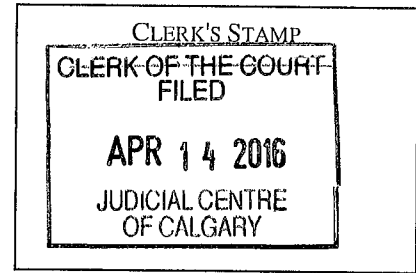


FORM 49
[RULE 13.19]



COURT FILE NUMBER 1601 - 03113
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

**AND IN THE MATTER OF THE COMPROMISE
OR ARRANGEMENT OF QUICKSILVER
RESOURCES CANADA INC., 0942065 B.C. LTD.
and 0942069 B.C. LTD.**

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT **BENNETT JONES LLP**
Barristers and Solicitors
4500, 855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Chris Simard / Kevin Zych
Tel No.: 403-298-4485 / 416-777-5738
Fax No.: 403-265-7219 / 416-863-1716

AFFIDAVIT OF ADAM DUNAYER NO. 2

Sworn on April 12, 2016

I, ADAM DUNAYER, of the City of Dallas, in the State of Texas, U.S.A., **SWEAR
AND SAY THAT:**

1. I am a Managing Director at Houlihan Lokey Capital, Inc. ("**Houlihan**"). Since September, 2015, Houlihan has been engaged in the process of conducting a sale process with respect to the assets and business of Quicksilver Resources Canada Inc. ("**Quicksilver Canada**" or "**QRCI**"), 0942065 B.C. Ltd. ("**LNG Co**") and 0942069 B.C.

Ltd. ("**LNG SubCo**", and together with Quicksilver Canada and LNG Co, the "**Applicants**"). As such, I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true.

2. I previously swore an affidavit in this Action on March 14, 2016 (my "**First Affidavit**"). In addition, I have reviewed the Affidavit sworn by J. David Rushford on March 8, 2016 (the "**Rushford Affidavit No. 1**"). Where I use capitalized terms in this affidavit, but do not define them, I intend them to bear their meanings as defined in my First Affidavit or in the Rushford Affidavit No. 1.

3. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

4. This affidavit is made in support of an application by the Applicants for an Order, among other things:

(a) approving the transactions (the "**Transactions**") contemplated by:

(i) the March 21, 2016 Asset Purchase Agreement entered into between 1069130 B.C. Ltd. (as purchaser, and subsequently assigned to Rockyview Resources Inc.) and Quicksilver Canada (as seller) regarding the Horn River Asset (the "**Horn River APA**"), a redacted copy of which is now shown to me and marked as **Exhibit "1"** to this Affidavit); and

(ii) the March 22, 2016 Asset Purchase Agreement entered into between 1069130 B.C. Ltd. (as purchaser), 0942065 B.C. Ltd. (as seller) and 0942069 B.C. Ltd. (as nominee) regarding Discovery LNG (the "**Discovery LNG APA**"), a redacted copy of which is now shown to me and marked as **Exhibit "2"** to this Affidavit;

(b) authorizing Quicksilver Canada to complete the Transactions;

- (c) ordering that upon the delivery of the Monitor's Certificate with respect to each Transaction, that the assets being purchased and sold thereunder, shall transfer to the respective purchasers, free and clear of all interests, liens, charges and encumbrances as against the Applicants;
- (d) sealing on the Court file the Confidential Supplement to the Monitor's Third Report; and
- (e) approving the distribution of the net proceeds of the Transactions to repay the Agent on behalf of the Lenders under the Credit Facility.

(the "**Second Approval and Vesting Order**").

II. THE QRCI SALE PROCESS

- 5. As was discussed in my First Affidavit and in the Rushford Affidavit No. 1, on or around September 14, 2015, QRCI commenced the QRCI Sale Process.
- 6. Attached are the following materials that were distributed to bidders during the QRCI Sale Process:
 - (a) introductory memorandum, September 2015 (attached as **Exhibit "3"**);
 - (b) confidential information memorandum, October 2015 (attached as **Exhibit "4"**);
 - (c) indication of interest process letter, November 4, 2015 (attached as **Exhibit "5"**);
and
 - (d) final bid process letter, December 29, 2015 (attached as **Exhibit "6"**).
- 7. As explained in my First Affidavit, the ultimate deadlines in the QRCI Sale Process were as follows:
 - (a) December 8, 2015 – Indications of Interest Due;
 - (b) January 11, 2016 – Final Bids Due; and

- (c) As soon as possible after receipt of Final Bids – Completion of Documentation / Closing.
8. Among the IOIs submitted, on or prior to December 8, 2015, four (4) were in respect of the Horn River Asset and Discovery LNG (collectively, the “B.C. Assets”). The IOIs were reviewed by Quicksilver Canada and, in consultation with Houlihan, Quicksilver Canada selected bidders to participate in the second round of due diligence.
 9. Following the second round of diligence (as described in my First Affidavit), only one final bid was received for Discovery LNG (the “Initial Discovery LNG Bid”). No final bids were received for the Horn River Asset. Houlihan, in consultation with and on behalf of Quicksilver Canada, along with Quicksilver Canada’s legal counsel, proceeded to negotiate the Initial Discovery LNG Bid with the potential purchaser. In parallel, Quicksilver Canada, in consultation with Houlihan and legal counsel, began evaluating further strategic options for the Horn River Asset.
 10. Upon completing the review of strategic options, Quicksilver Canada concluded for a number of reasons, including that Quicksilver Canada did not believe it to be prudent to strand the potential contingent environmental liabilities relating to the Horn River Asset with Quicksilver Canada (as it would likely be winding down its business operations), that the disposition of the Horn River Asset was a priority. As a result, Houlihan, on behalf of Quicksilver Canada, began discussions with parties who previously expressed interest in acquiring the Horn River Asset, but did not submit a bid, to determine if such a party would be willing to acquire the Horn River Asset, including the assumption of environmental liabilities.
 11. As a result of these discussions, several parties expressed interest in pursuing a transaction and some of the parties expressed interest in acquiring both the Horn River Asset and Discovery LNG. Those parties recommenced diligence efforts including meeting with management of the Applicants and being granted access to further detailed information in the Virtual Data Room. Houlihan, the management of the Applicants, and its legal counsel engaged in conversations and meetings with interested parties and/or

interested party's counsel, including the party who had submitted the Initial Discovery LNG Bid, to facilitate additional diligence and to solicit final, binding bids.

12. Ultimately, two (2) parties submitted final bids for the B.C. Assets in the form of mark-ups of the proposed Asset Purchase Agreements for all of the B.C. Assets (the "**B.C. Assets Final Bids**"). Houlihan, in consultation with and on behalf of Quicksilver Canada, along with the Applicant's legal counsel, proceeded to negotiate each B.C. Assets final bid with each of the potential purchasers, in an attempt to reach an agreement to sell the B.C. Assets.
13. FTI was kept apprised of all developments in the QRCI Sale Process, on a real-time basis, and was specifically asked to comment and provide its advice on the conduct of the process to dispose of the Horn River Asset and Discovery LNG.

III. THE 106 BID

14. 1069130 B.C. Ltd. (the "**Purchaser**") submitted a B.C. Asset Final Bid for the Horn River Asset and Discovery LNG (the "**106 Bid**"). The 106 Bid offers cash consideration of fair value, mitigates the risk of the contingent environmental liabilities associated with the B.C. Assets being left with the Applicants, and was the highest and best overall bid received, in terms of purchase price, certainty of the purchaser's ability to close the transaction, and other material terms of the transaction.

IV. THE HORN RIVER APA AND THE DISCOVERY LNG APA

15. On March 22nd, 2016 both the Horn River APA and the Discovery LNG APA were executed.

Horn River APA

16. The following are certain of the key terms of the Horn River APA (capitalized terms used in the following subparagraphs but not defined are intended to bear their meanings as defined in the Horn River APA):

- (a) the Purchase Price and the amount of the Deposit have been redacted from Exhibit "1" and are set out in the Confidential Supplement to the Third Report of the Monitor;
- (b) the date of closing (the "Closing Date") for the sale of Horn River Asset is no later than three (3) business days following the date on which the Order is granted provided that the conditions precedent set forth in the Horn River APA have been satisfied or, if permissible, waived;
- (c) on the Closing Date, the Purchaser and QRCI will enter in to an Assumption Agreement pursuant to which the Purchaser will assume and agree to discharge certain liabilities of QRCI including liabilities for debts and other liquidated amounts and all other liabilities (excluding Environmental Liabilities, as defined in the Horn River APA) in respect of the Horn River Asset to the extent that they arise or accrue on or after the Closing Date, and all Environmental Liabilities and liabilities in respect of surface rights (as defined in the Horn River APA) regardless when they arise or accrue;
- (d) certain liabilities will not be assumed by the Purchaser, such as reimbursement obligations to QRCI's guarantors and in respect of letters of credit, accrued expenses and accounts payable before March 22, 2016, asset taxes that are the responsibility of QRCI, liabilities of QRCI to any owner or former owner of its share capital or warrants, or to any third of indebtedness for borrowed money, drafts and cheques outstanding at Closing and any and all claims to the extent related to the Excluded Assets (as defined in the Horn River APA);
- (e) the Purchaser will not be under any obligation whatsoever to employ any of QRCI's employees following Closing;
- (f) the material conditions precedent to closing include, among other things, that the Order will have been granted and will be in full force and effect and not stayed or overturned and that the sale and purchase of Discovery LNG will have closed concurrently;

- (g) the sale of the Horn River Asset is not subject to any preferential purchase rights;
- (h) both QRCI and the purchaser have given a number of warranties that are typically found in an asset purchase agreement in similar circumstances, including an acknowledgement by the Purchaser that it is acquiring the Horn River Asset on an "as is, where is" basis. QRCI has also agreed to a number of the covenants and conditions relating to the operation of the Horn River asset prior to Closing, including among other things making commercially reasonable efforts to cause the Horn River Asset to be operated in a reasonably prudent manner, paying all costs and expenses relating to the Horn River Asset when they become due and not commencing, proposing or agreeing to participate in any operation with respect to the Horn River Asset with an anticipated cost in excess of \$200,000, except for emergency operations or operations required by a governmental authority. The Effective Date of the transfer of the Horn River asset under the Horn River APA, for accounting purposes, is March 22, 2016, such that costs incurred before that date will be for the account of QRCI; and
- (i) as soon as possible after March 22, 2016, the Purchaser is to retain a reputable engineering or other expert firm to perform inspection services in relation to certain tangible equipment and Wells identified by QRCI as requiring repairs and prepare a report thereon, which is to be delivered to QRCI, and the cap Purchase Price is to be adjusted downward by the amount of the lesser of (1) the third party's estimate of the cost the work and materials required to complete repairs to the downhole equipment and (2) \$2 million. The Purchaser also has the right prior to the Closing Date to confirm the existence and location of tangible property and to request a downward adjustment in the Purchase Price commensurate with the value of missing assets; in the event of disagreement on amounts, the matter will be resolved by an independent accounting referee.

Discovery LNG APA

17. The following are certain of the key terms of the Discovery LNG APA (capitalized terms used in the following subparagraphs but not defined are intended to bear their meanings as defined in the Discovery LNG APA):
- (a) the Purchase Price and the amount of the Deposit have been redacted from Exhibit "2" and are set out in the Confidential Supplement to the Third Report of the Monitor;
 - (b) the date of closing (the "Closing Date") for the sale of Acquired Assets (as defined in the Discovery LNG APA) is expected to be concurrent with closing under the Horn River APA and in any event no later than April 29, 2016;
 - (c) on the Closing Date, the Purchaser will enter in to an Assumption Agreement pursuant to which the Purchaser will assume and agree to discharge certain liabilities, including liabilities for debts and other liquidated amounts and all other liabilities (excluding Environmental Liabilities) to the extent that they arise or accrue on or after the Closing Date, all environmental liabilities regardless when they arise or accrue and all liabilities relating to aboriginal rights or title or interest, treaty rights and other claims made by any First Nations person;
 - (d) the Purchaser will not be under any obligation whatsoever to employ any of QRCI's employees following Closing;
 - (e) closing subject to the condition precedent that the sale of the Horn River Asset has closed concurrently;
 - (f) the sale of Discovery LNG is not subject to any preferential purchase rights; and
 - (g) seller nominee and the Purchaser give a number of warranties that are typically found in an asset purchase agreement in similar circumstances.
18. Completion of the transactions pursuant to the Horn River APA and the Discovery LNG APA are conditional on the Court granting an approval and vesting order in these proceedings.

19. On April 8, 2016, the parties to the Discovery LNG APA entered into an "Elk Falls Industrial Site, Campell River, British Columbia, Canada Sale Agreement Amending Agreement (the "**Discovery LNG Amending Agreement**". The Discovery LNG Amending Agreement amended the Discovery LNG APA to correct an error in the latter agreement whereby certain intellectual property (comprised of rights related to the name "Discovery LNG") was inadvertently not included as one of the Purchased Assets in the Discovery LNG APA, contrary to the intention of the parties. The Discovery LNG Amending Agreement does not alter the consideration being paid under the Discovery LNG APA. Attached as **Exhibit "7"** to this Affidavit is a true copy of the Discovery LNG Amending Agreement.

V. APPLICATION FOR APPROVAL OF THE SALE TRANSACTION

20. I believe that the Applicants, with the assistance of Houlihan, have conducted a thorough and comprehensive canvassing of the market, and I am satisfied that all alternatives and expressions of interest were properly and thoroughly pursued.
21. After completion of the comprehensive marketing efforts during the QRCI Sale Process, the Applicants have reached definitive transactions with 106 to enter into the Horn River APA, and a further definitive transaction with 106 to enter into the Discovery LNG APA, both of which are subject to Court approval. I believe that the Transactions contemplated by the Horn River APA and the Discovery LNG APA represent the best and highest overall offer that could be obtained for the Horn River and Discovery LNG Assets.
22. I am informed by Quicksilver Canada that its Board of Directors has authorized the corporation's entry into both the Horn River APA and the Discovery LNG APA.
23. I swear this my Affidavit in support of the Applicants' application to approve the Transaction and for no other or improper purpose.

SWORN BEFORE ME
at New York City, N. Y. U.S.A., this 12th
day of April, 2016.

Erin L. Rolnick

A NOTARY PUBLIC IN AND FOR
THE STATE OF NEW YORK

Adam Dunayer

ADAM DUNAYER

