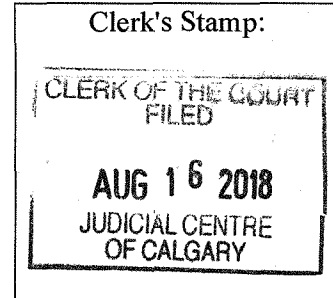


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|---------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| COURT FILE NUMBER         | 1701-03460                                                                                                                    |
| COURT                     | COURT OF QUEEN'S BENCH OF ALBERTA                                                                                             |
| JUDICIAL CENTRE           | CALGARY                                                                                                                       |
| APPLICANT                 | ALBERTA ENERGY REGULATOR                                                                                                      |
| RESPONDENTS               | LEXIN RESOURCES LTD.<br>1051393 B.C. LTD.<br>0989 RESOURCE PARTNERSHIP<br>LR PROCESSING LTD. and<br>LR PROCESSING PARTNERSHIP |
| APPLICANT FOR APPLICATION | MFC ENERGY FINANCE INC.                                                                                                       |
| RESPONDENT TO APPLICATION | GRANT THORNTON LIMITED in its capacity as the Receiver of the Respondents                                                     |
| DOCUMENT                  | <b>APPLICATION BY MFC ENERGY FINANCE INC.</b>                                                                                 |



|                                                                           |                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Burnet, Duckworth & Palmer LLP<br>2400, 525 – 8 Avenue SW<br>Calgary, Alberta T2P 1G1<br>Douglas A. McGillivray/David LeGeyt/David A. de Groot<br>Phone Number: (403) 260-0349/0210/0167<br>Fax Number: (403) 260-0332<br>dam@bdplaw.com/dlegyt@bdplaw.com/ddegroot@bdplaw.com<br>File No. 55825-3/MJD |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**NOTICE TO RESPONDENT TO APPLICATION:** GRANT THORNTON LIMITED in its capacity as the Receiver of the Respondents

This application is made against you. You are a respondent. You have the right to state your side of this matter before the master/judge. To do so, you must be in Court when the application is heard as shown below:

|             |                                           |
|-------------|-------------------------------------------|
| DATE        | <u>August 23, 2018</u>                    |
| TIME        | <u>2:30 pm</u>                            |
| WHERE       | <u>Calgary Courts Centre</u>              |
| BEFORE WHOM | <u>The Honourable Mr. Justice Macleod</u> |

Go to the end of this document to see what else you can do and when you must do it.

**Remedy claimed or sought:**

1. An Order varying and amending the Order granted by this Honourable Court on July 14, 2017 (the **Sales Process Order**) to suspend the Sales Process (as defined in the Sales Process Order) until a final determination has been made regarding the validity of the secured loan from the Applicant MFC Energy Finance Ltd. (**MFC Finance**) to 0989 Resource Partnership (**0989**).

**Grounds for making this application:**

**MFC Finance's secured interest**

2. The Applicant is the first-ranking secured creditor in these proceedings for over \$15 million pursuant to various loan and security documents (the **Finance Loan**).

**The Sales Process Order**

3. The Sales Process Order granted July 14, 2017 set out the Sales Process for the sale of assets of the Respondents by Grant Thornton Limited, in its capacity as the court-appointed receiver of the Respondents including 0989 (the **Receiver**).
4. The Sales Process Order at paragraph 9 granted leave to any interested party to apply to this Honourable Court to vary or modify the Sales Process Order.

**Circumstances since the Sales Process Order have changed**

5. Circumstances have changed since the Sales Process Order was granted and as a result the suspension of the Sales Process is warranted.
6. MFC Finance has participated in the Sales Process. As first-ranking secured creditor, MFC Finance submitted a credit bid for certain assets.
7. The Receiver challenged whether the Finance Loan was valid and therefore challenged whether MFC Finance was a creditor, let alone a secured creditor, of 0989. The Receiver therefore challenges MFC Finance ability to credit bid for certain assets.
8. The Receiver recognized that "resolution of the ownership issues is required in order for the Receiver to efficiently conclude the Sales Process" and applied to the Court for advice and direction regarding the Finance Loan.
9. On August 8, 2018, the Honourable Madam Justice Romaine disallowed MFC Finance's secured claim, having characterized the Finance Loan as equity and postponing it to the claims of other creditors pursuant to section 137 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the **BIA**), (the **Decision**).
10. On August 10, 2018, MFC Finance appealed the Decision to the Court of Appeal of Alberta (the **Appeal**).

11. As result of the Appeal, the Decision is automatically stayed pursuant to s. 195 the BIA.
12. The statutory stay means there is still no "resolution of the ownership issues" required for the Receiver to efficiently conclude the Sales Process. As such, the Sales Process cannot proceed until the validity of the Finance Loan is finally determined by the Appeal.
13. If the Sales Process Order is not adjourned but permitted to conclude prior to the determination of the Appeal, MFC Finance will suffer irreparable harm, including:
  - (a) MFC Finance will be deprived of its right to credit bid for the assets;
  - (b) The assets may be sold to the wrong party; and
  - (c) The Appeal will be rendered nugatory.

**Material or evidence to be relied on:**

14. Affidavit of Pradeep Kumar sworn August 15, 2018.
15. The Order granted by this Honourable Court on July 14, 2017.

**Applicable Rules:**

16. *Alberta Rules of Court*, Alta. Reg. 124/2010, Rule 9.15(4).

**Applicable Acts and Regulations:**

17. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, ss. 187(5), 195,

**How the application is proposed to be heard or considered:**

18. In Chambers before the presiding Commercial List Justice.

**WARNING**

If you do not come to Court either in person or by your lawyer, the Court may give the Applicant what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the Applicant a reasonable time before the application is to be heard or considered.