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AUG 23 2016  
JUDICIAL CENTRE  
OF CALGARY

COURT FILE NUMBER 1501-09424  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT NATIONAL BANK OF CANADA  
RESPONDENTS **WALDRON ENERGY CORPORATION**  
DOCUMENT **SUPPLEMENT TO THE SECOND REPORT  
OF FTI CONSULTING CANADA INC., IN ITS  
CAPACITY AS COURT APPOINTED  
RECEIVER AND MANAGER OF WALDRON  
ENERGY CORPORATION**

**August 23, 2016**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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**COUNSEL**  
Blake, Cassels & Graydon LLP  
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## INTRODUCTION

1. The purpose of this supplement to the Second Report (the “**Supplement**”) is to inform the Court as to the following:
  - (a) the Receiver’s continued dealings in respect of the terminated Capital Oil APA;
  - (b) update and summary with respect to the Receiver’s dealings with the AER in connection with the Bonavista APA; and
  - (c) update and summary with respect to the sale of the Remaining Assets.

## TERMS OF REFERENCE

2. In preparing this Supplement, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).
3. Except as described in this Supplement:
  - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
  - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this Supplement in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.

4. Future oriented financial information reported or relied on in preparing this Supplement is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
5. The Receiver has prepared this Supplement in connection with the Receiver's Application returnable August 24, 2016. This report should not be relied on for other purposes.
6. Any information and advice described in this Supplement has been provided to the Receiver by its counsel, Blake, Cassels & Graydon LLP (the "**Receiver's Counsel**"), in order to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meaning defined in the Second Report.

#### **Capital Oil APA**

8. Prior to, and since, the date of the Receiver's Response Letter detailed in the Second Report, the Receiver and Sayer have been contacted by various parties purporting to be working with or for Capital Oil in order to secure the required financing to close the Capital Oil APA.
9. As described in the Second Report, the Receiver has communicated to Capital Oil on various occasions that it had not waived, amended or extended the requirements of section 3.4 or 5.1(b) and is not prepared to waive, extend or amend those requirements of the Capital Oil APA. Based on these calls the Receiver is of the opinion that as of the date of this Supplement Capital Oil still does not have the committed financing required to close a transaction.

### Communication with the AER

10. The Receiver contacted the AER in connection with obtaining pre-approval of the license transfers to Bonavista contemplated by the Bonavista APA, which would result in the sale of the Ferrybank Assets.
11. The AER requested a letter from the Receiver outlining the license transfers contemplated by the Bonavista APA, the Receiver's intentions with respect to the Remaining Assets and the Receiver's position on Waldron's outstanding 2016 administration fees.
12. The Receiver delivered a letter in response on August 19, 2016 to the AER to outline what the Receiver understood would be involved in disposing of all of Waldron's PNG Assets. A copy of the Receiver's letter provided to the AER in connection with the above requests is attached as Appendix "A".

### Capital West Offer to Purchase

13. On August 17, 2016, Sayer received an offer to purchase (the "**Capital West LOI**") Waldron's remaining interests (the "**Remaining Assets**") from Capital West Energy Corporation ("**Capital West**"). For greater certainty the Ferrybank Assets and the Remaining Assets comprise all of Waldron's PNG Assets. Further, if the transaction under the Capital West LOI is completed then Waldron would have no remaining assets.
14. On August 22, 2016, the Receiver executed the Capital West LOI and is continuing to work with Capital West to complete the remaining due diligence items. The Capital West LOI has a due diligence deadline of August 29, 2016.
15. A redacted copy of the Capital West LOI is attached as Appendix "B". A summary of the key non-commercial terms of the Capital West LOI is as follows:
  - (a) effective date shall be the closing date;

- (b) a deposit, representing 10% of the purchase price, to be held by Capital West's solicitors;
- (c) subject to the vendor and purchaser entering into a definitive agreement; and
- (d) subject to the approval of, and the granting of a vesting Order by this Honourable Court.

### **Receiver's Analysis of the Offers to Purchase**

16. The Receiver has concluded that the Capital West LOI (the "**Second Transaction**") represents the best realizable value for the Remaining Assets that could reasonably be obtained in the present circumstances based on the following:
- (a) the Assets have been adequately exposed to the market through the Marketing Process;
  - (b) the Second Transaction is fair and commercially reasonable in the circumstances; and
  - (c) the National Bank of Canada, the Company's largest secured creditor and the primary significant stakeholder in these Receivership Proceedings, supports the Receiver completing the Second Transaction.

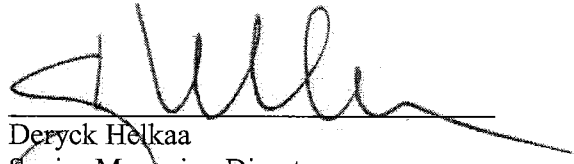
### **CONCLUSION**

17. The Receiver, through the Marketing Process, has undertaken a broad and extensive process in an effort to solicit offers to purchase the PNG Assets.
18. The Receiver is of the view that the Second Transaction is commercially reasonable and represents the best offer for the Remaining Assets in the circumstances.

19. The Receiver anticipates making a subsequent application to this Honourable Court seeking approval of a definitive agreement relating to the Capital West LOI

All of which is respectfully submitted this 23<sup>rd</sup> day of August, 2016.

FTI Consulting Canada Inc. in its capacity as Receiver of the assets, undertakings and properties of Waldron Energy Corporation and not in its corporate or personal capacity,



Name: Deryck Helkaa  
Title: Senior Managing Director,  
FTI Consulting Canada Inc.

# TAB A



Corporate Finance and Restructuring

August 20, 2015

VIA EMAIL

Alberta Energy Regulator  
1000, 250 - 5 Street S.W.  
Calgary, AB T2P 0R4

Attn: Laura Chant

Dear Laura:

RE: FTI Consulting Canada Inc. re: Waldron Energy Corporation

As you are aware, on August 17, 2015, FTI Consulting Canada Inc. ("**FTI**" or the "**Receiver**"), was appointed as Receiver of the assets, undertakings and properties (the "**Property**") of Waldron Energy Corporation ("**Waldron**" or the "**Company**"). Copies of all publically available materials filed in respect of the Receivership can be found on our website: <http://cfcanada.fticonsulting.com/waldron/>.

In its capacity as Receiver, FTI entered into an Asset Purchase Agreement (the "**APA**") and escrow agreement dated August 15, 2016, with Bonavista Energy Corporation ("**Bonavista**"). The APA contemplates the purchase of certain of Waldron's interests in its Ferrybank property (the "**Ferrybank Assets**"). The effective date of the APA is July 1, 2016, subject to the approval of, and the granting of, a vesting Order by the Court. The Court application is scheduled to be heard on August 24, 2016, with a closing date of two business days following the day Court approval is obtained. The Receiver intends to close the APA in escrow pending regulatory approval and transfer of the required licenses by the Alberta Energy Regulator ("**AER**") and anticipates doing so by the end of August. The AER was served with the materials filed in connection with this application; however they are enclosed hereto for reference.



The APA includes the transfer of certain lands, leases, permits, wells and pipelines from the Waldron's Ferrybank Assets. The table below presents a summary of the AER well licenses which are contemplated to be transferred to Bonavista in accordance with the APA:

Ferrybank Well License Schedule to the APA			
License Number	Well Name	UWI	Working Interest
475833	BEC HZ MORNSIDE 1-24-42-28	100/01-24-042-28W4/00	GOR - 15% on 100% Production Paid to: Waldron 50% Paid by: Bonavista 100%
475834	BEC HZ MORNSIDE 2-24-42-28	100/02-24-042-28W4/00	GOR - 15% on 100% Production Paid to: Waldron 50% Paid by: Bonavista 100%
297068	BEC MORNSIDE 13-24-42-28	100/13-24-042-28W4/00 100/13-24-042-28W4/02	GOR - 15% on 100% Production Paid to: Waldron 50% Paid by: Bonavista 100%
295942	BEC FBANK 7-36-42-28	100/07-36-042-28W4/00	GOR - 12.5% NG, 5-12.5% Oil on 100% Production Paid to: Waldron 100% Paid by: Bonavista 100%
335281	TRITON FBANK 13-6-43-27	100/13-06-043-27W4/00 100/13-06-043-27W4/02	100%
313308	TRITON FBANK 16-6-43-27	102/16-06-043-27W4/00 102/16-06-043-27W4/02	100%
319655	UPPER LAKE FBANK 3-1-43-28	100/03-01-043-28W4/00	12.50%
380014	UPPER LAKE ET AL FBANK 12-1-43-28	102/12-01-043-28W4/00	12.50%
339724	TRITON FBANK 9-13-43-28	102/09-13-043-28W4/00	60%

The Receiver is continuing to work with Sayer Energy Advisors ("**Sayer**"); the selling agent engaged by the Receiver to assist with the marketing process, with respect to the sale of Waldron's remaining petroleum and natural gas assets (the "**Remaining Assets**").

On or around August 11, 2016, Sayer received a number offers to purchase the Remaining Assets (which exclude the Ferrybank Assets) from prospective purchasers. For greater certainty, the Ferrybank Assets and the Remaining Assets comprise all of Waldron's petroleum and natural gas assets.

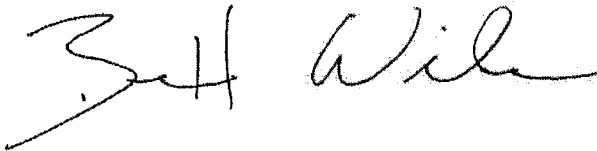
As of the date of this letter, the Receiver continues to work with these prospective purchasers in connection with a transaction to sell the Remaining Assets. It is not the intention of the Receiver to disclaim its interest any of Waldron's Property at this time.

On July 5, 2016, the AER sent a letter addressed to Waldron and we understand there is an overdue balance on its account relating to the 2016 AER Administration Fee and as a result are being charged a 20% Penalty on the outstanding balance (the "2016 Administration Fee"). The Receiver acknowledges that there is an outstanding balance on the Waldron accounts and intends to pay the 2016 Administration FEE from the sales proceeds from the APA.

In consideration of the above, the Receiver requests that AER grant pre-approval of the required license transfers to Bonavista in order to close the APA and authorize the receiver to pay the 2016 Administration Fee from the proceeds of the APA.

Should you have questions with the foregoing, or require further clarification, please do not hesitate to contact the undersigned at 403-454-6033 or [Brett.Wilson@fticonsulting.com](mailto:Brett.Wilson@fticonsulting.com).

Best regards,



FTI Consulting Canada Inc.  
In its capacity as the Receiver of Waldron Energy Corporation  
And not in its personal or corporate capacity

Encl.

# TAB B

# Capital West Energy Corporation

#74 Marlboro Road Edmonton, Alberta T6J 2C6

Telephone: 1(780) 707-3900

August 17, 2016

FTI Consulting Canada Inc., solely in its capacity as Receiver of  
Waldron Energy Corporation  
c/o Sayer Energy Advisors  
1620, 540 - 5<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0M2

Attention: Tom Pavic

Re: **Offer to purchase assets of Waldron Energy Corporation ("Waldron")**

Capital West Energy Corporation (the "**Purchaser**") hereby offers to purchase, directly or through a nominee corporation, from FTI Consulting Canada Inc., in its capacity as receiver of Waldron (the "**Vendor**"), all of the following remaining assets of Waldron: all of Waldron's right, title and interest in and to the remaining lands and leases, leased substances, title documents, royalty interests, right to earn interests, contracts and permits pertaining to the Newton properties, Giroux Lake properties, Sullivan Lake properties, Crystal properties, Ferrybank and Belly River properties and all associated wellbores, material, facilities, pipelines, inventory, proprietary seismic, equipment and office furniture and equipment (collectively, the "**Assets**"), which shall not include the assets in Schedule "A" to this offer to purchase.

This offer (the "**Offer**") shall be subject to the following terms and conditions:

1. The Purchaser shall pay to the Vendor the amount [REDACTED] in Canadian funds (the "**Purchase Price**"), subject to adjustments as are customary in an oil and gas transaction. The Purchase Price shall be allocated as follows:
  - (a) Petroleum and natural gas rights - 80%
  - (b) tangibles - 20% less \$1.00
  - (c) miscellaneous interests- \$1.00
2. The effective date of the transaction for purposes of adjustments shall be the Closing Date (the "**Effective Date**"). Without limiting the foregoing, the Vendor shall be responsible for any amounts owing under the leases to the

lessors thereof for the period prior to the Effective Date, including all unpaid Crown royalties.

3. The closing ("**Closing**") of the transaction contemplated by this Offer shall be 10:00 a.m. on the date the transaction Closes ("**Closing Date**") or such other mutually agreeable Closing Date as agreed to in writing between the Vendor and the Purchaser.
4. Commencing on the date the Vendor accepts this Offer, the Purchaser or its representatives will commence all necessary confirmatory due diligence in respect of the Assets, including but not limited to verification of land tenure, environmental review and field site visit, wells, seismic, facilities and pipeline data as applicable along with all operating, joint venture and marketing contracts, any other material contractual obligations, and any other due diligence the Purchaser deems appropriate with respect to the Assets (collectively, the "**Due Diligence**").
5. In relation to the Due Diligence, the Vendor agrees to:
  - (a) make available to the Purchaser all land, legal, and title documents, any existing title opinions, all files, details and documents relating to any and all pending and outstanding litigation, marketing agreements, material contractual obligations, well files, and all other information directly relating to the Assets, as applicable;
  - (b) permit the Purchaser and its legal and professional representatives and agents full access to such books, records and documents as requested by the Purchaser; and
  - (c) permit the Purchaser and its professional representatives and advisors reasonable access to all field sites and operational files to conduct an operational and environmental review.
6. Upon acceptance of this Offer by the Vendor, the obligation of the Purchaser to close and complete the purchase of the Assets is subject to the following conditions for the benefit of the Purchaser (collectively, the "**Purchaser's Conditions**"):
  - (a) on or before 5:00 p.m. (MT) on August 29, 2016 (the "**Due Diligence Deadline**"), the Purchaser shall have advised the Vendor in writing that it has completed its Due Diligence to its sole satisfaction and wishes to proceed with the purchase of the Assets;
  - (b) all third party consents, rights of first refusal, or other restrictions on the transfer, sale or assignment of the Assets shall have been waived with or

complied with to the satisfaction of the Purchaser prior to the Closing Date;

- (c) all necessary governmental and regulatory approvals for the sale and purchase of the Assets shall have been obtained by the Vendor and the Purchaser including clarification with the Alberta Energy Regulators on the LLR requirements of both Purchaser and Vendor;
  - (d) there shall have been no material adverse physical change in the Assets between the time of this Offer and the Closing Date;
  - (e) the Vendor shall have obtained an order from the Court of Queen's Bench of Alberta, in form and substance satisfactory to the Purchaser, vesting all of the Assets free and clear of any and all claims, charges and encumbrances against the Assets and of creditors of Waldron, except for those Permitted Encumbrances shown on the land schedule in the definitive agreement; and
  - (f) all of the representations and warranties of the Vendor contained in the formal agreement to be entered into between Purchaser and Vendor pursuant to paragraph 9 of this Offer shall be true in all material respects when made and at the Closing Date.
7. Upon acceptance of this Offer by the Vendor until the Closing Date or such earlier date as this Offer and acceptance is terminated, Vendor covenants and agrees as follows, and covenants and agrees to cause each of its affiliates and its affiliates' employees, officers, directors, financial, legal and other advisors, consultants and any other person in any way involved in this Offer (collectively, the "**Representatives**") not to, directly or indirectly, through any Representative or otherwise, solicit, initiate, continue or encourage any inquiries, proposals or offers from any person relating to the acquisition of, or from, it or any of its subsidiaries, of any sale, lease or exchange of any of the Assets which would prevent the completion of this Offer (collectively referred to as an "**Alternate Transaction**"), nor participate in any discussions or negotiations regarding an Alternate Transaction nor furnish any non-public information with respect to, assist or participate in or facilitate an Alternate Transaction in any manner.
8. All fees, costs and expenses incurred in connection with this Offer and the transaction contemplated hereby shall be paid by the party incurring such cost or expense.
9. This Offer is subject to the Vendor and the Purchaser entering into a mutually acceptable definitive purchase and sale agreement embodying the terms of this Offer (the "**Definitive Agreement**") on or before the Due Diligence Deadline. Upon acceptance of this Offer by the Vendor, the Vendor will

prepare a Definitive Agreement which will contain industry standard representations and warranties having regard to the nature of this transaction. Execution by the Vendor of the formal agreement is subject to the approval of the Court of Queen's Bench of Alberta.

10. During the period from the date of acceptance of this Offer to the Closing Date or such earlier date as this Offer and acceptance is terminated, Vendor shall not enter into any agreements, or amend any existing agreements relating to the Assets, and shall not commit to make any expenditure greater than \$25,000 in relation thereto, nor shall it enter into any agreements relating to the sale of production therefrom.
11. If a Definitive Agreement is not reached on or before the Due Diligence Deadline, or such later date as agreed to in writing by the Vendor and Purchaser, the Vendor can terminate the Agreement.
12. Within 2 business days of acceptance of this Offer by the Vendor, the Purchaser shall deliver [REDACTED] (the "Initial Deposit") to its solicitors, Casselbrook LLP (the "Escrow Agent") and an additional [REDACTED] on or before the expiration of the due diligence period of August 29, 2016 to be held by the Escrow Agent in accordance with an escrow agreement reasonably satisfactory to the Vendor and the Purchaser containing the following provisions:
  - (a) If Closing occurs on the Closing Date, the Initial Deposit plus any interest earned thereon (the "Deposit") shall be paid by the Escrow Agent to the Vendor and applied towards the partial satisfaction of the Purchase Price;
  - (b) If:
    - i. the Definitive Agreement is not executed by the Due Diligence Deadline; or
    - ii. the Purchaser's Conditions are not satisfied or waived in accordance with paragraph 7 of this Offer,the Deposit shall be returned to the Purchaser for the account of the Purchaser;
  - (c) If the Definitive Agreement is executed by the Due Diligence Deadline and all of the Purchaser's Conditions have been satisfied or waived but Closing does not occur by the Closing Date as a result of a material breach by the Purchaser of a provision of the Definitive Agreement (a "Purchaser Default"), the Deposit shall be forfeited by the Purchaser to the Vendor as a genuine pre-estimate of the damages resulting from

Closing not occurring and shall be the Vendor's sole remedy for the Purchaser Default; and

(d) If Closing does not occur for any reason or circumstance other than a Purchaser Default, the Deposit shall be returned to the Purchaser for the account of the Purchaser.

(e) The Vendor and the Purchaser covenant to provide directions to the Escrow Agent consistent with the handling of the Deposit as set forth in this paragraph 11.

12. This Offer sets forth the basic principles for the purchase and sale of the Assets between the Purchaser and the Vendor. The acceptance of the Offer by the Vendor will not create any binding rights or obligations, with the exception of Paragraphs 7, 8, 10 and 11 which shall be binding upon the Vendor and Purchaser.

This Offer is open for acceptance by the Vendor until 4:00pm MST on August 22, 2016.

To signify your acceptance of this proposal please sign and return one copy of this letter to the attention of the undersigned. We trust you will find the foregoing terms and conditions to be acceptable. Should you have any questions or concerns regarding this Offer please contact the undersigned directly at 1(780) 707-3900 or capwest@shaw.ca. We look forward to your positive response in this matter.

Yours truly,

**Capital West Energy Corporation**

James P. Morin  
President

ACCEPTED AND AGREED TO this 22 day of August, 2016

**FTI Consulting Canada Inc., solely in its capacity as Receiver of  
Waldron Energy Corporation**

Per: \_\_\_\_\_

Name & Title: \_\_\_\_\_

(Please Print or Type)