidavit. 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.

10. 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. For the purposes of this First Report, the Receiver has adopted the definitions from the Chant Affidavit of “**Sites**”, being 1,662 of Lexin’s operational AER licenses (i.e. 1380 wells, 81 facilities, 201 pipelines), and “**Abandoned Sites**”, being Lexin’s AER Licenses respecting 134 abandoned wells, 5 abandoned facilities and 6 abandoned pipelines. Based on information from AER, included in the Sites are 6 critical sour gas wells which have high levels of hydrogen sulphide, which if released, could be toxic to humans and livestock. Lexin has 2 sour gas wells located within the Calgary city limits.

Organizational Structure

11. The Receiver has attempted to ascertain the organizational structure of Lexin and related entities. Attached as **Appendix 1** is a diagram explaining the intercompany relationships as we understand them; however, this may be subject to change as further information becomes available. Given the early stage of the Receivership and the lack of available Records, as discussed later in this report, our understanding of these intercompany relationships is based on current and historical corporate searches.
12. Lexin is incorporated pursuant to the laws of British Columbia. The Company’s directors as at the date of Receivership were Michael Smith and Jasmina Cezek. Lexin was formerly named MFC Energy Corporation, which in turn was formerly named Compton Petroleum Corporation. At the date of Receivership Lexin’s registered office was listed as 1000 Cathedral Place 925 West Georgia Street, Vancouver BC, which is the offices of Sanghra Moller LLP; however, on March 23, 2017, Lexin’s registered and records office was listed as 1-1850 Hartley Avenue, Coquitlam BC (“**Hartley Location**”). Based upon an internet search, the Receiver understands this premise is occupied by MEG International Services Ltd. (“**MEG International**”). A corporate search indicates that MEG International

maintains its registered and records office with Sanghra Moller LLP and Michael Smith is listed as the sole director.

13. Lexin is a partner in the 0989 Resource Partnership (the “**0989 Partnership**”), formerly the MFC Resource Partnership, which in turn was formerly named the Compton Resource Partnership. The business address of the partnership is listed as 1620-400 Burrard Street, Vancouver BC (“**Burrard Location**”), while the mailing address is listed as Sanghra Moller LLP. The other partner in the 0989 Partnership is 1051393 B.C. Ltd. (“**105**”).
14. 105 is incorporated pursuant to the laws of British Columbia. Its registered office and records information is listed as the Hartley Location, which is the same as Lexin. The sole director of 105 is Michael Smith.
15. The 0989 Partnership holds 100% of the shares of LR Processing Ltd. (“**LR Ltd.**”), formerly named MPP Ltd., which in turn was formerly named 1045034 Alberta Ltd. LR Ltd. is incorporated pursuant to the laws of Alberta. Its registered office and records information is listed as 1600, 333-7th Avenue SW, Calgary AB. The sole director of LR Ltd. is Michael Smith.
16. LR Ltd. is the general partner of the LR Processing Partnership (“**LR Partnership**”), formerly named the MFC Processing Partnership, which in turn was formerly named the Mazeppa Processing Partnership. The LR Partnership is a partnership pursuant to the laws of Alberta. Its registered office and records information is listed as 400, 1035-7th Avenue SW, Calgary AB. It is the Receiver’s understanding that LR Ltd. is the fee simple owner of the Mazeppa Plant (as defined later in this First Report).
17. MFC Bancorp Ltd. (“**MFC Bancorp**”), is a public company traded on the New York Stock Exchange and incorporated pursuant to the laws of British Columbia. Its previous names include MFC Industrial Ltd. A review of the public filings by MFC Bancorp with the United States Securities and Exchange Commission indicate that as of March 31, 2015, Lexin, the 0989 Partnership and LR Partnership (under their predecessor names) were all listed as being wholly owned subsidiaries of MFC Bancorp. MFC Bancorp’s registered office and records information is listed as being with Sanghra Moller LLP. There are 7 directors listed for MFC

Bancorp, including Michael Smith and Gerardo Cortina. Additionally, Samuel Morrow is listed as an officer of MFC Bancorp, along with Michael Smith and Gerardo Cortina.

18. MFC Energy Finance Inc. (“**MFC Finance**”), a company listed as a secured creditor against Lexin pursuant to the Alberta Personal Property Registry, is incorporated pursuant to the laws of British Columbia. It was previously named 1041189 B.C. Ltd. Its registered office and records information is listed as being with Sanghra Moller LLP. One of the directors of MFC Finance is Samuel Morrow, who also has his contact particulars listed as the Burrard Location, the business address for the 0989 Partnership. The president of MFC Finance is listed as Michael Smith.

19. 1049597 B.C. Ltd. (“**597**”), a company alleging ownership respecting certain equipment located at the Sites as further detailed in this First Report, is incorporated pursuant to the laws of British Columbia. Its registered office and records address is listed as being with Sanghra Moller LLP. The sole director of 597 is listed as Samuel Morrow.

20. In summary,

- a) All of Lexin, MFC Bancorp, the 0989 Partnership and LR Partnership appear to be related parties.
- b) Michael Smith is a director and/or officer of all of Lexin, MEG International, 105, LR Ltd., MFC Bancorp, and MFC Finance.
- c) Samuel Morrow is a director and/or officer of all of MFC Bancorp, MFC Finance, and 597.
- d) All of MEG International, the 0989 Partnership, MFC Bancorp, MFC Finance, and 597 have listed their registered office and records address with Sanghra Moller LLP. Additionally, Lexin formerly listed its registered office and records address with Sanghra Moller.

Assets

21. The Receiver's understanding of the material assets of Lexin are as follows:

a) Oil and Gas Assets

1. AER Licenses – based on the information contained on AER's Digital Data Submission (“**DDS**”) password-protected web-site and in the Chant affidavit, Lexin is currently the holder of the following licenses:

- a. Wells – 1,514 (1,380 on Sites and 134 on Abandoned Sites)
- b. Facilities – 86 (81 on Sites and 5 on Abandoned Sites)
- c. Pipelines – 207 (201 on Sites and 6 on Abandoned Sites)

2. Mineral leases

- a. Crown – based on information provided to the Receiver by Alberta Energy (“**AE**”) Lexin is currently the lessee or designated representative of 322 Crown mineral leases encompassing just over 78,000 hectares.
- b. Freehold – unlike Crown mineral leases there is no central registry for Freehold mineral leases. The Receiver is investigating and continues to look for records pertaining to Lexin's freehold lease information. The Receiver has been informed by certain freehold lessors that Lexin is deficient in certain of their freehold mineral lease payment obligations.

- 3. Surface Equipment – there is surface equipment located at the Sites. Based on information provided by counsel to 597, 597 is asserting that it is the owner and lessor of some or all of this equipment. The Receiver has requested additional information from counsel to 597 and is investigating this matter.
- 4. Non-operated working interests – based on information provided to the Receiver by the AER, Lexin (under current and predecessor company names)

and the 0989 Partnership are listed as a WIP on approximately 260 issued, amended and active wells and facilities and another approximately 180 suspended, abandoned and reclaimed wells and facilities that are licensed to and operated by other licensees. The Receiver is currently investigating the nature of the non-operated working interests.

- b) Partnership interest in the 0989 Partnership – we have been informed that Lexin holds some of its oil and gas interests through the 0989 Partnership. We also understand that the 0989 Partnership indirectly has an interest in the Mazeppa Gas Plant (“**Mazeppa Plant**”). The Receiver is investigating this matter.
- c) Vehicles – there were four vehicles located at Lexin sites in which Lexin appears to be the owner. The Receiver has taken possession of these vehicles and delivered them to an auction company for storage and eventual sale.

Status of Operations at the Date of Receiver’s Appointment

- 22. At the date of the Receiver’s appointment, the operations of Lexin had effectively ceased and all of the Sites were suspended by the AER. The Company appears to have vacated their main office location at the end of February 2017.

Immediate Health & Safety Concerns

- 23. Upon being appointed, the Receiver was advised that in February 2017, power utility providers had disconnected power to certain of the Sites and Abandoned Sites due to non-payment. This information is of significant concern given that power is required for the H2S monitoring equipment at the sour gas sites, notwithstanding their suspended status. The Receiver understands that the AER took steps to advise power utility providers to either reconnect or delay any further disconnections to Lexin sites. The Receiver is continuing to work with utility providers to ensure continuation of services.
- 24. Similarly, the Receiver was advised that the telephone service provider was threatening to shut down the 1-800 incident response line (the “**Incident Line**”) for non-payment. The

Incident Line is a telephone number that members of the public can call to report a gas leak, spill or other emergency event at a Lexin site.

25. In addition, the Receiver was advised that certain ponds located at the Mazeppa Plant were at risk of spilling over, resulting in what the Receiver understands would be a significant environmental issue. The Receiver is advised that on February 15, 2017, the AER issued an order pursuant to sections 113 and 241 of the Environmental Protection and Enhancement Act (EPEA), directing Lexin, its directors and officer and LR Ltd. to address the overflowing ponds at the Mazeppa Plant. The Receiver is advised by the AER that no steps have been taken by the above parties to address the environmental issues at the Mazeppa Plant.
26. Based on insurance information reviewed to date by the Receiver, it would appear Lexin had no insurance coverage from February to August 2015 and that insurance coverage was cancelled effective September 6, 2016. The Receiver has not been able to locate insurance records showing coverage for the period subsequent to September 6, 2016. The Receiver has specifically requested this information from Groia & Company; however, to date no response on this issue has been received.

Employees

27. A number of former Lexin employees have contacted the AER and the Receiver indicating that they are owed wages and severance in relation to time worked in 2016 and early 2017. In addition, the Receiver was advised that Lexin had one remaining employee working from home. The Receiver understands that the employee was previously a joint venture accountant and was performing administrative tasks on behalf of Michael Smith, a director of the Company. By letter dated March 27, 2017 from Groia & Company, the Receiver was advised that this employee has been terminated.

Lease Cancellations

28. AE has informed the Receiver that 88 Crown leases have been cancelled for non-payment by Lexin in the 60 days preceding the Receivership.

29. The Receiver has been informed by the AER that it has notified Lexin that Lexin is required to re-acquire leases for, or to abandon:

- a) 205 wells located on crown leased lands that have been cancelled for non-payment;
and
- b) 26 wells located on freehold leased lands that have been cancelled for non-payment.

30. The Receiver has been advised by the AER that approximately 50 surface leases have been terminated by lessors and a right of entry to Lexin Sites or Abandoned Sites cancelled due to non-payment of surface rentals. Further, in correspondence from the Surface Rights Board (the “**SRB**”) dated March 29, 2017, the SRB advises that it has approximately 800 ongoing applications under section 36 of the Surface Rights Act from landowners seeking recovery of unpaid annual rentals allegedly owed by Lexin.

Asset Transfers

31. The AER has informed the Receiver that two purchasers or prospective purchasers of Lexin’s seismic data approached them prior to the receivership expressing an interest in purchasing Lexin’s seismic data, or alternatively advising that they had in fact purchased the data. Based on information received by the Receiver to date, it is unclear whether the seismic data has been purchased, although the Receiver understands that one of the parties is currently in possession of that data.

32. The AER has also advised the Receiver of a number of license transfers by Lexin to companies who may be related to Lexin. These companies are Notine Holdings Inc. (“**Notine**”) and Jixin Energy Inc. (“**Jixin**”).

33. Notine is incorporated pursuant to the laws of British Columbia. It was previously named 1049601 B.C. Ltd. Its registered office and records address is listed as being with Sanghra Moller LLP. There are three directors listed for Notine, including Samuel Morrow. A historical search of Notine indicates that Gerardo Cortina, a director of MFC Bancorp, ceased being a director of Notine on February 13, 2017.

34. Jixin, formerly MFCE Resources Ltd., is extra-provincially registered in Alberta, with its home jurisdiction located as the Republic of the Marshall Islands. Its head office is listed as 2900, 350-7th Avenue SW, Calgary AB. The sole director of Jixin is listed as Jelena Djordjevic-Lausevic of Serbia. A historical search of Jixin indicates that its prior registered office was with Sanghra Moller and that one of Jixin's prior officers was Liao Isui, an individual who has the same address listed by Michael Smith in Hong Kong.
35. The AER advised the Receiver that several days after the Receivership Order, Notine contacted the AER requesting a transfer in DDS of interests presently listed under Lexin's ownership to Notine, which Notine asserts were omitted from earlier transfers from Lexin to Notine due to possible clerical errors.
36. The Receiver's subsequent investigations have revealed the following:
- a) Lexin transferred 171 well and facility licenses located in the Niton area to Notine between November 2015 and April 2016, which transfers contributed towards a decrease in Lexin's licensee liability rating ("**LLR**") from 1.13 to 1.00 during this time frame; and
 - b) 79 Crown mineral leases were transferred from Lexin to Notine in November 2015.

Equipment Order

37. On or about February 14, 2017, Justice Tilleman issued what is commonly referred to in these proceedings as the "Equipment Order", pursuant to which third parties are prohibited from removing equipment from the Sites and Abandoned Sites without the AER's prior approval or an order of the Court. Pursuant to paragraph 5 of the Receivership Order, the AER is to bring requests for the removal of equipment received pursuant to the Equipment Order, to the attention of the Receiver so that the Receiver can make a determination with respect to the validity and enforceability of the claim.

Activities of the Receiver

38. Since the Receiver has been appointed, the Receiver has taken a number of steps including but not limited to the following:

- a) Immediately upon its appointment, the Receiver met with the AER to understand the urgent environmental and safety issues associated with the Sites.
- b) The Receiver has been working with the AER and the 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.
- c) The Receiver has had several discussions with the AER about the steps required to minimize the risk of pond overflow at the Mazeppa Plant and continues to be in communication with the AER on this subject. Given the limited scope of the Receiver's appointment and the fact that it its mandate does not involve care and custody of the Sites and the Abandoned Sites, the Receiver does not intend to engage the consultant addressing the pond overflow but is available to assist the AER as necessary.
- d) 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. The AER and AE respectively have established DDS and Electronic Transfer System access to the Receiver in order to allow the Receiver to review further information pertaining to the licenses and leases respectively and in order for the Receiver to eventually make a determination with respect to the reinstatement of leases.
- e) The Receiver has learned through AE that Lexin appears to have ceased volumetric reporting effective May 2016. The Receiver is continuing to investigate this matter.
- f) The Receiver has requested further information from the AER regarding the parties who wish to purchase, or who believe they have purchased Lexin's seismic data, and

has written to one of those parties requesting information pertaining to the alleged sale.

- g) The Receiver has been working to determine the location of Lexin's records and take possession of those records. Most of the records appear to have been stored, and in some cases abandoned, at various locations across Southern Alberta. The Receiver has sent various letters to Lexin's former legal counsel, the AER, previous landlords, former employees and other parties who may be in possession of records or have knowledge of the location of Lexin's records. A discussion of the Receiver's attempts to gather the records, and the challenges facing the Receiver in doing so is outlined below this First Report.
- h) The Receiver has issued a request to meet with the directors of the Company. The Receiver was advised by counsel for Lexin that Michael Smith, one of the directors, would discuss the possibility of a meeting after the Receiver has dealt with a number of matters. The correspondence outlining the request to meet, together with the response from the Company is attached as **Appendix 2**. The Receiver is also enquiring as to the whereabouts of the other named director of Lexin, namely Jasmina Cezek.
- i) The Receiver has sent a letter to Sanghra Moller LLP requesting the corporate minute books and other records located there. By letter dated March 28, 2017, the Receiver was advised by Sanghra Moller LLP that on March 22, 2017, two days after the Receivership Order was granted, Lexin's registered office was transferred from Sanghra Moller LLP to the Hartley Location, which is believed to be occupied by MEG International, as further detailed above. The Receiver has now sent a second request for the corporate minute books and other records located at the new registered office.
- j) The Receiver has met with previously terminated employees of Lexin to discuss various matters pertaining to the Company's business and operations and has

attended at the home of one such employee to collect a box of records and a backup hard drive.

- k) The Receiver has been advised that Lexin's employment records have been transferred to Logan International Corp. ("**Logan**"). The Receiver has issued correspondence to Logan requesting copies of the employment records in Logan's possession.
- l) The Receiver has contacted the Company's former insurer in an attempt to obtain insurance coverage with the Receivership appointment. The Receiver is working with the insurer to obtain appropriate coverage and continues to work with the AER and the OWA to ensure site specific coverage is in place.
- m) The Receiver has contacted financial institutions where Lexin is believed to have conducted its banking and has requested a freeze on the account as well as access to historical banking records. The Receiver is awaiting receipt of this information. The Receiver has also sent similar correspondence to all the major Canadian Chartered Banks.
- n) The Receiver is in communication with the SRB to discuss the 800 ongoing applications from landowners against Lexin, and to obtain a further understanding of the surface lease issues.
- o) The Receiver has written to all WIP on Sites and Abandoned Sites advising of the Receiver's appointment over Lexin.
- p) The Receiver has commenced investigations with respect to Lexin's non-operated working and royalty interests.
- q) The Receiver has written to parties it has come to understand were potentially selling Lexin assets, including equipment, and has requested a listing of previously sold assets together with any assets currently for sale. The Receiver has also advised that

any proposed sales of the equipment must have the prior written approval of the Receiver and in certain cases be subject to Court approval.

- r) The Receiver obtained a review of the security held by Compass Compression Services Ltd. with respect to the leased compressor sought to be removed from one of the Sites or Abandoned Sites in accordance with the terms of the Equipment Order. The Receiver confirmed the validity and enforceability of the security interest and worked with the AER to authorize the safe removal of the compressor from the site.
- s) In addition, the Receiver is conducting a review of the information provided by 597 (as outlined above) alleging ownership of certain equipment which appears to have recently been owned by Lexin or the 0989 Partnership. If ownership and entitlement by 597 to the equipment is proven to the Receiver's satisfaction, the Receiver will work with the AER pursuant to the Receivership Order and the Equipment Order to determine the possibility of 597 safely removing such equipment from the Sites.
- t) Exxon Mobil has contacted the Receiver as a WIP of Lexin regarding the unauthorized removal of compressors at two Sites. The Receiver is investigating this matter.
- u) The Receiver has started to review the limited information available to date from third parties, including the AE and the Company's former insurer, pertaining to the transfers of Lexin assets in the Niton area to what may be related parties.
- v) The Receiver has issued a Receiver's Certificate in the amount of \$200,000 to the lender, the AER, and is currently assessing the quantum of further borrowings necessary to fund operations and these proceedings.
- w) The Receiver has responded to various creditor and stakeholder communications and has started a creditor list given the absence of Company records that would otherwise represent the starting point for this receivership process, as well as starting a log for documenting the numerous land-related inquiries received by the Receiver.

- x) The Receiver is documenting 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.
- y) The Receiver has started to compile a list of information required to commence a sales process. In that regard, the Receiver has identified the need to update the Company's reserve report and has contacted the independent reserve engineer who prepared these reports in prior years for a quote. The Receiver continues to compile this list and identify any additional information that will be required in part to ensure a fair and robust process is undertaken.

Records

39. The Receiver has experienced challenges locating and taking possession of Lexin's records and has not yet had an opportunity to review the vast majority of these records for various reasons, including:
- a) Lexin's records are disbursed across various locations in Southern Alberta and based on the locations reviewed thus far, are in a relatively disorganized state and, in certain cases, appear to have been abandoned by the Company.
 - b) The volume of records stored at the various locations is significant, as more particularly discussed below.
 - c) Lexin's legal counsel, Groia & Company, has asserted that records are privileged. In addition, the Receiver is advised that certain of Lexin's records may be co-mingled with records belonging to related third parties who are not party to these receivership proceedings. Copies of the Receiver's correspondence to and from Groia & Company regarding this issue are attached as **Appendix 3**.
 - d) Certain records are subject to seizures by the AER pursuant to their regulatory proceedings.

- e) Certain of the electronic records, consisting of disassembled computer servers, require reassembly by an IT professional and the determination of appropriate software licensing and access capabilities.

40. The Receiver has identified the following locations at which Lexin records are being stored and provides the following comments on the status of gathering these records:

- a) Former Lexin office located at 300, 1207 11th Avenue SW in Calgary, AB ("**ATB Location**" – the Records at this location were under the control of the Landlord, Alberta Treasury Branches ("**ATB**"). The Receiver worked with ATB to gain access to these records. The Receiver understands Lexin moved out of the ATB Location in November 2016 without advising the landlord and with rental arrears owing. Numerous records and office equipment were left behind at the ATB Location. The Receiver has attended at this location to conduct a preliminary review of the Records.
- b) Former Lexin office located at 404, 6th Avenue SW, Calgary Alberta ("**6th Avenue Location**") – the Receiver understands that Lexin moved into this location after leaving the ATB Location and remained there up until the end of February 2017. The Receiver believes that once Lexin moved from this location, the Records were moved from the 6th Avenue Location to the Mazeppa Plant.
- c) The Mazeppa Plant – the Mazeppa Plant is a suspended gas processing facility that is currently locked, with on-site security and access is only available through the AER. The Receiver has attended at this location and taken photos of the Records. The Receiver notes that there are entire rooms, including the women's washroom, containing an estimated 1,000+ banker's boxes and filing cabinets, presumably containing Lexin records.
- d) Gladys field office – the Receiver attended this location which is also under the control of the AER. This location contains various banker's boxes and filing cabinets, presumably containing Lexin records, on a smaller scale than what is contained at the Mazeppa Plant.

- e) Brant field office – the Receiver has attended at the Brant field office, which contains various banker's boxes and filing cabinets again, on a smaller scale than what is contained at the Mazeppa Plant.
- f) Inglewood Westkey Self Storage Unit – the Receiver was made aware of the location on March 24, 2017 as a result of correspondence received by Groia & Company indicating that Lexin had records located at a storage unit in Inglewood and would not have access to the unit after March 27, 2017. The Receiver was able to contact a former employee to determine the specific address and unit, and to gain access to the storage unit. The storage contract has now been transferred to the Receiver and the records remain secured in the storage unit.
- g) Calgary Archives Corp. – the Receiver was advised by Groia & Company that Lexin had records dated prior to 2016 left with Calgary Archives Corp. The Receiver contacted Calgary Archives Corp. who advised that Lexin was supposed to have picked up these records but never did. The Receiver is in discussions with Calgary Archives Corp. to determine the best way to preserve the records for the time being.
- h) Banker's Court Location ("**Banker's Court**") – the Receiver understands that Lexin was a tenant pursuant to a lease at Banker's Court in 2015 and early 2016. The Receiver is advised by counsel for the landlord that Lexin failed to pay rent and left the premises in 2016 without advising the landlord. The Receiver is further advised that after Lexin's departure the landlord completed a seizure of the contents of the leased premises at Banker's Court, which seizure consisted primarily of computer servers which have now been seized by the AER. The Receiver is advised that the landlord of Banker's Court holds no other books and records of Lexin.
- i) The Receiver is in the processing of attending at other Lexin field offices to identify any additional records.

Document Disclosures Protocols

Orphan Well Association

41. As previously indicated, the OWA currently has care and custody of the approximately 1,088 Sites. The OWA has advised the Receiver that it urgently requires information with respect to the Sites in order to ensure their safety. This information includes but is not limited to:

- a) Emergency Response Plans;
- b) Well data including but not limited to downhole configurations, recent workover information, well logs, monitoring data (sensors) and vendor information for workover and maintenance;
- c) Facility data including but not limited to equipment lists and process flow diagrams;
- d) Pipeline data including but not limited to pipeline plants, cathodic protection information and maintenance information;
- e) Environmental records; and
- f) Landlord data including contact information and surface lease information.

42. Given the privilege asserted by Lexin's legal counsel with respect to certain records, as well as concerns expressed with respect to the release of information to third parties, the Receiver has worked with the OWA to develop a document disclosure protocol (the "**OWA Protocol**") that ensures the efficient and expeditious delivery of information to the OWA, recognizing that this information is urgently required by the OWA for public safety purposes. A copy of the OWA Protocol is attached as **Appendix 4**.

Alberta Energy Regulator

43. As previously indicated the AER has in its possession seized records, both in paper and electronic format. The Receiver is advised by the AER that it obtained these records from the Bankers Court location, located either in the garbage or strewn about on shelves. The

AER has advised the Receiver that it has the paper records presently stored in garbage bags, which the Receiver understands to be the manner in which they were collected from Bankers Court. Additionally, the AER has in its possession 6 racks of dissembled computer servers, also seized from the Bankers Court location.

44. The Receiver has requested delivery of these records from the AER. The AER advises that Groia & Company has asserted privilege claims over these records on behalf of Lexin. The Receiver requires access to these records to fulfil its mandate under the Receivership Order, as well as assist the OWA with the safe care and custody of the Sites.
45. As a result, the Receiver has worked with the AER to develop a protocol for the disclosure of AER seized records to the Receiver taking into consideration the privilege claims (the “**AER Protocol**”). Attached as **Appendix 5** is a copy of the AER Protocol.

Creditors

46. As noted previously, the Receiver has experienced challenges gaining access to the Company's records and has therefore been unable to review any accounting records. However, based on the limited information available as of the date of this report, the following is a preliminary summary of the Company's creditors.

Personal Property Registry Claimants

47. According to the Personal Property Registry of Alberta (“**PPR**”) as at March 24, 2017, the following parties have registered claims against Lexin:
- a) MFC Finance – Has registered a security agreement in respect to all the present and after acquired property of Lexin. This creditor also has a registered land charge;
 - b) Caledonian Royalty Corporation – Has registered a security agreement in respect to all the present and after acquired property of Lexin. This creditor also has a registered land charge;

- c) Compass Compression Services Ltd. – Has registered a specific security agreement in respect to a natural gas compressor unit. As discussed previously in this report, the Receiver confirmed the validity of and enforceability of this creditor's claim and has worked with the AER to authorize the safe removal of the compressor. As such, it is believed that only an unsecured claim remains;
- d) Summit Acceptance Corp. – Has registered specific security agreements in respect to individual serialized motor vehicles. This creditor has advised the Receiver that all vehicles pertaining to their security were seized prior to the receivership pursuant to a report of seizure registered February 16, 2017;
- e) Marquinn Industries Ltd. – Has registered a specific security agreement in respect to one serial numbered motor vehicle;
- f) TAQA North – Has registered a specific security agreement in respect to all of Lexin's right, title and interest in certain gas facilities located in Southern Alberta. A Writ of Enforcement is also registered by this creditor in the current amount of \$363,975;
- g) Deloitte Management Services LP – Due to the non-payment of rent, this creditor registered a seizure of various computer and other equipment left at their premises, however it is understood that all seized items have since been released to the AER;
- h) Vulcan County – Due to the non-payment of property taxes, this creditor registered a seizure of various office furniture, inventory and equipment of Lexin;
- i) Triple Seven Integrity Management Inc. – A Writ of Enforcement is registered by this creditor in the amount of \$31,063;
- j) Baker Hughes Canada Company – A Writ of Enforcement is registered by this creditor in the amount of \$105,348.46;
- k) Municipal District of Ranchland No. 66 – Due to the non-payment of property taxes, this creditor registered a seizure of various oil and gas equipment of Lexin;

- l) Municipal District of Foothills No. 31 – A Writ of Enforcement is registered by this creditor in the amount of \$3,341,557 due to non-payment of property taxes.

Other Creditors

48. The Receiver is aware of the following other creditors of Lexin:

- a) AER – On account of the following:
 - i. Statutory liens – According to the Chant Affidavit, the AER holds a statutory lien in the amount of \$1,076,251;
 - ii. LLR – According to the Chant Affidavit, Lexin is required to post a security deposit of approximately \$70 million to comply with the AER's LLR program;
- b) AE – On account of the unpaid gas royalties, the AE has informed the Receiver that it is owed just over \$3.5 million;
- c) Freehold Mineral and Gross-Over Riding Royalty (“**GORR**”) Owners – On account of unpaid freehold royalties and unpaid GORR;
- d) Landowners – On account of unpaid surface lease payment obligations. As mentioned earlier in this report, SRB has advised that there are approximately 800 ongoing applications from landowners seeking recovery of unpaid annual surface rentals allegedly owed by Lexin;
- e) Landlords – On account of rental arrears;
- f) Former Employees – On account of unpaid wages, vacation and termination/severance pay;
- g) Municipalities – On account of unpaid property taxes aside from those already outlined in the PPR summary above;

- h) WIPs – On account of unpaid joint interest billings and other amounts owing under the terms of the applicable joint venture agreements;
- i) Unfunded Pension Obligations – The Receiver has been contacted by Alberta Treasury Board and Finance (“**ATBF**”) to advise of unfunded pension obligations. The Receiver is awaiting further correspondence from ATBF in order to obtain further information on this potential claim;
- j) Trade Creditors – aside from the above creditors, the Receiver is aware of the general existence of trade creditors appropriate for an entity of Lexin’s size, including certain trade creditors who have filed liens.

Recommendation and Intended Course of Action

49. The Receiver respectfully recommends that the Court approve:

- a) The Receiver’s actions to date as detailed in this Report;
- b) The OWA Protocol; and
- c) The AER Protocol.

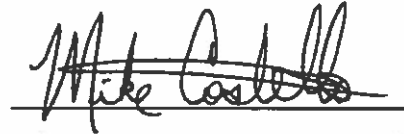
50. The Receiver also seeks the advice and directions of this Court with respect to the privilege claims asserted by Groia & Company on behalf of Lexin. Given the volume of records and the urgent need to review such records in light of the health and safety concerns involved, the Receiver submits, as an officer of the Court, that it is appropriate to proceed with the document review.

DATED at Calgary Alberta, the 30th day of March 2017.

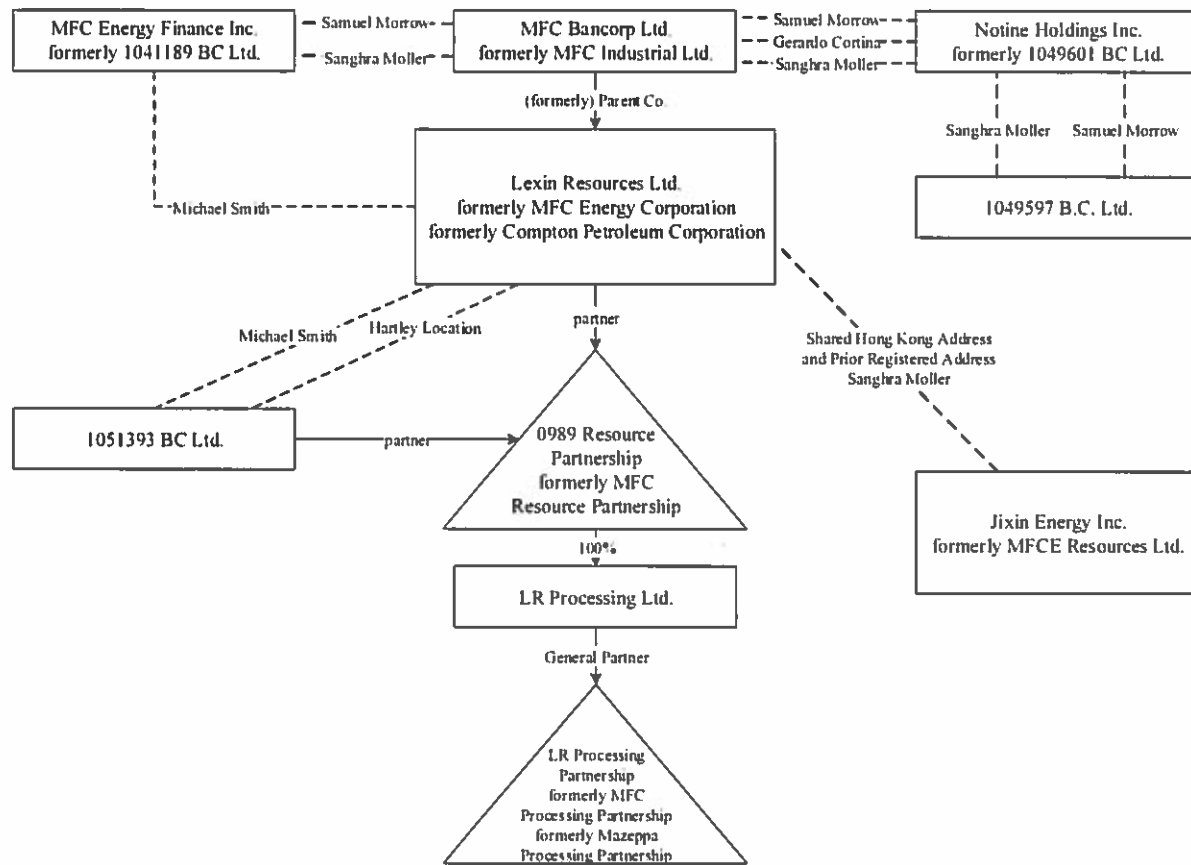
Grant Thornton Limited,
in its capacity as receiver of
Lexin Resources Ltd.
and not in its personal capacity

A handwritten signature in black ink, appearing to read 'A. Basi', written over a horizontal line.

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

A handwritten signature in black ink, appearing to read 'Mike Costello', written over a horizontal line.

Michael Costello, CPA, CA, CBV
Senior Consultant



Robyn Gurofsky
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File No. 547730.21

March 21, 2017

Delivered by Email (jgroia@groia.co.com)

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

Attention: Joseph Groia

Dear Sir:

Re: In the Matter of the Receivership of Lexin Resources Ltd. ("Lexin")

As you are aware, we are counsel to Grant Thornton Limited the court-appointed receiver and manager of Lexin pursuant to an Order granted by the Alberta Court of Queen's Bench on March 20, 2017 (the "Receivership Order"). We understand that you are counsel to the directors of Lexin, being Messrs. NTD (collectively the "Directors"). On behalf of the Receiver, we write to extend an invitation to yourself and the Directors to attend a meeting with the Receiver and its counsel.

We understand that the Directors may have questions and concerns regarding the Receiver's proposed process respecting Lexin's Receivership proceedings. Additionally, we understand that the Directors may have information and knowledge which may assist the Receiver in maximizing the value of the estate, which will ultimately be to the benefit of your clients as well. In the result, the Receiver is offering to arrange a meeting with the Directors to: i) discuss the exchange of information as between the Receiver and the Directors; ii) provide an overview of the Receivership process; and iii) allow the Directors to ask questions of the Receiver regarding Lexin's receivership proceedings.

If the Directors are interested in meeting with the Receiver, please provide us with their availability and we will coordinate same with our and the Receiver's schedule.

We are hopeful that the Receiver and the Directors will be able to work cooperatively together in order to maximize the value of Lexin's assets, to the benefit of all stakeholders, including your clients.

We look forward to hearing from you in regards to these matters.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky



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

March 23, 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**

We acknowledge receipt of your letter of March 21, 2017, wherein you invited the directors of Lexin Resources Ltd. ("Lexin") to meet with the Receiver. Firstly, we should correct a statement in the first paragraph of your letter. You do not name the directors, but I can advise that to the best of my knowledge, there are currently two directors – Michael Smith and Jasmina Cezek. We act for Mr. Smith. We do not act for Ms. Cezek. Below is a more substantive response to your letter.

By way of background, Lexin has tried for many months to cooperate with the Alberta Energy Regulator (the "AER") in dealing with health and safety issues at its licensed sites and to negotiate a compromise that would allow Lexin to continue as a going concern. At no time during its dealings with the AER did the regulator ever demonstrate a willingness to listen, to cooperate or to compromise, nor did it demonstrate any interest in carrying out its statutory mandate of facilitating Lexin's development of Alberta's natural resources. Understandably, Lexin is extremely disappointed in the AER for these reasons.

As such, Lexin is quite encouraged that the Receiver is willing to open a line of dialogue. However, before such dialogue can be productive, it is Lexin's view that the Receiver has a number of urgent matters to consider, including:

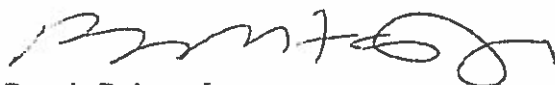
- the immediate health and safety concerns at the various licensed facilities and sites (in this regard, please see my attached letter of March 6, 2017);
- whether and which sites the Receiver should renounce;

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- how to deal with the complex documentary issues that exist as a result of the AER's investigation;
- how the process undertaken by the Receiver under Justice Jeffrey's order can be managed in the face of the individual Charter rights that are at stake as a result of the AER's investigation;
- whether the Receiver wishes to consider a consent to the request for a stay made by Lexin in its leave to appeal application, currently scheduled to be heard on April 5, 2017;
- how the Receiver intends to address the myriad outstanding litigation matters involving Lexin; and
- other matters which require immediate attention.

Lexin invites the Receiver to take some time to consider these matters, to get up to speed and to conduct its due diligence. Once it has done so, we are advised that Mr. Smith would be pleased to discuss the possibility of a meeting.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Bonnie Roberts Jones', with a stylized, cursive script.

Bonnie Roberts Jones

BRJ/cwk

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BLG
Borden Ladner Gervais

File No. 547730-000021

March 20, 2017

Delivered by Email (jgroia@groia.co.com)

Joseph Groia
#1100 365 Bay Street
Toronto, ON M5H 2V1

Dear Mr. Groia

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

As you are aware, we are counsel to Grant Thornton Limited, the court appointed receiver (the "Receiver") of Lexin Resources Ltd. ("Lexin"). We are writing to request copies of all books, records, documents, securities, contracts, orders, corporate and accounting records and any other papers, records and information of any kind related to the business or affairs of Lexin in accordance with paragraphs 6, 7 and 8 of the receivership order granted by Justice P.R. Jeffrey on today's date (the "Receivership Order").

Please deliver up all Records, as such term is defined in the Receivership Order, that may be in the possession of Lexin, Mr. Smith, your office or any other party, to the Receiver's office at:

Suite 900, 833-4th Avenue SW
Calgary, AB T2P 3T5
Attention: Andrew Basi and Michael Costello

In order for the Receiver to properly execute its duties under the Receivership Order, it is required to take possession of these Records forthwith and therefore, we would appreciate a response as quickly as possible. If we have not received a response to our request for delivery of Lexin's Records by noon on Wednesday March 22, 2017, the Receiver reserves all of its rights to bring a court application to compel delivery of the Records.

Yours truly,

BORDEN LADNER GERVAIS LLP

Robyn Gurofsky

c.c. Andrew Basi, Grant Thornton (via email)



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

March 22, 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**

We write in response to your letter dated March 20, 2017 requesting delivery of copies of Lexin Resources Ltd. ("Lexin")'s Records, as defined in paragraph 7 of the Order made by Mr. Justice P.R. Jefferey on March 20, 2017 (the "Receivership Order"). This response is provided on behalf of Groia & Company Professional Corporation ("Groia & Company") as lawyers for Lexin. We will respond in a separate letter on behalf of Lexin.

We can advise that Groia & Company acts for Lexin in relation to over 45 litigation matters. We have commenced a process whereby we are conducting review of these matters for litigation privilege and solicitor-client privilege and will provide you with a copy of the material from these litigation files which is not subject to a privilege claim as soon as our review is completed. To minimize the production expense for everyone involved, we will provide you with a copy of the non-privileged material in an electronic format.

Please be advised that in providing the non-privileged material to you in compliance with the Receivership Order, we confirm that Lexin has not waived and does not intend to waive any privilege attaching to any records disclosed to the Receiver, or any communications or information contained in the records disclosed to the Receiver. In other words, Lexin is not and has not intentionally waived any privilege and reserves its right to claim privilege over any record, or communication or information contained in or referred to in any record disclosed to the Receiver. In case of an unintentional disclosure of such privileged records, Lexin reserves its right to retrieve such documents from the disclosure.

Furthermore, we require a protocol in relation to any disclosure of Lexin's records, regardless of their source, to the Alberta Energy Regulator (the "AER"). We would require disclosure of the rationale behind such disclosure and an opportunity to conduct a review before any records are disclosed to the AER.

Kindly confirm your agreement with these terms so that we can move forward with the disclosure process.

Yours very truly,

A handwritten signature in black ink, appearing to be 'Tatsiana Okun', written over a horizontal line.

Tatsiana Okun



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

March 22, 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**

We acknowledge receipt of your letter of March 20, 2017, wherein you requested production of the Records of Lexin Resources Ltd. ("Lexin") and others, as defined in paragraph 7 of the Order made by Mr. Justice P.R. Jefferey on March 20, 2017 (the "Receivership Order"). This response is provided on behalf of Lexin. We have separately provided you with our response in relation to any Records in Groia & Company's possession. We have passed on your correspondence to Mr. Smith, who is travelling, and will advise you as soon as we can regarding his response. We have no ability to contact the other director of Lexin.

As your client may be aware, the Alberta Energy Regulator (the "AER"), through its major investigations unit and in relation to an Inspection Direction, has seized many of Lexin's records, including documents and computer servers (the "Seized Records") and Lexin continues to attempt to work out a protocol with the AER for the review of the Seized Records to identify those over which a privilege claim exists. Most recently, we wrote to the AER on March 8, 2017, shortly after some of the Seized Documents were taken, and have not yet received a response to our letter.

As a result of the AER having taken effective possession of the Seized Records, the Receiver will need to include the AER in its request for the Records, if it has not done so already. In our view, as we understand that there are documents which contain privileged information contained in the Seized Records, the Seized Records cannot be reviewed by the AER or the Receiver until a protocol is in place for a privilege review by Lexin.

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Once the Receiver has determined whether it intends to take possession of Seized Records from the AER, or to leave the Seized Records in the effective possession of the AER, we can try to work out the privilege protocol and get the documents reviewed as soon as possible.

With respect to those records of Lexin that have not been seized, we are in the process of attempting to determine where they are and how best or whether they can be accessed.

Please be advised that in providing non-privileged material to you in compliance with the Receivership Order, we confirm that Lexin has not waived and does not intend to waive any privilege attaching to any records disclosed to the Receiver, or any communication or information contained in or referred to in any record disclosed to the Receiver. In the case of an unintentional disclosure of such privileged records, Lexin reserves its right to retrieve such documents from the disclosure.

Furthermore, we require a protocol in relation to any disclosure by the Receiver to the AER of any of Lexin's records, regardless of their source. We would need an understanding of the rationale behind such disclosure and an opportunity to conduct a review before any records are disclosed to the AER.

Kindly confirm your agreement with these terms so that we can move forward with the disclosure process.

We look forward to hearing from you and invite you to call me to discuss any issues.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Bonnie Roberts Jones', written in a cursive style.

Bonnie Roberts Jones
/cwk

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BLG
Borden Ladner Gervais

File No. 547730.21

March 23, 2017

Delivered by Email (brjones@groiaco.com and tokun@groiaco.com)

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

Attention: Bonnie Roberts Jones and Tatsiana Okun

Dear Mesdames:

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 respective letters dated March 22, 2017 responding to the request by the Receiver for all Records of the Company dated March 20, 2017. We appreciate your efforts in gathering the Records as quickly as possible and delivering same to the Receiver. As you can appreciate, it is imperative that the Receiver obtain the Company's banking and financial Records and Records relating to the licenses, wells, facilities and related assets forthwith so as to ensure the Receiver can comply with its duties as the court officer.

We would also note that the definition of "Property" under the *Bankruptcy and Insolvency Act* includes "things in action". Thus, any litigation files involving Lexin are properly deliverable to the Receiver. To the extent that there are other parties represented by Groia & Company allied to Lexin in the litigation, we recognize that those parties might assert litigation or solicitor-client privilege with respect to certain documentation. However, an assertion of litigation or solicitor-client privilege on behalf of Lexin is improper in the circumstances. We reiterate our request for delivery up of all Records pertaining to Lexin or the Property of Lexin forthwith.

We can advise that as an officer of the Court, the Receiver will exercise its duties in good faith and to the extent a request is made by a third party for documentation that the Receiver believes to be confidential or is otherwise unnecessary, the Receiver will bring an application for the advice and direction of the Court.

We look forward to the immediate delivery of the Records in accordance with the Receivership Order.

Yours truly,

Borden Ladner Gervais LLP


Robyn Gurofsky



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

March 23, 2017

VIA EMAIL (rgurofsky@hlg.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**

We acknowledge receipt of your letter of March 20, 2017, wherein you requested production of the Records of Lexin Resources Ltd. ("Lexin"), as defined in paragraph 7 of the Order, made by Mr. Justice P.R. Jefferey on March 20, 2017 (the "Receivership Order"). This response is provided on behalf of Michael Smith.

Mr. Smith has advised us that he is unaware of any Records (as defined in the Receivership Order) in his possession or control. If he advises us to the contrary after he has returned from his travels, we will let you know.

Yours very truly,

Bonnie Roberts Jones



Tatsiana Okun
Direct Line: 416-203-4489
Email: tokun@groia.co

March 24, 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**

We write in response to your March 24, 2017 letter.

At this time, we do not have the address of the Inglewood storage. We are enquiring with our client and will advise when we have this information.

We understand that the storage rental at this location is paid up to Monday, March 27, 2017. We further understand that Lexin would not be granted access to this location after that time and the contents of the storage unit may be auctioned if the storage rental is not paid within 6 days of that date.

As advised in our earlier letter of today, Lexin advised us that the well records, including critical sour well records are located at the Mazeppa Gas Processing Plant and Gladis field office.

With respect to the records in possession and control of Groia & Company, we can advise that we do not have any of the records relating to the wells or facilities, including emergency response plans, monitoring data, well logs and environmental data.

Finally, please be advised that we do not have contact with Ms. Cezek. We have conveyed your invitation for a meeting to Mr. Smith.

Yours very truly,

Tatsiana Okun

Robyn Gurofsky
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F (403) 266-1395
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File No. 547730.21

March 24, 2017

Delivered by Email (brjones@groiaco.com and tokun@groiaco.com)

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

Attention: Bonnie Roberts Jones and Tatsiana Okun

Dear Mesdames:

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 respective letters dated March 23, 2017 (the "March 23 Letter") and today's date (the "March 24 Letter").

Further to the March 24 Letter, please advise today of the address and details for the Inglewood self-storage unit referenced in the March 24 Letter, which you indicate may not be accessed by Lexin after this Monday (i.e. three days from now). Further, please advise today as to what will happen to the records and computers at the Inglewood location after this Monday, March 27, 2017. It is important to the Receiver to ensure that these records are preserved and protected so that all parties involved in the care and custody of the oil and gas properties, including the Orphan Well Association, can ensure that any safety issues are addressed at the oil and gas sites in a prudent manner. In addition, the Receiver urgently requires these records to properly exercise its duties pursuant to the Receivership Order.

We appreciate your advice that you have couriered a USB key containing pleadings from the current litigation matters in which Groia & Company represented Lexin Resources Ltd. The documents most urgently required, however, are those current records relating to the wells and facilities, including but not limited to emergency response plans, monitoring data, well logs and all available environmental data. We have previously requested this information as well as the banking and financial information of Lexin, which the Receiver has yet to receive.

We appreciate your advice in the March 23 Letter that Michael Smith and Jasmina Cezek, the two current directors of Lexin, are prepared to discuss the possibility of a meeting with the Receiver after the Receiver has taken some time to get up to speed, conduct due diligence and take some time to consider certain matters, however, it is the Receiver's view that a meeting with the directors now would assist the Receiver in gathering the information that it needs to exercise its duties and consider the matters you have outlined in your March 23 Letter.

I look forward to your reply forthwith.

Yours truly,

Borden Ladner Gervais LLP

Robyn Guralsky



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

March 24, 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**

We write further to our letter of March 22, 2017 in which we advised of the efforts undertaken by Lexin Resources Ltd. ("Lexin") to identify Records (as defined in s. 7 of the Receivership Order) in its possession or control and their location, in compliance with the Receivership Order. This process is a difficult one as there is only one remaining employee in Calgary.

We understand that Lexin is still in the process of identifying the locations of its Records. In the meantime, Lexin has instructed us to advise the Receiver of the existence, based on its knowledge and information to date, of Records which are in Lexin's possession or control in the following locations:

- Mazeppa Gas Processing Plant (well related records);
- Gladis field office (well related documentation, including critical sour wells);
- Brant field office (a computer);
- Inglewood self-storage unit where records and computers are currently stored;
- Calgary Archives Corp. – old (pre-2016) records;
- the following items are in possession of one remaining Lexin employee in Calgary:
 - a hard drive containing technical and financial data
 - bank books and records
 - various other miscellaneous items
- various corporate books and records.

In relation to the above, the following should be noted:

1. Lexin advises us that the Calgary Archives facility contains comingled records that are not owned by and do not relate to the business or affairs of Lexin. Most of Lexin's Records have not been reviewed and separated from records of other entities, which are not subject to the Receivership Order. Before these records are provided or made available to the Receiver, such a review must be conducted. We understand that the volume of the records in question is significant.
2. Lexin advises that it will not have access to the Inglewood self-storage unit after March 27, 2017.
3. The list above does not include those Records that have been seized by the AER.

As stated in our March 22, 2017 letter, by this letter, Lexin does not waive and does not intend to waive any privilege attaching to any records disclosed or to be disclosed to the Receiver, or any communications or information contained in the records disclosed to the Receiver.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Talsiana Okun', with a stylized, cursive script.

Talsiana Okun

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File No. 547730.21

March 27, 2017

Delivered by Email (brjones@groiaco.com and tokun@groiaco.com)

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

Attention: Bonnie Roberts Jones and Tatsiana Okun

Dear Mesdames:

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

I am writing further to your correspondence dated March 24, 2017.

Well and Facility Files at Mazeppa Gas Processing Plant and Gladys Field Office

You advise that the various well and facility files are located at the Mazeppa Gas Processing Plant ("Mazeppa") and Gladys Field Office ("Gladys"). I understand this includes critical sour well records. I also understand that these files have been left in a relatively disorganized state at Mazeppa and Gladys.

Given the urgent need for information in part to ensure that safety issues are addressed by the various working interest partners and the Orphan Well Association (the "OWA") having care and custody of Lexin's oil and gas sites, the Receiver intends to attend at Mazeppa and Gladys and take possession of the records there as well as any other locations in which Lexin's records are being stored. We understand that Lexin has asserted privilege with respect to all or some of these records. However, in the interest of safety and the need to move forward with its mandate, the Receiver intends to take possession of and review these records and provide any relevant well files, including emergency response plans, well and facility data, environmental and landowner data to the OWA with respect to those wells and facilities currently in the OWA's custody.

If we do not hear from you by the end of the day today, the Receiver will proceed to take possession of the records as outlined above. If an objection is made by Lexin or your office by the end of the day today, the Receiver will have no other choice but to immediately bring an application for advice and direction to the Court to address the allegations of privilege asserted by Lexin.

Calgary Archives

The Receiver has been in contact with Calgary Archives and has been advised by Calgary Archives that records were left there in relation to a claim asserted by Calgary Archives that was later settled. Lexin was supposed to have picked up the records at this location but never did. The Receiver intends to continue communications with Calgary Archives to determine what records are located there and to take possession of those Lexin Records as soon as is practicable.

Brant Field Office

You indicate that a computer is stored at the Brant Field Office. Presumably, this computer contains Lexin records. Please provide the address for the Brant Field Office so that the Receiver may attend and retrieve the computer and any other Lexin records stored at this location.

Lexin Employee

You refer to one remaining Lexin employee in Calgary possessing a hard drive, bank books and records and various other items. Please advise as to the name of this Lexin employee and provide their contact information so that the Receiver may take possession of these records in accordance with the terms of the Receivership Order.

Corporate Books and Records

You indicate in your March 24 letter that various corporate books and records exist but do not provide a location for these books and records. Please advise as to the location of these records.

Insurance

You advise that there is currently no liability insurance in place in relation to any of the Lexin licensed sites and facilities. In fact, the last record of insurance the Receiver has located in respect of the Lexin licensed sites and facilities expired in September, 2016. Please advise who insured the Lexin licensed sites and facilities after September, 2016. In addition, the Receiver has not been able to identify the insurance in place at the Lexin licensed sites and facilities from February to August of 2015. Please advise what if any insurance was in place at the relevant sites at this time.

Information Requests

Lastly, I acknowledge receipt of your correspondence of today's date in which you have requested that our office limit our enquiries of Lexin to information requests only and to copy your office as your office will continue to handle all legal matters. We wish to remind your office that any litigation files and other claims of Lexin which may exist now vest with the Receiver. The Receiver has not engaged Groia & Company to act as legal counsel on behalf of Lexin. As a reminder, no legal fees or disbursements that are incurred in this regard will be paid by the Receiver or by the receivership estate of Lexin.

We look forward to hearing from you or Lexin in respect of the urgent issues outlined above.

Yours truly,

Borden Ladner Gervais LLP

for 
Robyn Gurofsky



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

March 27, 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**

We respond to your email of this morning and a letter we received from you this afternoon.

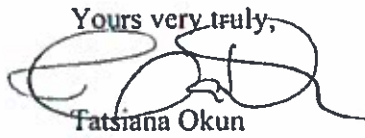
In response to your email, please direct any future information enquiries to Michael Smith at [<mjsmith1628@gmail.com>](mailto:mjsmith1628@gmail.com). As stated in our letter of this morning, please limit your enquiries of Mr. Smith to information requests and copy us on your correspondence so that we can assist on legal aspects, if any.

In response to your letter of this afternoon, we had forwarded your request for information to our client.

With respect to your position regarding the records located at the Mazeppa Gas Processing Plant and Gladys Field Office, as we had earlier advised, Lexin has not waived and continues to assert privilege over all records that are subject to a privilege claim including any privileged information contained in these locations, as well as all other records of Lexin. Please also note that the Receiver is only entitled to copies of the Records, in any event. As such, your suggestion that the Receiver would take possession of the Records is contrary to the Receivership Order. Lexin may or may not have a privilege claim over these Records, but this cannot be determined unless and until Lexin has had an opportunity to review them. If you intend to seek directions from the Court, please advise us as soon as that determination is made and provide us with sufficient notice to allow us to attend in Calgary.

With respect to Lexin's remaining employee in Calgary, Lexin instructed us to advise you that her name is Sheena Tetz and that, as of today, she is no longer an employee of Lexin.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Tatsiana Okun', written over the printed name.

Tatsiana Okun

Robyn Gurofsky
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BLG
Borden Ladner Gervais

File No. 547730.21

March 28, 2017

Delivered by Email (tokun@groia.co)

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

Thank you for your letter dated March 27, 2017. We wish to refer you to paragraph 3(c) of the Receivership Order pursuant to which the Receiver is authorized to receive, preserve and protect the books and records of the Debtor and relocate same to safeguard them as may be necessary or desirable. The Receiver intends to do just that while acknowledging your advice that Lexin has not waived privilege over records that are subject to a privilege claim. If it becomes necessary to book an application for advice and direction, we will provide you with notice of such application.

Yours truly,

Borden Ladner Gervais LLP

for 
Robyn Gurofsky

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

The following protocol (the "**Protocol**") outlines how the Orphan Well Association (the "**OWA**") will receive records on an urgent basis from 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.

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 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.

1. The OWA requests that the Receiver take possession and catalogue receipt of all of the Lexin Records.
2. 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**").

- 3. 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.
- 4. 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.
- 5. 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.

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**”).

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

1. 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.

3. 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.

4. 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).

5. 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”.

6. The Electronic Records that are not identified as “potentially privileged” will be made available to the Receiver, AER and Lexin’s counsel.

7. 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”.

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

9. 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.

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

11. 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.