

Clerk's stamp:

Court File Number	1501-05908
Court	COURT OF QUEEN'S BENCH OF ALBERTA
Judicial Centre	CALGARY
Plaintiff	CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, in its capacity as Administrative Agent under that certain First Lien Term Loan Credit Agreement dated March 31, 2014
Defendants	SOUTHERN PACIFIC RESOURCE CORP., SOUTHERN PACIFIC ENERGY LTD., 1614789 ALBERTA LTD., 1717712 ALBERTA LTD. AND SOUTHERN PACIFIC RESOURCE PARTNERSHIP.

**RECEIVER'S THIRD REPORT TO THE COURT
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
DATED MARCH 6, 2017**

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SOUTHERN PACIFIC RESOURCE CORP. ET AL
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March 6, 2017

1. INTRODUCTION

- 1.1 This report (the “**Third Report**”) is filed by PricewaterhouseCoopers Inc. (“**PwC**”) in its capacity as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (collectively, the “**Property**”) of Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 1614789 Alberta Ltd., 1717712 Alberta Ltd. And Southern Pacific Resource Partnership (collectively referred to as “**Southern**” or the “**Company**”).
- 1.2 On January 21, 2015, the Company successfully applied to the Court of Queen’s Bench of Alberta (the “**Court**”) for protection from its creditors under the Companies’ Creditors Arrangement Act (the “**CCAA**”) and was granted an order (the “**Initial CCAA Order**”) staying its creditors until February 21, 2015. The Court appointed PwC as Monitor (“**Monitor**”) under the Initial CCAA Order.
- 1.3 Pursuant to a number of Court Orders, the stay was extended to June 1, 2015 to allow the Company to run a sales and investment solicitation process (“**SISP**”) conducted by RBC Dominion Securities Inc. Ultimately the SISP did not result in a successful transaction and on June 1, 2015 the Company did not seek a further extension of the stay period under the CCAA.
- 1.4 On application of the Plaintiff, Credit Suisse AG, Cayman Islands Branch, in its capacity as Administrative Agent under the First Lien Term Loan Credit Agreement dated March 31, 2014 (the “**First Lien Creditors**”), the Court granted the Receivership Order on June 1, 2015 which was subsequently amended on June 4, 2015 (the “**Receivership Order**”).
- 1.5 The First Lien Creditors are the Company’s major secured lender, holding a general security agreement over all of Company’s present and after acquired personal property.
- 1.6 Based on the Receiver’s review, it appears there will be insufficient assets in the Receivership to extinguish the debts owed to the First Lien Creditors. Accordingly, it is expected that there will not be any funds available to the Company’s other secured creditors ranking behind the First Lien Creditors and, therefore, no funds will be available to the unsecured creditors.

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- 1.7 The purpose of this report is to:
- 1.7.1 update the Court on the activities of the Receiver since the date of the Second Report;
 - 1.7.2 advise the Court of the First Lien Creditors' request that the Receiver engage Houlihan Lokey ("**Houlihan**") to conduct a formal sale process for the Company's Fort McKay oil sand assets and facility (the "**McKay Facility**") and request that the Court approve the proposed engagement letter (the "**Houlihan EL**");
 - 1.7.3 provide the Court a summary of the proposed sales process for the McKay Facility (the "**McKay Sales Process**") and request that the Court approve the Sale Process;
 - 1.7.4 request the Court to approve the fees and disbursements of the Receiver and its legal counsel to date; and
 - 1.7.5 request the Court to approve the activities of the Receiver as set out in this Third Report.
- 1.8 Copies of this and all Receiver's reports are available on the Receiver's website www.pwc.com/car-stp. All prescribed materials filed by the Plaintiff, the Receiver and other parties relating to the Receivership proceedings are available to creditors and other interested parties in electronic format on the Receiver's website. In addition, all materials relating to the CCAA proceedings are also filed on the Receiver's website. The Receiver will make regular updates to the website to ensure creditors and interested parties are kept current and to add prescribed materials as required.
- 1.9 Certain information contained in this report is based on information obtained from the Company's books and records and discussion with management and staff. The Receiver has not independently verified the accuracy or completeness of such information; accordingly the Receiver does not express an opinion thereon.
- 1.10 The Receiver reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this Third Report.

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- 1.11 Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the Company's application materials, the Receivership Order and the Receiver's prior reports.

2. UPDATE ON THE ACTIVITES OF THE RECEIVER

- 2.1 Since the date of the Second Report the Receiver has:
- 2.1.1 closed the Court approved sale of the Senlac Facility;
 - 2.1.2 continued to work closely with the Company's remaining 5 employees, contractors and vendors to ensure safe function and continued maintenance under the warm hibernation program at the McKay Facility;
 - 2.1.3 maintained open communications with provincial regulators to ensure:
 - 2.1.4 compliance with Saskatchewan regulatory requirements up to the date of closing the sale of the Senlac Facility; and
 - 2.1.5 continued compliance with regulatory requirements in Alberta;
 - 2.1.6 taken all steps necessary to ensure safe cessation of production operations and continuation of the hibernation process for the Company's McKay Facility;
 - 2.1.7 obtained a Court Order that provides for full resolution of the dispute with Altex Energy Ltd.; and
 - 2.1.8 continued to receive and vet unsolicited expressions of interest for the McKay Facility.

3. ENGAGEMENT OF HOULIHAN LOKEY

- 3.1 The McKay Facility has not been subject to a full marketing process since the Court approved SISF that was commenced in February 2015 while the company was still under the CCAA proceedings. The SISF identified a purchaser for the Company's Senlac Facility, the sale of which was closed by the Receiver but no viable offers were received for the McKay Facility.

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- 3.2 The current cash cost associated with the continued administration of the Receivership and the warm hibernation of the McKay Facility is approximately \$4.4 million per annum, which continues to erode the First Lien Creditors' security.
- 3.3 The First Lien Creditors have thus requested that the Receiver, subject to approval of this Court, engage Houlihan to conduct a formal sales process for the McKay Facility.
- 3.4 Houlihan has been engaged as advisor to the First Lien Creditors throughout the CCAA and Receivership proceedings and has both direct knowledge of the McKay Facility and prior experience in conducting international sale processes. As such, there are considerable efficiencies associated with the appointment of Houlihan to assist in conducting the sales process proposed.
- 3.5 A copy of the proposed engagement letter (the "**Houlihan EL**") is attached hereto as Appendix "A".
- 3.6 The First Lien Creditors have informed the Receiver that they are currently owed approximately USD\$172 million.
- 3.7 As set out in the Second Report, it is expected there will be a significant shortfall to the First Lien Creditors and, accordingly, the First Lien Creditors are the only creditors that will be affected by the proposed engagement of Houlihan.
- 3.8 The Receiver therefore recommends that the Court approve the Houlihan EL.

4. MCKAY SALES PROCESS

- 4.1 An outline of the proposed McKay Sales Process is attached hereto as Appendix "B".
- 4.2 Receiver has developed the McKay Sales Process in consultation with Houlihan and believes the marketing steps and timelines proposed in the process to be reasonable in the circumstances. Further, with the engagement of Houlihan, the Receiver is of the view that the process proposed will provide an efficient yet robust marketing of the McKay Facility in a manner that can add value for the benefit of the First Lien Creditors.
- 4.3 Subject to approval of the Court, the McKay Sales Process would commence on March 15, 2017 with bids due on May 19, 2017.

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- 4.4 The Receiver is of the opinion that commencing the McKay Sales Process at this time is appropriate given the recent stability in the price of oil and the potential for investment in the sector, and supports the First Lien Creditors' request that HL conduct a global marketing of the McKay Facility in accordance with the timelines set out in the process proposed.
- 4.5 For the reasons stated above, the Receiver recommends that the Court approve the McKay Sales Process.

5. STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 5.1 Attached hereto as Appendix "C" is a statement of receipts and disbursements ("R&D") for the period June 1, 2015 to February 24, 2017 which reflects an excess of receipts over disbursements of approximately \$8,706,591.
- 5.2 As at February 24, 2017, the cash balance in the Receiver's accounts was approximately \$8,706,591.

6. RECEIVER AND LEGAL COUNSEL'S FEES AND DISBURSEMENTS

- 6.1 The Receiver is seeking the approval of its interim fees and disbursements as well as those of its legal counsel at this time.
- 6.2 The total fees and disbursements of PwC, in its capacity as Receiver for the period November 16, 2015 to January 31, 2017 total \$636,269 (including GST of \$30,299). A summary of the Receiver's invoices is attached as Appendix "D". All rates are for time and services provided at standard rates.
- 6.3 The total fees and disbursements the Receiver's independent legal counsel for these proceedings, BLG, for the period November 1, 2015 to January 31, 2017 total \$211,723 (including GST of \$10,064). A summary of BLG's invoices is attached as Appendix "E". All rates are for time and services provided at standard rates.
- 6.4 Copies of the invoices rendered by the Receiver and the Receiver's legal counsel will be made available to the Court at the hearing on March 15, 2017.

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7. CONCLUSION AND RECOMMENDATIONS

- 7.1 Based on the foregoing, the Receiver respectfully requests this Court:
- 7.1.1 approve the Houlihan EL;
 - 7.1.2 approve the McKay Sales Process
 - 7.1.3 approve the Receiver's R&D attached as Appendix "C";
 - 7.1.4 approve the fees and disbursements of the Receiver and its legal counsel rendered to date, summaries of which are attached as Appendices "D" and "E"; and,
 - 7.1.5 approve the activities of the Receiver as set out in this Third Report;

This report is respectfully submitted this 6th day of March, 2017.

PricewaterhouseCoopers Inc.
Court Appointed Receiver and Manager of
Southern Pacific Resource Corp. et al



Paul Darby
Senior Vice President



Rick Osuna
Senior Vice President

TAB A

APPENDIX A

Houlihan Lokey Engagement Letter

Personal and Confidential

February 15, 2017

**PricewaterhouseCoopers Inc., in
its capacity as Receiver and Manager of
Southern Pacific Resource Corp.,
Southern Pacific Energy Ltd.,
1614789 Alberta Ltd., 1717712
Alberta Ltd. and Southern Pacific
Resource Partnership, and not in its
personal capacity
111-5th Avenue SW, Suite 3100
Calgary, AB T2P 5L3**

Dear Sir:

This letter agreement, together with the Standard Terms appended hereto, all of which are incorporated herein and made a part hereof (collectively, this "Agreement"), confirms the terms under which PricewaterhouseCoopers Inc., in its capacity as Receiver and Manager of Southern Pacific Resources Corp. (collectively with its direct and indirect subsidiaries, the "Company") and not in its personal capacity (the "Receiver"), hereby engages Houlihan Lokey Capital, Inc. ("Houlihan Lokey"), effective as of the date indicated above (the "Effective Date"), as its exclusive financial advisor to provide financial advisory and investment banking services in connection with one or more merger and/or acquisition transactions involving the Company and with respect to such other financial matters as to which the Receiver and Houlihan Lokey may agree in writing during the term of this Agreement. All dollar figures referenced herein are in Canadian dollars. We confirm that the Receiver was appointed receiver and manager over all of the Company's property, assets, and undertaking by the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "Court") pursuant to an amended and restated receivership order (the "Receivership Order") granted on June 4, 2015.

1. **Services.** In connection with each potential Transaction (as defined below), Houlihan Lokey will assist and advise the Receiver with the analysis, evaluation, pursuit and effectuation of any such Transaction. Houlihan Lokey's services will consist of, if appropriate and if requested by the Receiver: (i) assisting the Receiver in the development, preparation and distribution of selected information, documents and other materials in an effort to create interest in and to consummate any Transaction(s), including, if appropriate, assisting the Receiver in the preparation of an offering memorandum; (ii) soliciting and evaluating indications of interest and proposals regarding any Transaction(s) from current and/or potential equity investors, acquirers and/or strategic partners (collectively, "Investors"); (iii) assisting the Receiver with the development, structuring, negotiation and implementation of any Transaction(s), including participating as an advisor of the Receiver in negotiations with parties involved in any Transaction(s); and (iv) advising and attending meetings of the Receiver, creditor groups, official constituencies and other interested parties, as the Receiver and

Houlihan Lokey determine to be necessary or desirable; providing such other financial advisory and investment banking services as may be agreed upon by Houlihan Lokey and the Receiver.

2. **Exclusive Agency.** The Receiver, for and on behalf of the Company and in its own right, agrees that in the event the Receiver receives or has any knowledge of any inquiry regarding a Transaction from any party, the Receiver shall promptly inform Houlihan Lokey of such inquiry so that Houlihan Lokey can assist the Receiver in evaluating such party and its interest in a Transaction and in any resulting negotiations.

3. **Fees.** In consideration of Houlihan Lokey's acceptance of this engagement, the Receiver shall pay to Houlihan Lokey the following fees:

- (i) *Initial Fee:* In addition to the other fees provided for herein, upon approval by the Court of this Agreement, the Receiver shall pay Houlihan Lokey a nonrefundable cash fee of CAD \$250,000, which shall be earned upon Houlihan Lokey's receipt thereof in consideration of Houlihan Lokey accepting this engagement ("Initial Fee");
- (ii) *Monthly Fees:* In addition to the other fees provided for herein, upon the first monthly anniversary of the Effective Date, and on every monthly anniversary of the Effective Date during the term of this Agreement, the Receiver shall pay Houlihan Lokey in advance, without notice or invoice, a nonrefundable cash fee of CAD \$100,000 ("Monthly Fee"). Each Monthly Fee shall be earned upon Houlihan Lokey's receipt thereof in consideration of Houlihan Lokey accepting this engagement and performing services as described herein. The aggregate amount of Monthly Fees shall be limited to a maximum of CAD \$950,000 (CAD \$200,000 for the first two non creditable Monthly Fees plus the CAD \$750,000 Deferred Fee); and
- (iii) *Deferred Fee:* In addition to the other fees provided herein, upon the closing of a Transaction, the Receiver shall pay Houlihan Lokey a fee (the "Deferred Fee") of CAD \$750,000 in cash directly from the gross proceeds of such Transaction, provided that all Monthly Fees in excess of Monthly Fees paid for the first 2 (two months) will be credited against the Deferred Fees in the event that the Deferred Fee becomes payable; and
- (iv) *Transaction Fee:* In addition to other fees provided herein, upon the closing of each Transaction, Houlihan Lokey shall earn, and the Receiver shall thereupon pay in cash directly from the gross proceeds of such Transaction or, in the case of a (partially or fully) non-cash disposition in satisfaction of a secured lender claim, from the Receiver's cash balances, (but only to the maximum of the available and unencumbered cash balances held by the Receiver and not in excess thereof under any circumstances) as a cost of such Transaction, a fee ("Transaction Fee") paid in cash equal to 10% of the gross proceeds of the Distributable Proceeds, as defined below, in excess of CAD \$11,500,000.

If more than one Transaction is consummated, Houlihan Lokey shall be compensated based on the Distributable Proceeds generated from all Transactions, calculated in the manner set forth above.

For purposes hereof, "Distributable Proceeds" shall mean any consideration or distribution of any kind or in any form whatsoever paid to, or received or retained by, any secured creditor of the Company, whether distributed pursuant to a Transaction or otherwise, including distributions made subsequent to any distributions directly related to any Transaction. Notwithstanding anything in this Agreement, so long as Houlihan Lokey has earned a Deferred Fee, the term or termination of this Agreement shall not

limit the inclusion of all Distributable Proceeds in the calculation of all Transaction Fees earned and owed to Houlihan Lokey under this Agreement.

All payments received by Houlihan Lokey pursuant to this Agreement at any time shall become the property of Houlihan Lokey without restriction. No payments received by Houlihan Lokey pursuant to this Agreement will be put into a trust or other segregated account.

4. **Court Approval.** The Receiver shall use reasonable commercial efforts to have the Court approve this Agreement and direct that the Receiver and Houlihan Lokey perform their obligations hereunder, by order in form satisfactory to both parties' counsel, acting reasonably, and in no event shall the Receiver move to reject or disclaim this Agreement. If such an order is not obtained on or before March 15, 2017 or such later date as the Receiver and Houlihan Lokey may agree, or is made by the Court but later reversed or set aside for any reason, Houlihan Lokey may, on written notice to the other parties, immediately terminate this Agreement, and the Receiver shall reimburse Houlihan Lokey for all fees and expenses reasonably incurred prior to the date of termination, subject to any requirements that may be imposed by the Court.

5. **Term and Termination.** This Agreement may be terminated at any time by either party upon thirty days' prior written notice of termination to the other party. The expiration or termination of this Agreement shall not affect:

- (i) any provision of this Agreement other than Sections 1 and 2; and
- (ii) Houlihan Lokey's right to receive:
 - (1) Monthly Fees accrued to the date of termination; and
 - (2) the Receiver's obligation to pay, any and all fees (other than Monthly Fees), expenses and other amounts due hereunder.


In addition, notwithstanding the expiration or termination of this Agreement, Houlihan Lokey shall be entitled to full payment by the Receiver of the Transaction Fees described in this Agreement: (i) so long as a Transaction is closed during the term of this Agreement, or within 12 months after the date of expiration or termination of this Agreement ("Tail Period"), and/or (ii) if an agreement in principle to close a Transaction is executed by the Receiver or any entity comprising the Company during the term of this Agreement, or within the Tail Period, and such Transaction is closed at any time following such execution with the counterparty named in such agreement, or with any affiliate or employee of, or investor in, such counterparty, or any affiliate of any of the foregoing.

6. **Agreement from Secured Lenders.** This agreement is subject to the approval in writing by the Company's senior secured lenders (the "Secured Lenders") and to Court approval. Should either the Secured Lenders or the Court not approve of this agreement, it will be void ab initio. The Receiver shall seek from the Court, as part of the Order approving this agreement, a provision in such Order stating that any claims against Houlihan Lokey or the Indemnified Parties arising out of or related to Houlihan Lokey's engagement under, or any matter referred to in this agreement, shall be limited in quantum to the amount of the Fees paid to Houlihan Lokey hereunder.

All of us at Houlihan Lokey thank you for choosing us to advise the Receiver, and look forward to working with you on this engagement.

Very truly yours,

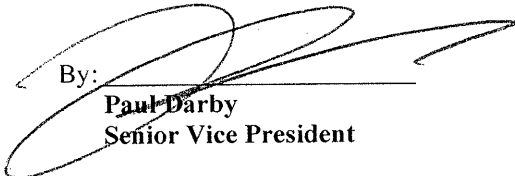
HOULIHAN LOKEY CAPITAL, INC.



By: _____
Brett Lowrey
Managing Director

Accepted and agreed to as of the Effective Date:

**PricewaterhouseCoopers Inc., in
its capacity as Receiver and Manager of
Southern Pacific Resource Corp.,
Southern Pacific Energy Ltd.,
1614789 Alberta Ltd., 1717712
Alberta Ltd. and Southern Pacific
Resource Partnership, and not in its
personal capacity**

By:  _____
Paul Darby
Senior Vice President

STANDARD TERMS

The Standard Terms set forth below form a part of the engagement letter agreement (the "Agreement") dated February 15, 2017 by and between PricewaterhouseCoopers Inc., solely in its capacity as court-appointed receiver and manager of the Company and not in its personal capacity and Houlihan Lokey Capital, Inc. Capitalized terms not otherwise defined in these Standard Terms shall have the same meaning as in the Agreement.

- A. **Transaction.** As used in this Agreement, the term "Transaction" shall mean any transaction or series of related transactions that constitute the disposition to one or more third parties (including, without limitation, any person, group of persons, partnership, corporation or other entity, and also including, among others, any of the existing owners, shareholders, employees, or creditors of any entity comprising the Company and/or the affiliates of each) in one or a series of related transactions of (a) all or a material portion of the equity securities of any entity comprising the Company or any interest held by any entity comprising the Company, any direct or indirect subsidiary or affiliate in any joint venture or partnership or other entity formed by any of them, (b) any significant portion of the assets (including the assignment of any executory contracts) or operations of any entity comprising the Company or any joint venture or partnership or other entity formed by it, in either case, including, without limitation, through a sale or exchange of capital stock, options or assets with or without a purchase option, a merger, consolidation or other business combination, an exchange or tender offer, a recapitalization, the formation of a joint venture, partnership or similar entity, or any similar transaction, and/or (c) any claim held by a senior secured lender of the Company (each a "Transaction").
- B. **Value of Consideration.** For the purpose of calculating the Distributable Proceeds, any securities, other than a promissory note, will be valued at the time of the closing of the Transaction, without regard to any restrictions on transferability, as follows: (i) if such securities are traded on a stock exchange, the securities will be valued at the average last sale or closing price for the ten trading days immediately prior to the closing of the Transaction; (ii) if such securities are traded primarily in over-the-counter transactions, the securities will be valued at the mean of the closing bid and asked quotations similarly averaged over a ten trading day period immediately prior to the closing of the Transaction; and (iii) if such securities have not been traded prior to the closing of the Transaction, Houlihan Lokey and the Receiver shall negotiate in good faith to agree on a fair valuation thereof, without regard to any restrictions on transferability, for the purposes of calculating the Distributable Proceeds. For any lease payments and other consideration that is not freely tradable or has no established public market, if the consideration utilized consists of property other than securities, then the value of such property shall be the fair market value thereof as determined in good faith by Houlihan Lokey and the Receiver. If any consideration to be paid is computed in any foreign currency, the value of such foreign currency shall, for purposes hereof, be converted into Canadian dollars at the prevailing exchange rate on the date or dates on which such consideration is payable. The value of any purchase money or other promissory notes shall be deemed to be the face amount thereof. In the event a Transaction includes any consideration contingent in nature ("Contingent Payments"), Houlihan Lokey's Transaction Fee shall be calculated based on the mutually agreed value of such Contingent Payments as of closing as if such value were included in Distributable Proceeds. If the parties cannot reach such an agreement, an additional Transaction Fee shall be paid to Houlihan Lokey from, and on account of, such Contingent Payments at the same time that each of such Contingent Payments are received regardless of any prior termination or expiration of this Agreement. Each such additional Transaction Fee shall be calculated pursuant to the provisions of this Agreement based upon the amount of each such Contingent Payment.
- C. **Reasonableness of Fees.** The parties acknowledge that a substantial professional commitment of time and effort will be required of Houlihan Lokey and its professionals hereunder, and that such commitment may foreclose other opportunities for Houlihan Lokey. Moreover, the actual time and commitment required for the engagement may vary substantially, creating "peak load" issues for Houlihan Lokey. Given the numerous issues which may arise in engagements such as this, Houlihan Lokey's commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of Houlihan Lokey that will be required in this engagement, and the market rate for Houlihan Lokey's services of this nature, whether in-court or out-of-court, the parties agree that the fee arrangement provided for herein is reasonable, fairly compensates Houlihan Lokey, and provides the requisite certainty with respect to the cost of the engagement to the Receiver.
- D. **Expenses.** In addition to all of the other fees and expenses described in this Agreement, and regardless of whether any Transaction is consummated, the Receiver shall, upon Houlihan Lokey's request, reimburse Houlihan Lokey for its reasonable out-of-pocket expenses incurred from time to time in connection with its services hereunder. Houlihan Lokey bills its clients for its reasonable out-of-pocket expenses including, but not limited to (i) travel-related and certain other expenses, without regard to volume-based or similar credits or rebates Houlihan Lokey may receive from, or fixed-fee arrangements made with, travel agents, airlines or other vendors, and (ii) research, database and similar information charges paid to third party vendors, and postage, telecommunication and duplicating expenses, to perform client-related services that are not capable of being identified with, or charged to, a particular client or engagement in a reasonably practicable manner, based upon a uniformly applied monthly assessment or percentage of the fees due to Houlihan Lokey.
- Houlihan Lokey shall, in addition, be reimbursed by the Receiver for the fees and expenses of Houlihan Lokey's legal counsel incurred in connection with this Agreement and the matters contemplated hereby.
- E. **Invoicing and Payment.** All amounts payable to Houlihan Lokey shall be made in lawful money of the Canada in accordance with the payment instructions set forth on the invoice provided with this Agreement, or to such accounts as Houlihan Lokey shall direct, and the Receiver shall provide contemporaneous written notice of each such payment to Houlihan Lokey. All amounts invoiced by Houlihan Lokey shall be exclusive of goods and services tax, value added tax, withholding tax, sales tax and any other similar taxes ("Taxes"). All amounts charged by Houlihan Lokey will be invoiced together with Taxes where appropriate.
- F. **Information.** The Receiver will provide Houlihan Lokey with access to management and other representatives of the Receiver and other participants in the Transaction, as reasonably requested by Houlihan Lokey. The Receiver will furnish Houlihan Lokey with such information as Houlihan Lokey may reasonably request for the purpose of carrying out its engagement hereunder, all of which will be, to the Receiver's best knowledge, accurate and complete at the time furnished and will be reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of the future financial results. The Receiver will promptly notify Houlihan Lokey in writing of any material inaccuracy or misstatement in, or material omission from, any information previously delivered to, or discussed with, Houlihan Lokey, or any materials provided to any interested party. Houlihan Lokey shall rely, without independent verification, on the accuracy and completeness of all information that is publicly available and of all information furnished by or on behalf of the Receiver or any other potential party to any Transaction or otherwise reviewed by, or discussed with, Houlihan Lokey. The Receiver understands and agrees that Houlihan Lokey will not be responsible for the accuracy or completeness of such information, and shall not be liable for any inaccuracies or omissions therein. The Receiver

acknowledges that Houlihan Lokey has no obligation to conduct any appraisal of any assets or liabilities of the Company or any other party or to evaluate the solvency of any party under any applicable laws relating to bankruptcy, insolvency or similar matters. Houlihan Lokey's role in reviewing any information is limited solely to performing such a review as it shall deem necessary to support its own advice and analysis and shall not be on behalf of any other party. Any advice (whether written or oral) rendered by Houlihan Lokey pursuant to this Agreement is intended solely for the use of the Receiver (solely in its capacity as such) in evaluating a Transaction, and such advice may not be relied upon by any other person or entity or used for any other purpose. Any advice rendered by, or other materials prepared by, or any communication from, Houlihan Lokey may not be disclosed, in whole or in part, to any third party, or summarized, quoted from, or otherwise referred to in any manner without the prior written consent of Houlihan Lokey.

- G. **Limitations on Services as Advisor.** Houlihan Lokey's services are limited to those specifically provided in this Agreement, or subsequently agreed upon in writing, by the parties hereto. Houlihan Lokey shall have no obligation or responsibility for any other services including, without limitation, any crisis management or business consulting services related to, among other things, the implementation of any operational, organizational, administrative, cash management, or similar activities. The parties understand that Houlihan Lokey is being engaged hereunder as an independent contractor to provide the services hereunder solely to the Receiver, and that Houlihan Lokey is not acting as an agent or fiduciary of the Receiver, the Company, its security holders or creditors or any other person or entity in connection with this engagement, and the Receiver agrees that it shall not make, and hereby waives, any claim based on an assertion of such an agency or fiduciary relationship. In performing its services pursuant to this Agreement, Houlihan Lokey is not assuming any responsibility for the Receiver's decision on whether to pursue, endorse or support any business strategy, or to effect, or not to effect, any Transaction(s), which decision shall be made by the Receiver in its sole discretion. Any duties of Houlihan Lokey arising by reason of this Agreement or as a result of the services to be rendered by Houlihan Lokey hereunder will be owed solely to the Receiver.
- H. **Additional Services.** To the extent Houlihan Lokey is requested by the Receiver to perform any financial advisory or investment banking services which are not within the scope of this engagement, the Receiver shall pay Houlihan Lokey such fees as shall be mutually agreed upon by the parties hereto in writing, in advance, depending on the level and type of services required, and shall be in addition to the fees and expenses described hereinabove.
- I. **Required Services.** If Houlihan Lokey is required to render services not described herein, but which relate directly or indirectly to the subject matter of this Agreement (including, but not limited to, producing documents, answering interrogatories, attending questionings or depositions, giving expert or other testimony, whether by subpoena, court process or order, or otherwise) the Receiver shall pay Houlihan Lokey additional fees to be mutually agreed upon for such services, plus reasonable related out-of-pocket costs and expenses, including, among other things, the reasonable legal fees and expenses of Houlihan Lokey's counsel in connection therewith.
- J. **Credit.** After the announcement or closing of any Transaction, Houlihan Lokey may, at its own expense, place announcements on its corporate website and in financial and other newspapers and periodicals (such as a customary "tombstone" advertisement, including the Company's logo or other identifying marks) describing its services in connection therewith.
- K. **Choice of Law; Jury Trial Waiver; Jurisdiction.** This Agreement shall be deemed to be made in Alberta. All disputes arising out of or related to this Agreement (whether based upon contract, tort or otherwise) shall be governed by, and construed in accordance with, the laws of the Province of Alberta without regard to principles of conflicts of laws. Each of the parties hereto (on its own behalf and, to the extent permitted by applicable law, on behalf of its equity holders) irrevocably waives any right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the engagement of Houlihan Lokey pursuant to, or the performance by Houlihan Lokey of the services contemplated by, this Agreement. Regardless of any present or future domicile or principal place of business of the parties hereto, each party hereby irrevocably consents and agrees that any claims or disputes between or among the parties hereto arising out of or related to this agreement (whether based upon contract, tort or otherwise) shall be brought and maintained in any court of competent jurisdiction in the Province of Alberta, which court shall have exclusive jurisdiction over the adjudication of such matters, and agrees to venue in such court. Each party further irrevocably submits and consents in advance to such jurisdiction and venue in any action or suit commenced in any such courts, and hereby waives in all respects any claim or objection which, it may have based upon lack of personal jurisdiction, improper venue or *forum non conveniens*. The Receiver agrees that a final judgment in any such action, suit or claim brought in any of the courts referred to above shall be conclusive and binding upon it and may be enforced in any other courts having jurisdiction over it by suit upon such judgment.
- L. **Indemnification and Standard of Care.** As a material part of the consideration for the agreement of Houlihan Lokey to furnish its services under this Agreement, the Company (and NOT PricewaterhouseCoopers Inc., either in its personal capacity or in its capacity as Receiver) agrees (i) to indemnify and hold harmless Houlihan Lokey and its affiliates, and their respective past, present and future directors, officers, partners, members, employees, agents, representatives, advisors, subcontractors and controlling persons (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to Houlihan Lokey's engagement under, or any matter referred to in, this Agreement, and (ii) to reimburse each Indemnified Party for all expenses (including, without limitation, the fees and expenses of counsel calculated as between a solicitor and his own client with a right to full indemnity) as they are incurred in connection with investigating, preparing, pursuing, defending, settling, compromising or otherwise becoming involved in any action, suit, dispute, inquiry, investigation or proceeding, pending or threatened, brought by or against any person or entity (including, without limitation, any shareholder or derivative action), arising out of or related to such engagement or matter. However, the Company shall not be liable under the foregoing indemnification provision for any loss, claim, damage or liability which is finally judicially determined by a court of competent jurisdiction to have resulted primarily from the willful misconduct, gross negligence, or bad faith of such Indemnified Party.

If for any reason the foregoing indemnification or reimbursement is unavailable to any Indemnified Party or insufficient fully to indemnify any Indemnified Party or to hold it harmless in respect of any losses, claims, damages, liabilities or expenses referred to in such indemnification or reimbursement provisions, then the Company shall contribute, from available and unencumbered cash balances (after payment by the Receiver of all operating and other receivership expenses) held by the Receiver (if any), to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and Houlihan Lokey, on the other hand, in connection with the matters contemplated by this Agreement. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute, from available and unencumbered cash balances (after payment by the Receiver of all operating and other receivership expenses) held by the

Receiver (if any), to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Company (and its affiliates, and their respective directors, employees, agents and other advisors), on the one hand, and such Indemnified Party, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, in no event shall the Indemnified Parties be required to contribute an aggregate amount in excess of the amount of fees actually received by Houlihan Lokey from the Company or Receiver pursuant to this Agreement. Relative benefits received by the Company, on the one hand, and Houlihan Lokey, on the other hand, shall be deemed to be in the same proportion as (i) the total value paid or received or contemplated to be paid or received by the Company, Receiver, and the Company's security holders and creditors, as the case may be, pursuant to the Transaction(s) (whether or not consummated) contemplated by the engagement hereunder, bears to (ii) the fees received by Houlihan Lokey under this Agreement. The Receiver or Company shall not settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action, suit, dispute, inquiry, investigation or proceeding arising out of or related to Houlihan Lokey's engagement under, or any matter referred to in, this Agreement (whether or not an Indemnified Party is an actual or potential party thereto), or participate in or otherwise facilitate any such settlement, compromise, consent or termination, unless such settlement, compromise, consent or termination contains a release of the Indemnified Parties reasonably satisfactory in form and substance to Houlihan Lokey. Notwithstanding all of the foregoing, under no circumstances will the Receiver have any liability to Houlihan Lokey for any of the obligations of the Company under this indemnity. The Company further agrees that neither Houlihan Lokey nor any other Indemnified Party shall have any liability (whether direct or indirect and regardless of the legal theory advanced) to the Company or the Receiver or any person or entity asserting claims on behalf of or in right of the Company or the Receiver arising out of or related to Houlihan Lokey's engagement under, or any matter referred to in, this Agreement, except for losses, claims, damages or liabilities incurred by the Company or the Receiver which are finally judicially determined by a court of competent jurisdiction to have resulted primarily from the willful misconduct, gross negligence, or bad faith of such Indemnified Party.

The indemnity, reimbursement, and other obligations and agreements of the Company set forth in this Agreement (i) shall apply to any services provided by Houlihan Lokey in connection with this engagement prior to the Effective Date and to any modifications of this Agreement, (ii) shall be in addition to any obligation or liability which the Company may otherwise have to any Indemnified Party, (iii) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or the Receiver or any Indemnified Party or any person controlling any of them, (iv) and shall survive the completion of the services described in, and any expiration or termination of the relationship established by, this Agreement.

- L. **Miscellaneous.** This Agreement shall be binding upon the parties hereto and their respective successors, heirs and assigns and any successor, heir or assign of any substantial portion of such parties' respective businesses and/or assets.

Nothing in this Agreement, express or implied, is intended to confer or does confer on any person or entity, other than the parties hereto, the Indemnified Parties and each of their respective successors, heirs and assigns, any rights or remedies (directly or indirectly as a third party beneficiary or otherwise) under or by reason of this Agreement or as a result of the services to be rendered by Houlihan Lokey hereunder.

This Agreement is the complete and exclusive statement of the entire understanding of the parties regarding the subject matter hereof, and supersedes all previous agreements or understandings regarding the same, whether written or oral. This Agreement may not be amended, and no portion hereof may be waived, except in a writing duly executed by the parties hereto.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect pursuant to the terms hereof.

This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument. Such counterparts may be delivered by one party to the other by facsimile or other electronic transmission, and such counterparts shall be valid for all purposes.

Subject to approval by the Court, and by the Secured Lenders, the Receiver will have all requisite power and authority to enter into this Agreement, will duly and validly authorized by all necessary action on the part of the Receiver, will be duly executed and delivered by the Receiver, and will constitute a legal, valid and binding agreement of the Receiver, enforceable in accordance with its terms. This Agreement has been reviewed by the signatories hereto and their counsel. There shall be no construction of any provision against Houlihan Lokey because this Agreement was drafted by Houlihan Lokey, and the parties waive any statute or rule of law to such effect.

The Receiver understands and acknowledges that Houlihan Lokey and its affiliates (collectively, the "Houlihan Lokey Group") engage in providing investment banking, securities trading, financing, financial advisory, and consulting services and other commercial and investment banking products and services to a wide range of institutions and individuals. In the ordinary course of business, the Houlihan Lokey Group and certain of its employees, as well as investment funds in which they may have financial interests or with which they may co-invest, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity, and other securities and financial instruments (including bank loans and other obligations) of, or investments in, the Receiver, Company or any other party that may be involved in the matters contemplated by this Agreement or have other relationships with such parties. With respect to any such securities, financial instruments and/or investments, all rights in respect of such securities, financial instruments and investments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion. In addition, the Houlihan Lokey Group may in the past have had, and may currently or in the future have, financial advisory or other investment banking or consulting relationships with parties involved in the matters contemplated by this Agreement, including parties that may have interests with respect to the Receiver or Company, a Transaction or other parties involved in a Transaction, from which conflicting interests or duties may arise. Although the Houlihan Lokey Group in the course of such other activities and relationships may acquire information about the Company, a Transaction or such other parties, or that otherwise may be of interest to the Receiver, the Houlihan Lokey Group shall have no obligation to, and may not be contractually permitted to, disclose such information, or the fact that the Houlihan Lokey Group is in possession of such information, to the Receiver or to use such information on the Receiver's behalf.

In order to enable Houlihan Lokey to bring relevant resources to bear on its engagement hereunder from among its global affiliates, the Receiver agrees that Houlihan Lokey may share information obtained from the Receiver and other parties hereunder with other members of the Houlihan Lokey Group, and may perform the services contemplated hereby in conjunction with such other members.

TAB B

APPENDIX B
McKay Sales Process

**Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 1614789 Alberta Ltd.,
1717712 Alberta Ltd. and Southern Pacific Resource Partnership - Sales Solicitation
Process**

1. On June 1, 2015, the Alberta Court of Queen's Bench (the "**Court**") made an order, as amended by the Court on June 4, 2015 (the "**Receivership Order**"), appointing PricewaterhouseCoopers Inc. as Receiver and Manager (the "**Receiver**") of the property, assets and undertakings (the "**Property**") of Southern Pacific Resource Corp., Southern Pacific Energy Ltd., 1614789 Alberta Ltd., 1717712 Alberta Ltd. and Southern Pacific Resource Partnership (collectively referred to as "**Southern Pacific**"). On March 15, 2017, the Court approved the sale solicitation process (the "**Sales Process**") set forth herein.
2. Set forth below is the Sales Process, and if there is a Successful Bid obtained within the Sales Process, to complete the transactions contemplated by the Successful Bid.

Defined Terms

3. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order. In addition, in this Sales Process:

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

"**Financial Advisor**" means Houlihan Lokey Capital, Inc. appointed pursuant to an order of the Court dated March 15, 2017;

"**Receivership Charges**" means the charges created by the Receivership Order;

"**Receivership Obligations**" means the indebtedness, liabilities and obligations secured by the Receivership Charges;

"**Sales Process Order**" means an order of the Court dated March 15, 2017 approving the within Sales Process;

"**Senior Secured Lenders**" means those lenders party to the first lien term loan credit agreement between, among others, Southern Pacific Energy Ltd., and Credit Suisse AG, Cayman Islands Branch, as administrative agent for the lenders.

Sales Process

4. The Sales Process set forth herein describes, among other things, the Property available for sale, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the Courts' approval thereof. The Receiver shall administer the Sales Process through the Financial Advisor. In the event that there is disagreement as to the interpretation or application of this Sales Process, the Court will have jurisdiction to hear and resolve such dispute.
5. The Receiver will use its reasonable efforts to ensure the Sales Process is completed in accordance with the timelines as set out herein and summarized in **Schedule "B"** hereto. The

Receiver shall be permitted to make such adjustments to the timeline from time to time that it determines are reasonably necessary to implement the Sales Process in a manner that is fair and reasonable in the circumstances.

Publication of Notice, IM and Data Room

6. No more than five (5) Business Days after the issuance of the Sales Process Order:
 - a. the Receiver shall cause a notice of the Sales Process, and such other relevant information which the Receiver, in consultation with the Financial Advisor considers appropriate, to be published in the *Daily Oil Bulletin*. At the same time, the Receiver shall post the Sales Process on the website maintained by the Receiver in respect of Southern Pacific;
 - b. a non-confidential information memorandum prepared by the Financial Advisor (the “**IM**”) describing the opportunity to acquire the Property will be made available by the Receiver to prospective purchasers and will be posted on the Receiver’s website; and
 - c. the Receiver, with assistance from the Financial Advisor, shall populate a virtual data room (the “**Data Room**”) containing among other things, confidential information concerning Southern Pacific including but not limited to detailed listings, photographs, technical specifications and other information required for prospective purchasers to perform due diligence on the Property.

Execution of Non-Disclosure Agreement

7. In order to participate in the Sales Process, each person (a “**Potential Bidder**”) must deliver to the Receiver at the address specified in **Schedule “A”** hereto (including by email or fax transmission), and prior to granting of access to the Data Room and the distribution of any such confidential information by the Financial Advisor or the Receiver to a Potential Bidder, an executed non-disclosure agreement in form and substance satisfactory to the Receiver, which shall inure to the benefit of any Successful Bidder that is a purchaser of the Property.
8. A Potential Bidder that has executed a non-disclosure agreement, as described above, will be deemed a “**Qualified Bidder**” and will be promptly notified of such classification by the Financial Advisor.
9. The Financial Advisor shall forthwith provide any person deemed to be a Qualified Bidder with access to the Data Room, together with such further information as the Financial Advisor deems appropriate. The Receiver and the Financial Advisor make no representation or warranty as to the information contained in the IM or in the Data Room except to the extent otherwise provided under any definitive sale agreement with a Successful Bidder executed and delivered by the Receiver (a “**Definitive Agreement**”).

Seeking Qualified Bids by Bid Deadline

10. A Qualified Bidder, if it wishes to submit a bid, will deliver written copies of a final binding proposal (a “**Final Bid**”) to the Financial Advisor at the address specified in Appendix “A” hereto (including by email or fax transmission) so as to be received by it no later than 12:00 p.m. (Mountain Standard Time) on May 19, 2017, or such other time as may be agreed upon by the Financial Advisor in consultation with the Receiver (the “**Bid Deadline**”).

Qualified Bids

11. A Final Bid will be deemed a Qualified Bid (defined below), only if the bid complies with all of the following (a “**Qualified Bid**”):

- a. It includes a letter stating that the bidder’s offer is irrevocable until the earlier of (i) the selection of the Successful Bidder; and (ii) forty (40) calendar days following the Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the sale to the Successful Bidder;
- b. It includes a duly authorized and executed term sheet describing the terms and conditions of the proposed transaction and identification of the Property proposed to be acquired, the purchase price of the Property (including any liabilities to be assumed by the Successful Bidder) proposed to be acquired expressed in Canadian dollars (the “**Purchase Price**”), and the structure and financing of the proposed transaction;
- c. It includes written evidence of a firm, irrevocable commitment for all required financing, or other evidence of ability to consummate the proposed transaction that will allow the Receiver, in consultation with the Financial Advisor, to make a reasonable determination as to the Qualified Bidder’s financial and other capabilities to consummate the transaction contemplated by the bid;
- d. It is not conditional upon (i) the outcome of unperformed due diligence by the bidder, other than confirming environmental and title due diligence, and/or (ii) obtaining financing;
- e. It fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid, and the complete terms of any such participation;
- f. It includes an acknowledgment and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;
- g. It includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the bidder’s board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid, and identifies any anticipated shareholder, regulatory and other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- h. It does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
- i. It is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Receiver), or such other form acceptable to the

Receiver, payable to the order of the Receiver, in trust, in an amount equal to 10% of that total consideration in the Qualified Bid, which Deposit is to be held and dealt with in accordance with these Sales Procedures;

- j. It confirms that the bidder is a licensee in good standing with the Alberta Energy Regulator (the “**AER**”) and provides an AER business associate code, or contains a statement that the bidder is eligible to hold or obtain an AER business code and an AER license;
- k. It contains such other information as may reasonably be requested by the Receiver or by the Financial Advisor, in consultation with the Receiver; and
- l. It is received by the Bid Deadline.

Successful Bid

- 12. The Receiver, in consultation with the Financial Advisor and the Senior Secured Lenders, shall determine the most favorable of the Qualified Bids (the “**Successful Bid**”). The Receiver and the Financial Advisor may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Bids. The Financial Advisor, in consultation with the Receiver, further reserves the right to request that certain qualified bidders revisit their proposals in the event that multiple proposals are competitive. The Receiver, in consultation with the Financial Advisor, shall then proceed to negotiate and settle the terms and conditions of a Definitive Agreement in respect of the Successful Bid, all of which shall be conditional upon Court approval and also conditional upon the Successful Bid closing within forty (40) calendar days after the Bid Deadline, or such longer period as shall be agreed to by the Receiver, in consultation with the Financial Advisor.
- 13. Once a Definitive Agreement has been negotiated and settled in respect of the Successful Bid, the person(s) who made the Successful Bid shall be the “**Successful Bidder**” hereunder.

Approval Motion

- 14. The Receiver shall apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid and authorizing the Receiver to enter into a Definitive Agreement with the Successful Bidder and any and all necessary further instruments and agreements with respect to the Successful Bid, as well as an order vesting title to the purchased property in the name of the Successful Bidder or its nominee. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Receiver. The Approval Motion may be adjourned or rescheduled by the Receiver without further notice.

Rejection of Qualified Bids

- 15. All Qualified Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

Deposits

- 16. All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid by the

Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus, in each case, accrued interest thereon) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court pursuant to a sale approval and vesting order. If there is no Successful Bid, all Deposits (plus in each case, accrued interest thereon) shall be returned to the bidders within five (5) Business Days of the date upon which the Sales Process is terminated in accordance with these procedures.

Approvals

17. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

No Amendment

18. There shall be no amendment to this Sales Process, including for greater certainty, the process and procedures set out herein, without the consent of the Receiver and the Financial Advisor.

"As Is, Where Is"

19. The sale of the Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or any of its agents, except to the extent set forth in the relevant Definitive Agreement with a Successful Bidder.

Free of Any and All Claims and Interests

20. In the event of a sale of Property, all of the rights, title and interests of Southern Pacific in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively the "**Claims and Interests**"), such Claims and Interests to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to an approval and vesting order made by the Court, upon the application of the Receiver, except to the extent otherwise set forth in the relevant Definitive Agreement.

No Obligation to Conclude a Sale

21. The Receiver has no obligation to conclude a sale arising out of this Sales Process, and the Receiver hereby reserves the right and unfettered discretion to reject any offer or other proposal made in connection with this Sales Process.

Further Orders

22. At any time during the Sales Process, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

SCHEDULE "A"

NOTICE

TO THE RECEIVER:

PRICEWATERHOUSECOOPERS INC.

Attention: Paul J. Darby
Phone: (403) 509-6677
Fax: (403) 781-1825
Email: paul.j.darby@ca.pwc.com

WITH A COPY TO:

Borden Ladner Gervais LLP
1900, 520 3rd Ave S.W.
Calgary, AB T2P 0R3
Attention: Josef G.A. Krüger, Q.C./Robyn Gurofsky
Phone: (403) 232-9563/9774
Fax: (403) 266-1395
Email: jkruger@blg.com/rgurofsky@blg.com

TO THE FINANCIAL ADVISOR:

HOULIHAN LOKEY CAPITAL, INC.

Attention: Brett Lowrey
Phone: 214-220-8480
Fax: 214-220-3808
Email: BLowrey@HL.com

Attention: Justin Zammit
Phone: 214-665-8643
Fax: 214-220-3808
Email: JZammit@HL.com

Schedule “B”

SALES PROCESS TIMELINE

By March 15, 2017	Court order approving Sales Process
March 15, 2017 – March 22, 2017	<ul style="list-style-type: none">- Publish Notice in Daily Oil Bulletin- Publish Notice on Receiver’s website
March 15, 2017 – March 22, 2017	<ul style="list-style-type: none">- Publish IM on Receiver’s website
March 15, 2017 – March 22, 2017	<ul style="list-style-type: none">- Make Non-Disclosure Agreement available for execution- Grant access to Data Room to those parties executing a Non-Disclosure Agreement
March 22, 2017 – May 19, 2017	Due diligence, respond to requests for information, conduct presentations, conduct site visits and due diligence conference calls.
May 19, 2017	Deadline to submit bids to Financial Advisor
May 26, 2017	Successful Bid notified
May 26, 2017 – June 9, 2017	Negotiate Definitive Purchase and Sale Agreement
June 23, 2017	Court approval of Purchase and Sale Agreement
June 27, 2017	Closing of Sale Transaction

TAB C

APPENDIX C

Summary of Receipts and Disbursements

SOUTHERN PACIFIC RESOURCE CORP ETAL - In Receivership
Statement of Receipts and Disbursements
for the period June 1, 2015 to February 24, 2017 (CDN\$)

Receipts

	\$
Cash in Bank at date of Receivership	20,718,703
Accounts Receivable	492,906
Auction Proceeds	28,500
Net Foreign Exchange Gain	400,664
GST Refunds/Collected	1,452,513
Land Rentals Reimbursement	159,292
Miscellaneous Receipts	218,521
Miscellaneous Refunds	614,897
Sales Proceeds	15,076,829
Return of fund from settlement dispute	800,000
Revenue	11,982,845
Transfers from US\$ Account	9,481,175
Total Receipts	61,426,846

Disbursements

Appraisal Fees	1,000
Banking Charges	6,696
Commissions	2,850
Contractors	234,593
Crown Royalty	36,476
Employee Expenses	140,783
Equipment Rental and Lease	67,350
Freight	4,947
GST	691,228
Insurance	320,124
Interest on GST	73
KERP	794,198
Legal Disbursements	7,246
Legal Fees	264,640
Licences and Permits	1,085
Office and Miscellaneous	8,007
Operating Costs	12,280,727
Other Taxes and Surcharges	50,836
Outage and Waste Disposal	900,016
Payroll and Benefits	4,936,189
Pre Receivership Amounts Paid	15,604
Pre Receivership GST Remitted/Paid	348,266
Property Taxes	2,553,827
PST	74,592
Receiver Filing Fees	350
Receiver's Disbursements	531,799
Receiver's Fees	1,851,045
Rent	298,400
Royalties	4,965,997
Secured Creditor Payment	10,771,678
Settlement	69,919
Transfers to CDN\$ Account	9,481,175
Utilities	1,008,541
Total Disbursements	52,720,254

Excess of Receipts Over Disbursements Held by the Receiver

8,706,591

Note 1 Transfers and expenditures from the US account were converted using the applicable exchange rate on the date of each transaction, ranging from 1.23 to 1.46 between June 1, 2015 and February 24, 2017. The ending USD cash balance is converted to Canadian using the February 24, 2017 rate of 1.31.

TAB D

APPENDIX D

Summary of Receiver's Fees and Disbursements

**Receiver and Manager of
Southern Pacific Resources et al**

**Summary of Receiver's Fees
For the Period November 16, 2015 to January 31, 2017**

Invoice	Period	Fees	Disbursements	GST	Total
CL135701860	Nov 16-30, 2015	91,113.78		4,555.69	95,669.47
CL135701932	Dec 1-15, 2016	115,530.98		5,776.55	121,307.53
CL136700023	Dec 16-31, 2016	41,163.15		2,058.16	43,221.31
CL136700084	Jan 1-15, 2016	61,043.85		3,052.19	64,096.04
CL136700188	Jan 16-31, 2016	51,671.55		2,583.58	54,255.13
CL136700252	Febr 1-15, 2016	25,156.95	17,510.78	2,133.39	44,801.12
CL136700317	Febr 16-29, 2016	15,284.33		764.22	16,048.55
CL136700395	March 1-15, 2016	12,227.25		611.36	12,838.61
CL136700482	March 16-31, 2016	11,300.10		565.01	11,865.11
CL136700504	April 1-15, 2016	4,368.00		218.40	4,586.40
CL136700576	April 16-30, 2016	2,979.38		148.97	3,128.35
CL136700617	May 1-15, 2016	6,019.13		300.96	6,320.09
CL136700682	May 16-31, 2016	8,417.33		420.87	8,838.20
CL136700762	June 1-15, 2016	3,629.33		181.47	3,810.80
CL136700858	June 16-30, 2016	4,237.28		211.86	4,449.14
CL136700877	July 1-15, 2016	3,256.58		162.83	3,419.41
CL136700944	July 16-31, 2016	12,149.55	1,767.96	695.88	14,613.39
CL136700965	Aug 1-15, 2016	6,946.80		347.34	7,294.14
CL136701077	Aug 16-31, 2016	4,622.63	78.56	235.06	4,936.25
CL136701108	Sept 1-15, 2016	7,986.30		399.32	8,385.62
CL136701181	Sept 16-30, 2016	5,568.68		278.43	5,847.11
CL136701221	Oct 1-15, 2016	7,249.73		362.49	7,612.22
CL136701322	Oct 16-31, 2016	12,657.23		632.86	13,290.09
CL136701376	Nov 1-15, 2016	5,182.28		259.11	5,441.39
CL136701424	Nov 16-30, 2016	3,766.35		188.32	3,954.67
CL136701496	Dec 1-15, 2016	13,377.00		668.85	14,045.85
CL137700016	Dec 16-31, 2016	19,117.88		955.89	20,073.77
CL137700065	Jan 1-15, 2017	19,497.48	16.25	975.69	20,489.42
CL137700156	Jan 15-31, 2017	10,473.75	602.33	553.80	11,629.88
		585,994.63	19,975.88	30,298.53	636,269.04

TAB E

APPENDIX E

Summary of Fees and Disbursements of the Receiver's Legal Counsel

PricewaterhouseCoopers Inc.
Receiver and Manager of
Southern Pacific Resources et al

Legal Fees Summary- Borden Ladner Gervais
For the Period November 1, 2015 to January 31, 2017

Invoice	Period	Fees	Disbursements	GST	Total
697281718	Nov 1-30, 2015	103,452.00	2,087.32	5,276.97	110,816.29
697292903	Dec 1-31, 2015	25,998.50	1,106.05	1,352.73	28,457.28
697307661	Jan 1-31, 2016	3,331.50	57.18	167.84	3,556.52
697315795	Feb 1-29, 2016	2,295.00	78.80	116.19	2,489.99
697325261	March 1-31, 2016	5,340.00	63.25	270.16	5,673.41
697344890	April 1- May 31, 2016	919.00	61.45	46.52	1,026.97
697369918	June 1-July 31, 2016	5,652.50	315.06	295.33	6,262.89
697374412	August 1-30, 2016	6,203.00	86.75	314.49	6,604.24
697387951	Sept 1-30, 2016	3,479.50	244.20	183.70	3,907.40
697398565	Oct 1-31, 2016	22,314.00	1,022.85	1,166.85	24,503.70
697405988	Nov 1-30, 2016	801.00	(144.63)	32.81	689.18
697418657	Dec 1-31, 2016	6,857.50	304.27	355.04	7,516.81
697430387	Jan 1-31, 2017	9,170.50	562.06	485.48	10,218.04
		195,814.00	5,844.61	10,064.11	211,722.72