FIAT.
July 26, 2018. Let the within Affidavit be filed notwithstanding it is a copy, ORIGINAL TO FOLLOW.

Form 49
[Rule 13.19]

Clerk's Stamp

CLERK OF THE COURT
FILED
JUL 26 2018
JUDICIAL CENTRE OF CALGARY

COURT FILE NUMBER	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	MFC ENERGY FINANCE INC.
RESPONDENT	LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. and LR PROCESSING PARTNERSHIP
DOCUMENT	**AFFIDAVIT OF SAMUEL MORROW**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Burnet, Duckworth & Palmer LLP 2400, 525 – 8 Avenue SW Calgary, Alberta T2P 1G1 Douglas A. McGillivray/David LeGeyt Phone Number: (403) 260-0349/0210 Fax Number: (403) 260-0332 dam@bdplaw.com/dlegyt@bdplaw.com/ddegroot@bdplaw.com File No. 55825-3/MJD

AFFIDAVIT OF SAMUEL MORROW

Sworn on 26th July **, 2018.**

I, **Samuel Morrow**, businessman, **SWEAR AND SAY THAT:**

Introduction

1. I am a Chartered Financial Analyst and the President of MFC Energy Finance Inc. (**MFC**) and as such I have personal knowledge of the matters sworn to in this Affidavit, except where I state that it is based on information and belief in which cases, I have stated the source of my belief or information, and I believe the information and belief to be true.

2. Capitalized terms not otherwise defined in this Affidavit take their meaning from the same terms as used in my November 8, 2017 Affidavit.

3. I swear this Affidavit in support of an order directing Grant Thornton Limited, in its capacity as Receiver of the Respondents (the **Receiver**) to provide all Lexin stakeholders with information pertaining to the theft and vandalism incidents at the Mazeppa Gas Plant.

Cathal Young
Notary Public
Dublin, Ireland

Lexin Stakeholders' Interest in the Release of Information

4. MFC became aware, through conversations with another stakeholder, that a significant asset of Lexin, the Mazeppa Gas Plant, had experienced numerous acts of theft and vandalism commencing in 2017.

5. It is my understanding, that the following known events occurred, potentially among others: break-ins / vandalism / theft on the following dates: (i) September 22, 2017; (ii) November 5, 2017; (iii) November 29, 2017 (iv) November 30, 2017; (v) April 12, 2018 and May 16, 2018.

6. No mention of these acts of theft and vandalism, nor the potential impacts on the estate of Lexin and its stakeholders resulting therefrom, were made by the Receiver until the Receiver's Eighth report, some eight months after the initial incident.

7. The entire Lexin estate may have been negatively impacted by the lack of transparency about these incidents and by the non-filing of any insurance claim for potential damages.

8. In addition, MFC has never received confirmation from the Receiver as to which assets, if any, that are owned by its subsidiaries were impacted by these various events. MFC may have been directly damaged by the lack of transparency concerning these various acts of theft and vandalism, depending on the outcome of its own potential insurance claims relating to these assets, if they were the targets of vandalism or theft.

9. As mentioned in its Seventh Receiver's Report, the Receiver began to pursue a process to salvage the Mazeppa Gas Plant, presumably including the equipment which was damaged. No estimate of the value of the salvageable equipment, nor any analysis as to the extent of the damage incurred and the potential loss of value, has been provided in any Receiver's Reports. I believe that it is impossible for Lexin stakeholders to assess the Receiver's plans for the salvage of the Mazeppa assets without any information or analysis from the Receiver regarding the impact of the incidents of theft and vandalism.

10. Further, I believe that any acts of theft and vandalism at the Mazeppa plant could have negatively impacted the saleability of the underlying assets and/or resulted in other concerns that might impact all stakeholders.

11. It is my understanding that at some point during 2017 there was a party that was interested in pursuing an acquisition of the Mazeppa facility, and it is not clear whether or not these acts of vandalism and theft, which occurred around the same time, might have had any impact on their decision to not move forward.

12. MFC is seeking information from the Receiver for all Lexin stakeholders pertaining to the various break-ins and incidents, including but not limited to:

    (a) any applicable insurance policies;

    (b) police reports;

    (c) damage reports or estimates;

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(d) valuations of the salvageable equipment and equipment that was damaged;

(e) analysis by the Receiver performed at the time of the incidents to justify not filing an insurance claim or taking any other action to preserve the value to the estate;

(f) an explanation as to why this information was not communicated in earlier Receiver Reports; and

(g) to the extent that the Receiver is not in possession of the above, an explanation as to why they do not have these items and how they could have made a determination with respect to an insurance claim without this information.

13. I have made requests of the Receiver for the insurance policy covering the assets of Lexin, for information pertaining to insurance coverage, for police reports on the incidents, and for information about damage to any assets owned by MFC's subsidiaries. E-mails I sent the Receiver requesting this information on June 4th 2018 and June 9th 2018 are attached as **Exhibit A**.

14. MFC's legal counsel sent the Receiver's counsel a letter (the **BD&P Request Letter**) requesting information from the Receiver on June 11, 2018, attached as **Exhibit B**.

15. The Receiver's counsel responded to the BD&P Request Letter in June 14, 2018. I am not satisfied with this response as it does not provide sufficient information pertaining to the affected assets and potential loss. Importantly, this information is not solely for the benefit of MFC, but rather for the benefit of the estate in its entirety. The Receiver's counsel's letter is attached as **Exhibit C.**

16. I don't see why any of this information should remain confidential, as it is not proprietary and it is in the best interest of every stakeholder of Lexin to understand.

17. I am deeply concerned by the Receiver's refusal to provide this information and the lack of transparency into the Lexin estate.

18. This information is important to all stakeholders to understand the impact of these incidents on the Lexin estate and sales process, and to understand the actions of the Receiver in response to these incidents. Without this information, I do not believe that any stakeholder can negate the possibility of gross negligence by the Receiver.

19. I swear this Affidavit in support of the MFC's Application for an Order directing the Receiver to provide to all Lexin stakeholders the information that MFC has requested from the Receiver.

SWORN BEFORE ME at the City of Dublin, Ireland, this 26th day of July, 2018.	)	
	)	
	)	
A Notary Public for Ireland	)	SAMUEL MORROW

Cathal Young
1-2 Lower Leeson Street, Dublin 2
Notary Public for the City & County of Dublin Ireland Ph: +353 1 6712773
Commissioned for Life

Notary Public

I, Cathal Young, Notary Public, hereby certifies that this document has been signed by the person named above whose identity I have established

Notary Public
Cathal Yo
Notary Pu
Dublin, Irel

THIS IS EXHIBIT "A" REFERRED TO IN THE AFFIDAVIT OF SAMUEL MORROW.

SWORN BEFORE ME THIS 26th DAY OF July, 2018.

A Notary Public for Ireland

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Notary Public

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Dublin, Ireland

April Cuncannon

From: smorrow@mfcint.com
Sent: Monday, June 04, 2018 4:12 AM
To: Basi, Andrew; Costello, Michael
Subject: Insurance policy

Dear Andrew, Dear Michael,

Would it be possible to send me a copy of the Lexin insurance policy?

Thanks so much in advance

I will revert later this week with other items as mentioned

Best Regards

Sam

David LeGeyt

From:	smorrow@mfcint.com
Sent:	Saturday, June 09, 2018 10:28 AM
To:	Basi, Andrew; Costello, Michael
Subject:	Following up
Attachments:	Hazmat study - Mazeppa; Insurance policy

Dear Both

Following up on the attached emails

Best Regards

Sam

April Cuncannon

From: smorrow@mfcint.com
Sent: Wednesday, June 06, 2018 4:20 AM
To: Basi, Andrew; Costello, Michael
Subject: Hazmat study - Mazeppa

Dear Andrew, Dear Michael.

Can you please let me know if you have access to or knowledge of a Hazmat study for Mazeppa (specifically the sour plant), and if so, can you provide it to me?

Thanks in advance.

Best Regards,

Sam

Cathal Young
Notary Public
Dublin, Ireland

April Cuncannon

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To: Basi, Andrew; Costello, Michael
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Sam

Cathal Young
Notary Public
Dublin, Ireland

THIS IS EXHIBIT "B" REFERRED TO IN
THE AFFIDAVIT OF SAMUEL MORROW.

SWORN BEFORE ME THIS 26th DAY OF
July, 2018.

A Notary Public for Ireland

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Dublin, Ireland

Burnet,
Duckworth
& Palmer LLP
Law Firm

Reply to: David LeGeyt
Direct Phone: (403) 260-0210
Direct Fax: (403) 260-0332
dlegeyt@bdplaw.com

Assistant: April Cuncannon
Direct Phone: (403) 806-7868
Our File: 55825-3

Via Email

June 11, 2018

Borden Ladner Gervais LLP
1900, 520 - 3 Ave SW
Calgary, Alberta T2P 0R3

Attention: Robyn Gurofsky

Dear Robyn:

Re: MFC Bancorp Ltd. – Lexin Resources Ltd. ("Lexin") Receivership

As you know we act on behalf of MFC Energy Finance Inc. and related entities. You act for the Receiver of Lexin.

Attached are a number of recent email communications sent by our client to your client. Your client has not responded to the numerous requests contained within these email messages. The information requested by our client is important for a variety of reasons, including, without limitation, our client's property was damaged in the December 2017 theft/vandalism incident at Mazeppa, and the requested information is relevant to the ongoing without prejudice discussions between our clients.

On behalf of our client we hereby request that your client provide its response to the attached emails. Without limiting the generality of the foregoing, please provide us with your client's responses in respect of the following:

1. Whether your client has knowledge of, or access to, any hazmat study for Mazeppa, and if so, a copy of that study.

2. Please provide a copy of the insurance policy in respect of the Lexin assets.

3. The Receiver's information concerning whether the December 2017 theft/vandalism at Mazeppa is covered by any insurance.

4. The Receiver's information as to the value of the property damage and loss caused by the December 2017 theft/vandalism incident.

5. The Receiver's information as to whether or not any of the assets owned by 1045997 B.C. Ltd. were damaged or stolen in the December 2017 theft/vandalism at Mazeppa.

6. The Receiver's information concerning a police report or other report in respect of the December 2017 theft/vandalism at Mazeppa. If such a report exists please provide it to us.

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Dublin, Ireland

7. The Receiver's information concerning a police case number or file number for the December 2017 theft/vandalism incident, and any contact information the Receiver has for the police officers assigned to this incident.

We look forward to your prompt response to this correspondence.

Yours truly,

BURNET, DUCKWORTH & PALMER LLP

David LeGeyt

DLG/amc

cc: Sam Morrow (smorrow@mfcint.com)

9138283.1

Cathal Young
Notary Public
Dublin, Ireland

THIS IS EXHIBIT "C" REFERRED TO IN THE AFFIDAVIT OF SAMUEL MORROW.

SWORN BEFORE ME THIS 26th DAY OF July, 2018.

A Notary Public for Ireland

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1-2 Lower Leeson Street, Dublin 2
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Notary Public

Cathal Young
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Dublin, Ireland

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

June 14, 2018

Delivered by Email (dlegeyt@bdplaw.com)

Burner, Duckworth & Palmer LLP
2400 525 8th Ave SW
Calgary, AB T2P 1G1

Attention: David LeGeyt

Dear Mr. LeGeyt:

Re: Receivership of Lexin Resources Ltd.

Thank you for your letter dated June 11, 2018, which we have had an opportunity to review with the Receiver. We understand that the Receiver has been in continuous communication with MFC Energy Finance Inc. ("**Finance**"), and particular Samuel Morrow, and the Receiver is therefore surprised at the enquiries in your correspondence, given that much of it has already been discussed with Mr. Morrow directly. In specific response to your questions, the Receiver can advise as follows:

1. The Receiver assumes the enquiry in respect of the hazmat study is in relation to a hazmat study for the Mazeppa Plant completed by a third party. The Receiver has been unable to locate any such study based on a review of the Lexin electronic server and the Calgary Archives excel index of Lexin documents in storage. If there is a specific entity that performed this study to allow for a word search of that entity on the server, please advise. The Receiver has not attended the Mazeppa Plant to review any records there. Mr. Morrow may wish to speak to the AER in that regard, as previously communicated to Mr. Morrow.

2. As previously indicated to Mr. Morrow, the Receiver does not believe that Finance or 1049597 BC Ltd. ("**597**") is entitled to a copy of the insurance policy. The Receiver has provided Mr. Morrow with the amount of the deductible ($350,000). Please provide more detail as to what is specifically needed from the policy and why. The Receiver assumes Finance or 597 has retained its own insurance policy with respect to the equipment at the Mazeppa Site over which it asserts an ownership interest. The Receiver therefore requires a better understanding of the nature of the request.

3. As the Receiver advised Mr. Morrow on June 1, 2018, the Receiver understands that the theft and vandalism at the Mazeppa Site relates to the removal of copper wire and while the theft is covered by the insurance policy, the deductible does not justify submitting a claim.

Cathal Young
Notary Public
Dublin, Ireland

Borden Ladner Gervais

4. As the Receiver advised Mr. Morrow on June 1, 2018, while the Receiver has not commissioned a formal valuation of the copper wiring that was stolen, based on discussions with the AER and independent investigations regarding the value of copper wire, the Receiver does not believe that the value justifies filing an insurance claim.

5. As the Receiver advised Mr. Morrow on June 1, 2018, the Receiver is not aware that any of the equipment over which 597 asserts an ownership claim was impacted by the theft.

6. As the Receiver advised Mr. Morrow on June 1, 2018, the Receiver has not seen a police report in respect of the theft. Mr. Morrow may wish to contact the AER in that regard.

7. Similarly, the Receiver does not have a police case number or file number for the theft. As reported by the Receiver in its Eighth Report to Court, the AER has been addressing the theft issues at the Mazeppa Site with the RCMP and Mr. Morrow may wish to contact the AER to obtain this information.

As you are aware, the Receiver has neither care nor custody of the Mazeppa Site. The security placed at the site, together with communications with the RCMP in respect of the site have been handled by the AER. Should Finance or 597 wish to conduct its own assessment of the site, it may contact the AER to schedule a site visit. Because the site is, in part, a sour gas processing facility, the AER will require that any attendance at the site by members of the public, including Finance/597, be supervised by the AER.

Lastly, I am advised by the Receiver that a standard form non-disclosure agreement from the Sayer sales process was sent to Mr. Morrow on June 10, 2018 so as to provide him with greater access to due diligence materials. Mr. Morrow advised the Receiver on June 11 that he was reviewing the agreement and would get back to the Receiver with any questions or comments. The Receiver has not yet received the executed non-disclosure agreement back from Mr. Morrow and looks forward to receipt of same as soon as possible from Mr. Morrow. If the Receiver was convinced that providing the insurance policy to Finance /597 was appropriate in the circumstances, the provision of such policy would of course be subject to the execution of such non-disclosure agreement.

If you have any additional questions, please don't hesitate to let me know.

Regards,

Borden Ladner Gervais LLP

Robyn Gurofsky

cc: Grant Thornton Limited (via email) – Receiver of Lexin Resources Ltd.: Andrew Basi and Michael Costello

Cathal Young
Notary Public
Dublin Ireland