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COURT

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JUDICIAL CENTRE

CALGARY

PLAINTIFF

CENTURY SERVICES LP, BY ITS GENERAL PARTNER,
CENTURY SERVICES INC.

DEFENDANT

ATIKWA RESOURCES INC.

DOCUMENT

SECOND REPORT OF THE RECEIVER

APRIL 2, 2015

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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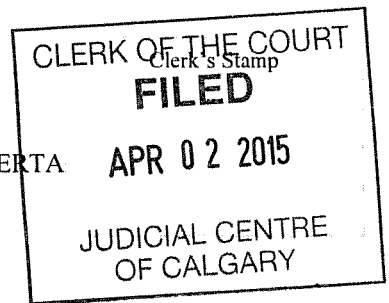


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INTRODUCTION

1. Effective January 31, 2014 (the “Receivership Date”), pursuant to an order of the Honourable Madam Justice B.E.C. Romaine granted in these proceedings (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver and manager (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) of Atikwa Resources Inc. (“Atikwa” or the “Company”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended., (the “BIA”), section 13(2) of the *Judicature Act*, RSA 2000, c J-2, and section 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7, in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of Atikwa and to take possession and control of the Property of Atikwa and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. The purpose of this Second Report of the Receiver (the “Second Report” or the “Report”) is to provide this Honourable Court with information in respect of the following:
 - a) a brief operational update of Atikwa since the First Report;
 - b) the activities of the Receiver since the First Report;
 - c) update on the sales process initiated by the Receiver soliciting offers for the purchase of the Property;
 - d) dealings with Century Services LP, by its general partner, Century Services Inc. (“Century”) and Marquest Asset Management Inc.

(“Marquest”) (collectively, the “Significant Stakeholders”) since the First Report;

- e) the security opinion of the Receiver’s Manitoba counsel with respect to the security interests granted by Atikwa to Century;
 - f) the security opinion of the Receiver’s Manitoba counsel with respect to the security granted by Atikwa to each of Patway GORR 2010 Offering Memorandum Subsidiary Inc., Pathway GORR 2010 Prospectus Inc., and Pathway GORR 2011 Prospectus Inc. (collectively referred to as “Pathway”) (such security being referred to as the “Pathway Security” or the “Pathway GORR”), which is currently held by Marquest as successor to Pathway;
 - g) the temporary Sealing Order sought by the Receiver in respect of Confidential Appendix A – Receiver’s Analysis of the 1885683 Alberta Ltd. asset purchase agreement (the “188 APA”), Confidential Appendix B – Bid Summary, Confidential C – Summary of Reserve Values and Pathway GORR Hypothetical Analysis, and Confidential Appendix D – 188 APA to this Second Report;
 - h) the borrowings by the Receiver pursuant to the terms of the Receivership Order;
 - i) the Receiver’s future course of action; and
 - j) the Receiver’s recommendations
4. Capitalized words or terms not defined or ascribed a meaning in the Second Report are as defined or ascribed a meaning in the Receivership Order, the First Report and the 188 APA.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second Report, the Receiver has relied primarily upon the representations of certain former management and employees of Atikwa, as well as certain financial information contained in Atikwa's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

7. Atikwa is a corporation registered in the Province of Alberta and was formed in 2009. Atikwa carried on business as an oil and gas exploration, acquisition, development and production company with operations and Property in the Provinces of Alberta, Saskatchewan and Manitoba. Atikwa is a publically listed company; however, its shares have been "cease traded" since the Receivership Date.
8. Further background to Atikwa and its operations is contained in the First Report and materials filed in support of and relating to the Receivership Order. These documents and other relevant information has been posted by the Receiver on its website at: www.alvarezandmarsal.com/atikwa (the "Receiver's Website").

OPERATIONAL UPDATE OF ATIKWA

Manitoba Properties Production and Cash Flow Results

9. Since the First Report, Atikwa continued to produce oil from its remaining properties located in the RM of Edward and RM of Arthur, both in Manitoba (the "Manitoba Properties"). Production has remained approximately 35boe/d; however, due to the recent drop in oil prices, net receipts collected from Atikwa's production have been significantly lower since our First Report.
10. Atikwa's net cash flow collected (production receipts less royalty and operating costs incurred by the operator) by the Receiver from January 31, 2014 to March 31, 2015 was \$282,912 from the Manitoba Properties. Atikwa's cash flow has not

been sufficient to cover Atikwa's operating costs, municipal property taxes and the professional fees and costs of Receiver and its legal counsel during the receivership. This has resulted in the Receiver borrowing \$355,000 under the Receiver's Certificates, as discussed further below.

11. As discussed in detail in the First Report, not included as being paid in Atikwa's operating costs, is the Pathway GORR that is an encumbrance on certain of Atikwa's Manitoba Properties. The Receiver has been unable to pay the Pathway GORR in the receivership, as net revenues received by the Receiver have not been sufficient to pay these amounts and cover the Receiver's charges. The total calculated amount of the Pathway GORR since the date of the Receivership is approximately \$395,794.06 (including the January 2015 production month).
12. The table below provides a summary of the Atikwa's actual cash flows from January 1, 2014 to March 31, 2015 (the "Reporting Period"):

Atikwa Resources Inc. Rolling Cash Flow Forecast - DRAFT January 31, 2014 to March 31, 2015 (\$CAD - Unaudited)		TOTAL Jan.31/14 to Mar. 31/15
Net Operating Receipts		365,397
Other operating and G&A disbursements		218,246
Professional fees and costs		356,827
Receivers' Certificate - borrowing (repayment)		355,000
Net change in cash flows		145,324
Opening available cash		7,234
Net change in cash flow		145,324
Ending available cash		152,558
Receiver's Certificate Reconciliation		
Maximum availability		500,000
Borrowings (release of funds)		(355,000)
Remaining available cash under Certificate		145,000

13. The receipts during the Reporting Period totalled approximately \$365,397, which include the following:
- a) net oil and gas receipts of approximately \$321,879, from the following properties:
 - i. Manitoba Properties - \$282,912;
 - ii. Saskatchewan Properties - \$30,903; and

- iii. Alberta Properties - \$8,064
 - b) CRA (GST) refunds of \$33,862; and
 - c) other receipts of approximately \$9,655.
14. The other operating and general and administrative disbursements during the Reporting Period totalled \$218,246, which include the following:
- a) operating costs of \$44,776 that consist of insurance and accounting software costs;
 - b) contractor costs of \$84,718 relating to the payment of part-time contract general accountant, land consultant and tax accountant to assist the Receiver in the day-to-day operations of Atikwa;
 - c) lease rental and crown royalty costs of \$27,218 that are not taken in kind and based on expected production;
 - d) engineer reserve study report and fees for NRG Divestitures Inc. ("NRG") to conduct its sales process of \$39,068 and \$21,000, respectively;
 - e) miscellaneous costs of approximately \$1,467;
15. The professional fees and costs paid during the Reporting Period totalled \$356,827, up to February 28, 2015. This includes payments made to the Receiver and its legal counsel in Alberta, Saskatchewan and Manitoba.
16. Receiver's borrowing under the Receiver's Certificate was \$355,000 during the Reporting Period. The Receiver has a maximum borrowing limit of \$500,000, as discussed further below.
17. Atikwa's ending cash balance as at March 31, 2015 was \$152,588.

Forecast Disbursements

18. Over the past several months (and especially since January 2015), Atikwa has been operating on a cash flow negative basis and the Receiver has been required to borrow \$355,000 through Receiver's Certificates. The Receiver is required to pay certain costs and disbursements relating to the administration of the receivership proceedings, including the outstanding professional fees and costs of the Receiver and its counsel. In addition, the Receiver may be required to pay certain other costs/charges outstanding of Atikwa relating largely to:
 - a) Canada Revenue Agency (outstanding payroll source deductions relating to pre-receivership) - \$29,200 as discussed in the First Report; and
 - b) Municipal property taxes in Manitoba of approximately \$105,000 relating to the past two calendar years (2013 and 2014), as discussed in the First Report.
19. These disbursements are expected to be paid from current cash on hand held by the Receiver of approximately \$152,500. The majority of this cash is made up of the Receiver's recent borrowings through a Receiver's Certificate on March 19, 2015 at the amount of \$130,000, as discussed further below.
20. If the sale to 188 (as discussed below) of the Manitoba Properties does not proceed, there will be no funds available for the Receiver to continue to operate the Manitoba properties and that may have a material adverse impact on the value of the property and on the ability of the Receiver to sell the property in the future. It is unknown whether the Receiver will be able to borrow any additional funds (if required) through a Receiver's Certificate to administer the estate.

Insurance coverage

21. The Receiver recently renewed Atikwa's corporate insurance policy ("Corporate Insurance Policy") in place with Energy Insurance Group that now expires on

February 26, 2016. This comprehensive insurance policy consists of blanket property coverage, commercial liability (including sudden and accidental pollution liability), business interruption, production property floater, and office contents insurance. The total premium is approximately \$11,200 and was paid in full by the Receiver on February 27, 2015.

22. The Receiver is the beneficiary and the loss-payee of the Corporate Insurance Policy.

ACTIVITIES OF THE RECEIVER

23. Since the First Report, the Receiver's activities have included, among other things, the following:
- a) various conference calls and meetings with the field operators of Atikwa, particularly to address the variety of issues and operational matters impacting the wells in Manitoba;
 - b) various meetings and conversations with NRG as the Receiver's marketing agent to sell the Property of Atikwa;
 - c) closing the McLand APA relating to the sale of the Alberta and Saskatchewan properties, as discussed in the First Report;
 - d) continued review of the land records of Atikwa and engaging a contract land administrator to update Atikwa's property, mineral and contract files;
 - e) day to day management of operations of Atikwa including contractor supervision and payment of trade creditors for services rendered and approved by the Receiver;
 - f) monitoring the cash flow of Atikwa and ensuring suppliers were paid on a timely basis;

- g) renewing Atikwa's comprehensive insurance policy for a one year period and ensuring the Receiver was named insured and loss payee;
- h) numerous meetings and communications with the Significant Stakeholders, with respect to the estate and various other matters;
- i) several calls and emails with the Alberta Energy Regulator and the Manitoba Petroleum Branch regarding various property and title matters;
- j) negotiating the terms and condition of the 188 APA, executing the 188 APA, and informing the Significant Stakeholders of the offer accepted by the Receiver, subject to Court approval; and
- k) numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver, shareholders, current directors, interested parties, and other Atikwa stakeholders regarding the Receivership Proceedings generally.

SALES PROCESS UPDATE

Overview

- 24. Pursuant to paragraph 7 of the Receivership Order, the Receiver is empowered and authorized to market the Property, including advertising and soliciting offers in respect of the Property or any parts thereof, and negotiating such terms and conditions for the sale of the Property as the Receiver in its discretion may deem appropriate.
- 25. As outlined in the First Report, on August 24, 2014, the Receiver engaged the services of NRG to assist in the sale and marketing of Atikwa's Property in the Receivership Proceedings (the "NRG Marketing Process"). The NRG Marketing Process advised prospective purchasers and interested parties that all offers were due by October 23, 2014 at 4:00 p.m. MST (the "Bid Deadline").

26. The NRG Marketing Process was an extensive process that thoroughly canvassed the market to sell the assets of Atikwa. In summary, a total of 9 prospective purchasers submitted written offers (non-binding letters of intent with no deposits) prior to the Bid Deadline on all the Atikwa Properties. The Receiver was advised that the ratio of bids to CAs received (9/23 or 39%), is comparable to other similar divestiture assignments NRG has recently managed.
27. On December 12, 2014, the Receiver sought and obtained an Order from this Honourable Court for the sale to and vesting of Atikwa's Alberta and Saskatchewan Properties in McLand Resources Ltd. On December 19, 2014, the sale of these properties to McLand Resources Ltd. closed.

Manitoba Properties

28. Of the nine (9) written non-binding letters of intent received as a result of the NRG Marketing Process, five (5) were for the Manitoba Properties. The Receiver did not accept any of the offers on the Manitoba Properties, as the offers were not appropriate to the Receiver and not supported by the Significant Stakeholders at that time.
29. Since the Bid Deadline, the Receiver entertained calls from various parties expressing some interest in the Manitoba Properties. In discussion with NRG, the general lack of interest for the Manitoba Properties since the Bid Deadline appears to have been a result of the significant declines in commodity prices since late December 2014 and the uneconomic Pathway GORR associated with certain of the wells located on the Manitoba Properties.
30. On March 6, 2015, the Receiver received a signed confidentiality agreement ("CA") from an interested party to enter into the virtual data room hosted by NRG to view the details of the Manitoba Properties. Over the next week, the Receiver worked directly with this interested party in providing whatever information they required to evaluate the Manitoba Properties. On March 13, 2015, the Receiver received an offer from this interested party and the interested party used the

Receiver's standard form of asset purchase agreement to submit its offer with to the Receiver (no deposit accompanied the offer).

31. On March 16, 2015, the Receiver also received an additional unsolicited non-binding letter of intent (with no deposit) from an interested party that signed a CA on September 10, 2014 during the NRG Marketing Process.
32. The Receiver reviewed both of these offers for the Manitoba Properties in detail. The Receiver determined that the best and most appropriate offer received and accepted by the Receiver (subject to Court approval) was for the purchase of the Manitoba Properties by Greenland Resources Ltd. (who nominated 1885683 Alberta Ltd. ("188") to act as purchaser). This offer was finalized in the 188 APA and the Receiver has received a 15% deposit. The 188 APA, among other things, contemplates that the Manitoba Properties be vested in the name of 188 free and clear from all "Claims" such as, but not limited to, security interests, claim, estate, security, right, title, interest and liens, royalties (including the Pathway GORR), hypothecs, mortgages, charges, liens (whether contractual, statutory or otherwise), security interests, assignments, etc., subject to only certain permitted encumbrances listed in the 188 APA.
33. On March 18, 2015, the Receiver notified the Significant Stakeholders in a confidential email of the two offers received by the Receiver, the details of the offers and the acceptance of the 188 APA by the Receiver (subject to Court approval).
34. Due to the confidential nature of the information provided in the offers received for the Manitoba Properties during the NRG Marketing Process and the two unsolicited offers received by the Receiver after the Bid Deadline, the Receiver is concerned that if the information is disclosed to third parties prior to the closing of the sale of the respective properties the disclosure could materially jeopardize the sale or, if the sale does not close, could materially jeopardize the value that the Receiver could subsequently obtain from the sale of these properties. As such, the Receiver is respectfully of the view that it is appropriate that this Honourable

Court grant the Company's request for a temporary sealing of the following appendices to this Second Report:

- a) the Receiver's analysis on the 188 APA (Confidential Appendix A);
- b) a bid summary of the various offers received for the Manitoba Properties in the NRG Marketing Process along with the two unsolicited offers received by the Receiver in March 2015 (Confidential Appendix B);
- c) a summary of:
 - i. a reserve and economic evaluation report conducted by the Receiver's external engineers, Chapman Petroleum Engineering Ltd. ("Chapman") regarding the Manitoba Properties of Atikwa with an effective date of July 1, 2014; and
 - ii. a "hypothetical Pathway GORR" evaluation report that values the proved plus probable developed producing wells in Manitoba on the basis if the Pathway GORR was reduced from 40% to 0% (Confidential Appendix C); and
- d) the 188 APA (Confidential Appendix D).

SIGNIFICANT STAKEHOLDERS

Original Century and Marquest Arrangement

35. As outlined in the First Report, throughout the receivership proceedings the Receiver and the Significant Stakeholders have been communicating with each other and sharing certain Atikwa information to assist the Significant Stakeholders in evaluating their positions in the receivership.

36. Specifically, it was agreed and understood that Century and Marquest were engaged in discussions about their respective interests in the Atikwa estate, and agreed to advance those interests in a cooperative way in the Receivership Proceedings.
37. The Receiver understood that an agreement or arrangement was to be established between Century and Marquest which may formalize this relationship. The Receiver acknowledges that Century and Marquest are the two primary stakeholders in the Atikwa estate.
38. The Receiver, with the agreement and support of Century and Marquest, used the following “communication protocol” during the receivership proceeding:
- a) unless specific assurance in respect of confidentiality was requested, the Receiver communicated jointly with both Marquest and Century concerning the Atikwa estate; and
 - b) the Receiver agreed to consider any joint requests or other joint communications from Century and Marquest, or any communication from either of them copied to the other.
39. The Receiver continued to work with Century and Marquest in this fashion since the First Report.

Security Opinion

Validity & Enforceability

40. As outlined in the First Report the Receiver engaged the services of Manitoba legal counsel to obtain a security opinion concerning the validity and enforceability of the security held by Century and the Pathway GORR held by Marquest over certain Manitoba Properties.
41. The Receiver’s Manitoba legal counsel has opined that the Century and Marquest security interests are valid and enforceable. The Receiver is satisfied that Century and Marquest are by far the largest secured stakeholders of the Atikwa estate.

The Century and Marquest Dealings

42. The Receiver understands that Century and Marquest continued to have various discussions and/or meetings surrounding their particular interests in the Manitoba Properties, which the Receiver was not a party too and/or was not invited to participate in.
43. The Receiver was advised that the Significant Stakeholders reached an agreement with each other in relation to their particular interest in the Manitoba Properties, and the distribution of any sales proceeds. On March 17, 2015, the Receiver obtained a draft form of the proposed agreement that outlined the apparent terms and conditions agreed to between Marquest and Century. Subsequent to receiving this proposed agreement, the Receiver received conflicting information from the Significant Stakeholders regarding the status of the agreement: Century advised that agreement was valid and binding, Marquest advised that it was not.
44. The Receiver understands that as a result of this dispute, litigation may be required to resolve the Significant Stakeholders' entitlement to the sales proceeds generated by the 188 APA.

PRIORITY CLAIMS AND DISTRIBUTION OF FUNDS

45. As previously reported in the First Report, the Receiver understands that the following claims are outstanding and have a priority to the Century security interest and the Pathway GORR:
 - a) Receiver's Charge relating to the costs incurred by the Receiver to administer the receivership proceedings, including outstanding professional fees of the Receiver and its counsel;
 - b) Receiver's Certificates that currently total approximately \$355,000 plus accrued interest;
 - c) CRA for outstanding payroll and source deduction of \$29,000;

- d) any outstanding obligations to the Crown, freehold, other gross overriding royalties and working interest partners (if any); and
 - e) outstanding Manitoba municipal property taxes of approximately \$105,000;
- 46. The other remaining claims include valid registered lienholder claims, the Century security and the Pathway Security and the unsecured creditors.
- 47. The Receiver proposes that the net proceeds (after payment of the Receiver's fees and disbursements and repayment of the Receiver's Certificates) collected from the 188 APA sale stand in place and stead of the Manitoba Properties and be held in trust pending further Order from this Honourable Court.

RECEIVER'S BORROWINGS

- 48. Pursuant to paragraph 24 of the Receivership Order, the Receiver has been empowered to borrow up to \$500,000 (or such greater amount as this Court may further Order).
- 49. As previously reported, on February 19, 2014, the Receiver issued Receiver's Certificate No. 1 in the amount of \$25,000 to Century, and on June 10, 2014, the Receiver issued Receiver's Certificate No. 2 in the amount of \$200,000 to Century. On March 10, 2015, the Receiver issued Receiver's Certificate No. 3 in the amount of \$130,000 to Century. Receiver's Certificate No. 3 is attached as Appendix E to this Second Report.
- 50. The terms of Receiver's Certificate No. 1, Receiver's Certificate No. 2 and Receiver's Certificate No. 3 include a per annum interest rate of 15%, which, in the Receiver's view, is commercially reasonable in the circumstances. Pursuant to paragraph 24 of the Receivership Order, Century, for the loans made under the Receiver Certificates, has a charge over the whole of the Property by way of a fixed and specific charge as security for the repayment of the monies loaned under the Receiver's Certificates, together with interest and costs.

51. Subject to Court approval, the Receiver will repay Century the loans made under the Receiver's Certificates, together with interest from the proceeds of the sale of the Manitoba Properties.
52. The balance of the funds will be utilized by the Receiver to fund ongoing Receivership costs and otherwise stand in place of the Manitoba Properties, pending further Order of the Court.

RECEIVER'S FUTURE COURSE OF ACTION

53. The Receiver's next steps include:
 - a) Closing the 188 APA (if approved by the Court), which will involve the working with the Manitoba Government authorities in the transferring of the various well licenses to 188 and drafting of conveyance documents;
 - b) working with the CRA to facilitate the GST and source deduction audit of Atikwa as discussed in the First Report;
 - c) filing, packaging and storing and/all remaining relevant books and records of Atikwa;
 - d) addressing any and all operational and regulatory matters affecting Atikwa's Property, as may be required; and
 - e) applying to this Honourable Court for an Order approving the distribution of any funds held by the Receiver, and the Receiver's discharge, in due course.

RECOMMENDATION

54. The Receiver respectfully recommends that this Honourable Court approve and grant:

- a) the Sales and Vesting Order sought by the Receiver in respect of the 188 APA;
- b) approval to repay the Receiver's Certificates issued to Century; and
- c) a temporary sealing of the Confidential Appendices A, B, C and D to this Second Report.

All of which is respectfully submitted this 2nd day of April, 2015.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Atikwa Resources Inc.**



Tim Reid, CA•CIRP
Senior Vice-President



Orest Konowalchuk, CA•CIRP
Vice-President

CONFIDENTIAL

APPENDIX A

CONFIDENTIAL

APPENDIX B

CONFIDENTIAL

APPENDIX C

CONFIDENTIAL

APPENDIX D

APPENDIX E

RECEIVER CERTIFICATE

CERTIFICATE NO. 3

AMOUNT \$130,000

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Atikwa Resources Inc. (the "Debtor") appointed by Order of the Court of Queen's Bench of Alberta (the "Court") effective the 31st day of January, 2014 (the "Order") made in action number 1301-14743, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$130,000, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of 15% per cent on the daily balance outstanding.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at:

Century Services Inc.
C/o Josh Coonan
310, 318 – 11th Avenue SE
Calgary, AB T2G 0Y2
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 10th day of March, 2015.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver and Manager of the Property (as defined in the Order), and not in its personal capacity



Orest Konowalchuk
Vice President