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COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF ALBERTA TREASURY BRANCH
DEFENDANT ALSTON ENERGY INC.
DOCUMENT **THIRD REPORT OF THE RECEIVER**

MAY 11, 2015

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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TABLE OF CONTENTS OF THE THIRD REPORT OF THE RECEIVER

INTRODUCTION3

TERMS OF REFERENCE5

OPERATIONAL UPDATE.....6

ONGOING ACTIVITIES OF THE RECEIVER7

THE SALES PROCESS9

FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS – MAY 9, 2014 TO
MAY 8, 201513

PROPOSED FINAL DISTRIBUTION16

APPROVAL OF THE RECEIVER’S AND ITS COUNSELS FEES AND
EXPENDITURES.....19

APPROVING CONDUCT AND DISCHARGE OF THE RECEIVER’S DUTIES20

RECOMMENDATION21

LISTING OF APPENDICES TO THE THIRD REPORT

APPENDIX A	Wescan APA
APPENDIX B	Summary of Receiver’s Fees and Disbursements
APPENDIX C	Summary of McCarthy Tetraults Fees and Disbursements

INTRODUCTION

1. Effective May 9, 2014 (the “Receivership Date”), pursuant to an order of the Honourable Madam Justice K. Horner (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed as receiver (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 Alston Energy Inc. (“Alston” 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”) 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 Alston and to take possession and control of the property of Alston 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 Receiver took possession and control of the Property, except for the properties located in the Municipal District of Newton (referred herein as the “Newton Properties”) and further described in the Company records. The Receiver has not taken possession or control of the Newton Properties.
4. The purpose of this third report of the Receiver (the “Third Report”) is to provide this Honourable Court with information and seek this Honourable Court’s approval in respect of the following:
 - a) an operational update since the second report of the Receiver dated February 12, 2015 (the “Second Report Report”);
 - b) the activities of the Receiver since the Second Report;

- c) an update of the sales process initiated by the Receiver for the sale of certain property, out of the normal course of business;
 - d) approval of the asset purchase agreement (the “Wescan APA”) entered into between the Receiver and Wescan Energy Corp. (“Wescan”) dated April 20, 2015 (subject to Court approval) along with the Sales Approving and Vesting Order;
 - e) approval of the final statement of receipts and disbursements of the Receiver (the “Final Statement of Receipts and Disbursements”);
 - f) approval of the Receiver and its counsel’s fees and expenditures in the Receivership Proceedings;
 - g) approval of the proposed distribution of additional funds recovered by the Receiver (the “Proposed Final Distribution”);
 - h) approving the actions and conduct of the Receiver throughout the Receivership Proceedings and granting the discharge of the Receiver (the “Receiver’s Discharge”); and
 - i) authorizing the Receiver to destroy any and all documents, accounting records and other papers if not required by the AER, Wescan or collected by any of the current directors of the Debtor by June 30, 2015 (the “Records”).
5. Capitalized words or terms not defined or ascribed a meaning in the Third Report are as defined or ascribed a meaning in the First Report, the Second Report, the Receivership Order and the Wescan APA.
6. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

7. In preparing this Third Report, the Receiver has relied primarily upon the representations of its contractors, field operators, as well as, certain financial information contained in Alston's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

8. Alston was a public oil and gas company with its operational and financial management located in Calgary, Alberta. Alston's oil and gas properties are solely located in the province of Alberta and its common stock was previously listed and traded on the TSX Venture Exchange (the "TSX"), but in early May 2014, Alston was de-listed from the TSX. Alston has no subsidiaries or affiliates and carries on its operations through various joint venture, farm-in and joint operating arrangements.
9. Alston is a producer of crude oil and natural gas and was engaged in the exploration, development and production of crude oil ("Oil"), natural gas ("Gas") and natural gas liquids ("NGL"), which production capability is weighted approximately at 65% Oil and NGL's and 35% Gas. The majority of Alston's production base was generated from two operated producing areas located in Provost, Alberta (the "Provost Properties") and the Newton Properties.
10. Further background with respect to Alston and its operations is contained in the materials filed relating to the Receivership Order and the filed reports by the Receiver in these Receivership Proceedings. These documents, together with other information filed in the previous CCAA proceeding, have been posted by the Receiver on its website at: www.alvarezandmarsal.com/alston.

OPERATIONAL UPDATE

Current Market Conditions

11. As discussed in the Second Report, the oil and gas industry has experienced a dramatic decline in oil prices which have dropped significantly from US\$107/bbl (June 2014) to as low as US\$44/bbl (January 2015) using West Texas Intermediate pricing (“WTI”). Oil prices have rebounded slightly over the past couple of months to a current price of approximately US\$58/bbl WTI.
12. As a result of the decrease in commodity prices and reduced oil and gas production from certain of Alston’s wells (i.e. wells that have been temporarily shut-in due to a lack of funds available to remediate them), Alston has been operating with negative cash flow and has had to rely on the Receiver’s Borrowings, despite the Receiver’s best efforts to reduce operating costs.
13. The Receiver is authorized to borrow \$1.7 million in Receiver’s Borrowings pursuant to the Receivership Order and an Order granted from this Honourable Court dated February 18, 2015 increasing the Receiver’s Borrowings from ATB Financial (“ATB”). The purpose of the additional increase in the Receiver’s Borrowings was to pay for certain AER Deficiency Work, as fully discussed in the Second Report. The current balance outstanding on the Receiver’s Borrowings is approximately \$1.55 million.
14. As at the date of this Report, the total post-receivership accounts payables of Alston are approximately \$526,000 that relates mainly to:
 - a) operational costs, contractor and other miscellaneous invoices outstanding with suppliers totaling \$128,000;
 - b) surface lease rental payments totalling approximately \$34,800;

- c) AER Deficiency Work and related contractor invoice totaling \$41,000;
- d) RM of Provost municipal property taxes for 2013 and 2014 of approximately \$203,000; however, the Receiver is expecting updated invoices from the RM of Provost that will increase the municipal property taxes owing by \$60,000 for a total of \$263,000. The Receiver understands that this balance is made up outstanding 2013 and 2014 linear property taxes of approximately \$230,000 and 2014 non-linear taxes of \$33,000; and
- e) Professional fees and costs of approximately \$120,000 relating to services rendered from February 1, 2015 to April 30, 2015.

ONGOING ACTIVITIES OF THE RECEIVER

15. Since the Second Report, the Receiver's ongoing activities have included the following:
- a) working with the Receiver's contract engineers and the AER (Wainwright Office) in completing the AER Deficiency Work and ensuring that the AER suspension orders were vacated;
 - b) multiple discussions and meetings with interested parties on the sale of the Provost Properties;
 - c) various communications with the AER (Liability Management, Closure & Liability Division) and its external counsel regarding the potential sale of some of the Provost Properties, requesting/negotiating the terms on which AER would agree to the transfer of the well licenses from Alston to Wescan to allow the Receiver to close on the Wescan APA;

- d) continuing to engage the services of the existing field foreman at Provost;
- e) meetings and discussions with the various oil and gas marketers to market Alston's oil and gas production;
- f) continued discussions with the Receiver's marketing agent, Sayer Energy Advisors ("Sayer") regarding the Sayer Marketing Process and interest from parties on certain of Provost Properties;
- g) negotiating terms and conditions on the proposed sale of certain of Alston's Provost Properties with Wescan and executing the Wescan APA, subject to court approval;
- h) continued instructions and interaction with the Receiver's independent legal counsel, McCarthy Tetrault LLP, in respect of various matters;
- i) day to day management of operations of Alston including contractor supervision and payment of trade creditors for services rendered and approved by the Receiver;
- j) monitoring the cash flow of Alston and working with suppliers regarding the payments to their post-receivership outstanding invoices;
- k) extending Alston's Corporate Insurance Policy for an additional 3-months;
- l) ensuring the statutory filing requirements of the Receiver are current and properly reported to the Canada Revenue Agency (the "CRA"); and
- m) numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver

regarding various matters and with secured creditors, shareholders, interested parties and other Alston stakeholders regarding the receivership generally.

Consultants

16. The Receiver continues to use the services of a contract accountant, production accountant and land administrator to assist the Receiver in the overall administration of the Receivership Proceedings. The contractor agreements entered into with each contractor allow for the termination at any time and contractors are currently being engaged on an “as needed” basis.

THE SALES PROCESS

Background

17. As previously reported, the Receiver retained Sayer as its marketing agent to sell the Alston Property (the “Initial Sayer Marketing Process”). Sayer undertook a significant sales and marketing process to ensure it effectively and thoroughly canvassed the market.
18. On August 6, 2014, this Honourable Court approved three purchase and sale agreements (“PSA”) and granted three Sale Approval and Vesting Orders to the following purchasers:
 - a) Provost Properties – to GD Oil;
 - b) Pembina Properties – to Midland Resources Inc. (“Midland”); and
 - c) The Minor Properties – to Head First Energy Inc. (“Head First”)
19. The Receiver closed the sale of the Pembina Properties and Minor Properties and the sales proceeds with respect to these sales have been received by the Receiver totalling \$469,480 and were released to ATB pursuant to the orders granted by this Honourable Court on August 6, 2014.

20. The sale of the Provost Properties did not close with GD Oil for the reasons detailed in the Second Report.

Sayer Marketing Process

21. Since the Second Report, the Receiver continued its discussions with Sayer to explore other options to dispose of the remaining Provost Properties, which would maximize realizations for the creditors and stakeholders of Alston. Based on the advice of Sayer, the Receiver contacted the four other interested parties that originally placed an offer or expressed interest in the Provost Properties in the Initial Sayer Marketing Process to determine if they still continued to have an interest in acquiring these properties (the “Second Sayer Marketing Process”). The Receiver updated various financial accounting records, production reports, etc. and provided this information to the interested parties. The Receiver requested that all interested parties submit their offers with respect to the Second Sayer Marketing Process by February 19, 2015.
22. The Receiver received three non-binding letters of intent to purchase some and/or all of the Provost Properties. The Receiver reviewed the offers in detail, held multiple conversations and discussions with the interested parties and sought the comments of the ATB (the holder of the Receiver’s Certificates). The Receiver determined the best and highest offer was an offer from Wescan to purchase certain of the Provost Properties.

Analysis of Offers Received

23. The Receiver believes that the Provost Properties have been adequately exposed to the market through the marketing processes conducted by Sayer, with the assistance of the Receiver.
24. The Receiver reviewed the offers in detail and considered the following in reviewing and assessing the offers:
 - a) total purchase price;

- b) type of consideration being offered;
- c) capability of the prospective purchaser to close the transaction in a timely matter;
- d) size of the deposit provided by the prospective purchaser; and
- e) the terms and conditions of the offer.

The Wescan APA

25. The following summarizes the main terms and conditions of the Wescan APA below, a copy of which is attached as Appendix “A” to the Third Report:

- a) the assets, which, include only certain of the Provost petroleum and natural gas rights (not all), the miscellaneous interest and the tangibles (the “Assets”) as defined in the Wescan APA;
- b) the purchase price (the “Purchase Price”) for the property shall be the sum of \$1,240,000, subject to any purchase price adjustments on closing;
- c) a deposit of \$124,000 (the “Deposit”) representing 10% of the Purchase Price was provided to the Receiver and is currently held in trust by the Receiver’s counsel;
- d) the effective time of the transaction is 12:01 a.m. on the Closing Date which is the business day following the day Court Approval is obtained or such other date as the purchaser and the Receiver may agree to in writing (the “Closing Date”);
- e) limited and general representations and warranties by the Receiver and Wescan;
- f) the Wescan APA is subject to Court approval;

- g) Wescan closing conditions included were evaluated by the Receiver as being reasonable under the circumstances, namely:
 - i. on or before May 15, 2015, the Receiver shall have been provided with evidence of the final approval by the TSX Venture Exchange and the Board of Directors as required by Wescan to close the transaction contemplated. As at the date of this Report, Wescan has not advised that these conditions have been satisfied or waived. The Receiver has requested Wescan to advise the Receiver prior to the return date of the application and the Receiver will advise this Honourable Court of the status, at such time.
 - h) the Wescan APA contemplates that the Assets are to be vested free and clear of any claims as more fully set out in the sale approval and vesting order.
26. The Receiver believes that the Provost Properties have been adequately exposed to the market place through the efforts completed by Sayer, with the assistance of the Receiver, and that the transaction contemplated in the Wescan APA is now the best and highest offer under the circumstances.
27. If the Receiver is unable to close this sale of the Provost Properties as a result of the Second Sayer Marketing Process, the Receiver will have no alternative but to terminate the sales process, shut in the wells and apply for its immediate discharge. If this occurs, the Receiver will not recover certain costs that were expended to operate Alston's oil and gas wells, not repay any of the Receiver's Borrowings and/or not be able to pay for some of its fees and costs owing under the Receiver's Charge. As a result, an immediate sale of Assets is critical to ensure that the key stakeholders, vendors and the Receiver's and its counsel's fees and costs can be paid. In addition, this will also prevent certain oil and gas properties from being abandoned and/or turned over to the orphan well fund.

Receiver's Recommendation

28. The Receiver believes that the Wescan APA is reasonable in the circumstance and should be approved by this Honourable Court given:

- a) the Wescan APA is the highest and best offer received by the Receiver in the Second Sayer Marketing Process;
- b) the Provost Properties were adequately exposed to the market;
- c) the purchase price is all cash with a 10% deposit;
- d) the Receiver was authorized to market and sell this property pursuant to the Receivership Order (subject to Court approval);
- e) the Receiver has no funds to continue to operate the Provost Properties and unless further funding is available they will have to be shut in;
- f) ATB is in support of the Wescan APA; and
- g) The AER supports the Wescan APA, the sale approving vesting order and will transfer the well and facility licenses from Alston to Wescan in accordance with the Oil & Gas Conservation Act s.24.

**FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS – MAY 9, 2014
TO MAY 8, 2015**

29. The table below provides a summary of the actual cash flows for the Receivership period, which contains the final cash receipts and disbursements relating to Alston.

Alston Energy Inc. - In Receivership		TOTAL
Final Statement of Receipts and Disbursements		
<i>Week ending</i>		May 9/14 to May 8/15
Receipts		
Receiver's Borrowings		1,557,299
Oil		2,050,290
Natural gas		72,718
Joint venture receipts		27,453
Proceeds from minor land sale		4,800
Proceeds from sale of non-operated properties		469,481
Other		33,924
Total receipts		<u>4,215,965</u>
Operating disbursements		
Operating and work over costs		
- General operating costs		1,484,624
- Flare line expenditures		289,209
Contractor costs		143,324
Lease rentals and royalty costs		328,453
Corporate insurance, accounting software and IT services and other misc. costs		153,646
ATB interest on Receiver's Certificate		21,289
GST Remittance		-
Total operating disbursements		<u>2,420,546</u>
Non-operating disbursements		
AER mandated work overs		
- AER pipeline audit work		459,618
- AER Husky Line audit work		100,907
Receivership professional fees		690,454
Distribution of sale proceeds from non-operated properties to secured lender (per court order)		469,481
Final statement of adjustments on sale of non- operated properties		10,682
Termination Order payments (CCAA)		81,720
Total non-operating disbursements		<u>1,812,861</u>
Total disbursements		<u>4,233,407</u>
Net change in cash flows		<u>(17,442)</u>
Receiver's Borrowings		
Maximum availability under credit facility		1,700,000
Borrowings (release of funds)		<u>(1,557,299)</u>
Remaining drawings available under Receiver's Borrowings		142,701

30. The above chart details the following receipts and disbursements reported in the Receivership:
- a) receipts during the Receivership totalled \$4,215,965;
 - b) operating disbursements during the Receivership totalled \$2,420,546;
and
 - c) non-operating disbursements during the Receivership totalled \$1,812,861;
31. Receiver's borrowing under the Receiver's Certificate No.1 and Receiver's Certificate No.2 totals cumulatively \$1.55 million. The Receiver has a maximum borrowing limit of \$1,700,000 under its combined Receiver's Certificate No.1 and Receiver's Certificate No.2 credit facility with ATB.
32. Alston's ending available borrowings (liquidity) as at May 8, 2015 was \$142,701.

Municipal Property Taxes

33. There is approximately \$263,000 in outstanding municipal property taxes with the RM of Provost for the 2013 and 2014 year, as discussed above. These outstanding taxes have not been paid as there are insufficient funds available to pay these property taxes. The Receiver is seeking an Order vesting title to the certain assets proposed in the Wescan APA free and clear of all claims, charges and encumbrances including any claim of the RM of Provost for unpaid property taxes.
34. If the Proposed Distribution (as discussed below) is approved by this Honourable Court and the vesting order is granted, the property taxes outstanding to the RM of Provost totalling approximately \$263,000, will not be paid as they are subordinate to the Receiver's Charge and the Receiver's Borrowings pursuant to the Receivership Order and there are not sufficient funds to repay all of those amounts.

35. The 2015 municipal taxes for the Provost Properties of approximately \$200,000 are additional taxes that are due and owing by October 31, 2015. The Receiver is of the view that this period to the Closing of the Wescan transaction is subordinate (the pro-rata amount) to the Receiver's Charge and Receiver's Borrowings and these amounts will be vested off title and will not be paid.

PROPOSED FINAL DISTRIBUTION

36. If the Wescan APA is approved by this Court and the transaction closes, the proceeds from the sale will be sufficient to pay the outstanding obligations under the Receiver's Charge, but there will not be enough funds available to pay the entirety of the Receiver's Borrowings.
37. As previously discussed, the Receiver's Borrowings total approximately \$1.55 million in the Receivership Proceedings. The maximum borrowing limit is \$1.7 million from ATB and is comprised of Receiver's Certificate No.1 for \$750,000 and a Receiver's Certificate No. for \$950,000. The Receiver's Certificate No.1 is fully drawn to \$750,000 and the Receiver's Certificate No.2 is drawn to \$800,000. As shown in the chart below, the Receiver anticipates that the Receiver's Certificate No.1 will be paid back in full; however, there will be shortfall of approximately \$608,000 in the Receiver's Certificate No.2.
38. There will be no distributions made to ATB for its secured loan of approximately \$7.6 million (this amount does not including accrued interest or its costs). To be clear, the only distribution that will be available will be on account of the Receiver's Charge and Receiver's Borrowings as discussed above.
39. The Receiver recommends distributing the anticipated remaining funds available in the following manner:

Alston Energy Inc. - In Receivership		
Proposed Final Distribution		
May 11, 2015		
Westcan APA purchase price (subject to Court approval)	Note A	1,240,000
Add (minus):		
CRA GST refund (estimate)	Note B	80,000
April & May production receipts (net of royalties)	Note C	100,000
(+/-) Statement of Adjustments	Note D	TBD
Estimated funds available before Receiver's commitment		1,420,000
Commitment/Contingencies		
Estimated Receiver's Charge		
Professional Fees (incurred and outstanding & forecast)	Note E	(220,000)
Less: professional fee retainers held in trust	Note E	87,500
Operational costs and obligations outstanding	Note F	(300,000)
Receiver's Certificate #1	Note G	(750,000)
Statutory / Priority Creditors	Note H	(21,000)
Sayer Commission Fees (Westcan APA)	Note I	(24,800)
Estimated commitment/contingencies		(1,228,300)
Estimated funds available for Receiver's Certificate No.2	Note J	191,700

40. The above chart summarizes the following Proposed Final Distribution as follows:

- a) Westcan APA purchase price proceeds (subject to Court approval) of \$1,240,000;
- b) Estimated GST refund from the CRA of approximately \$80,000. The Receiver has filed all GST returns and there are ITC's that are owing to the Receiver. The CRA has not paid the ITC/GST refund to the Receiver yet, however, the Receiver expects for it to be received in due course;

- c) Estimated production receipts for April and May, less royalty payments, of approximately \$100,000;
- d) Statement of adjustments is currently being determined by the Receiver. The Wescan statement of adjustments will include net production receipts for April and May (partial) in favour of the Receiver along with Alston receiving credit for mineral and surface lease payments made by the Receiver in the Receivership Proceedings. These “positive credits” will be offset by certain unpaid surface and mineral lease payments and other costs of Alston (pro-rata) based on the Effective Date of the Wescan Transaction;
- e) Professional fees of the Receiver and its counsel relating to outstanding invoices to date and expected (forecast) fees to be incurred will be approximately \$220,000, before applying the retainers held by the Receiver and its counsel;
- f) Operational costs and obligations estimated at approximately \$300,000 that is owed to vendors in providing services to the Receiver to operate the Provost Properties;
- g) Receiver’s Certificate No. 1 repayment for the full amount of \$750,000;
- h) There are no known Statutory Claims outstanding, other than the municipal taxes which will not be paid, as discussed above. However, there is one known priority claim relating to a pre-receivership freehold royalty obligation outstanding owed to Cenovus Energy Inc. (“Cenovus”) of approximately \$21,000 on certain of Alston’s Provost Properties will need to be paid prior to the assets being transferred from Alston to Wescan, as contemplated in the Wescan APA;

- i) Sayer Commission Fees are based on a 2.0% flat fee on the total proceeds received from the Wescan APA sale totaling approximately \$24,800; and
 - j) Estimated funds available to repay Receiver's Certificate No.2 of approximately \$191,700. There will not be sufficient funds to repay the current outstanding amount of Receiver's Certificate No. 2. The estimated funds available to repay the Receiver's Certificate No.2 will change when the actual receipts and disbursements are known.
41. The Receiver is of the view that the Proposed Final Distribution is reasonable under the circumstances and respectfully recommends that this Honourable Court approve the Proposed Final Distribution as discussed above.

APPROVAL OF THE RECEIVER'S AND ITS COUNSELS FEES AND EXPENDITURES

42. The Receiver seeks approval from this Honourable Court of its and those of its legal counsels fees and costs from May 9, 2014 to April 30, 2015.
43. The total fees and disbursements of A&M, in its capacity as the court-appointed Receiver Manager of Alston Energy Inc. for the period of May 9, 2014 to April 30, 2015 aggregate \$587,212.03 (excluding GST). A summary of the Receiver's fees and disbursements are attached as Appendix B to this Report.
44. The total fees and disbursements of McCarthy Tetrault LLP ("McCarthy"), the Receiver's independent legal counsel in these proceedings for the period of May 9, 2014 to April 30, 2015 aggregate \$187,669.40 (excluding GST). A summary of McCarthy's fees and disbursements are attached as Appendix C to this Report.
45. The Receiver and its counsel's fee accounts outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work.

Copies of the invoices will be made available upon request of the Court, if required.

46. The Receiver' and its counsel's estimate fees and costs to complete this engagement will be approximately \$100,000 (the "Forecast Fees and Costs").
47. The Receiver is respectfully of the view that its and its counsel's fees and costs are fair and reasonable under the circumstances and respectfully requests that this Honourable Court approve the accounts of the Receiver's and its counsel from May 9, 2014 to April 30, 2015. In addition, the Receiver respectfully requests this Honourable Court approve the Forecast Fees and Costs of the Receiver and its counsel.

APPROVING CONDUCT AND DISCHARGE OF THE RECEIVER'S DUTIES

48. The Receivers administration of the estate is essentially complete and the Receiver's discharge should be granted upon the Receiver making the Proposed Final Distribution. The Receiver may have some miscellaneous administrative items to attend to post-discharge including the filing of GST returns with the Canada Revenue Agency, conveyancing of properties and preparation of documentation regarding the same to Wescan (subject to Court approval), but these items are immaterial and should not prevent this Honourable Court from granting an unconditional discharge.
49. The Receiver understands that upon its discharge (subject to Court approval) there will be various other oil and gas properties that are left behind in the estate of Alston, as these oil and gas properties are considered uneconomical, with no value and unsaleable. These properties include: a) the Newton Properties, which the Receiver has previously advised the AER and this Court that it is not in possession of these assets; b) certain remaining Provost Properties. The Receiver is advised that these remaining unsaleable properties of Alston will likely be reverted to the orphan well fund.

50. The Receiver is of the respectful view that it has conducted itself appropriately during this receivership and is respectfully requesting that this Honourable court approve the actions and conduct of the Receiver throughout the Receivership Proceedings.
51. The Receiver is in custody of many Records and is currently incurring costs to store the Records at an offsite location. The Receiver is seeking authorization from this Honourable Court to allow the Receiver to destroy any and all Records by June 30, 2015, if some or all of the records are not requested by the AER for its purposes, not required/requested by Wescan in relation to the Wescan APA or not collected by any of the current directors of Alston.
52. Lastly, the Receiver respectfully requests that this Honourable Court approve an Order discharging absolutely, forever and unconditionally the Receiver from any and all obligations as Receiver of Alston.

RECOMMENDATION

53. The Receiver respectfully recommends that this Honourable Court approve the:
 - a) sale of the property contemplated by the Wescan APA;
 - b) Proposed Final Distribution;
 - c) actions and conduct of the Receiver throughout the Receivership Proceedings;
 - d) Receiver's professional fees and costs and those of its legal counsel and its Forecast Fees and Costs;
 - e) authorization of the Receiver to destroy the Records if not requested by the AER; or not required/requested by Wescan in relation to the Wescan APA; or not collected by current directors of Alston by June 30, 2015; and

f) discharge of the Receiver.

All of which is respectfully submitted this 11th day of May, 2015.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Alston Energy Inc.**

A handwritten signature in blue ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CA, CIRP
Senior Vice-President

A handwritten signature in blue ink, appearing to read 'Orest Konowalchuk', with a stylized flourish at the end.

Orest Konowalchuk, CA, CIRP
Vice President

APPENDIX A



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www.wescanenergycorp.com

April 20, 2015

**Alston Energy Inc., by and through its
court-appointed Receiver Alvarez & Marsal
Canada Inc., and not in its personal capacity**
Bow Valley Square I
Suite 570, 202 – 6th Avenue S.W.
Calgary, AB T2P 2R5

**Attention: Mr. Orest Konowalchuk,
CA,CIRP, Senior Director**

**Re: Offer to Purchase - Assets of Alston Energy Inc.
Provost Area, Alberta**

WesCan Energy Corp., on behalf of itself and its subsidiaries and affiliates (collectively, "**Purchaser**"), hereby offers on a binding basis, to purchase from Alston Energy Inc. (the "**Company**" or the "**Debtor**"), by and through its court appointed receiver and manager Alvarez & Marsal Canada Inc., in its capacity as court appointed receiver and manager (the "**Receiver**") of the assets, properties and undertakings of the Company and not in its personal capacity (collectively, "**Vendor**"), the Assets, subject to and in accordance with the terms and conditions contained in this Letter Agreement.

1. Definitions

Capitalized terms used in this Letter Agreement shall have the meanings ascribed to them in the text of this Letter Agreement or in Schedule "A".

2. Purchase and Sale

- (a) Purchaser agrees to purchase the Assets on the Closing Date for the purchase price of \$1,240,000 (Cdn) (the "**Purchase Price**").
- (b) All revenues and expenses relating to the Assets shall be apportioned as of the Effective Time between Purchaser and Vendor on an accrual basis and in accordance with generally accepted accounting principles.
- (c) The Purchase Price shall be allocated as follows:
 - (i) \$992,000 to the Petroleum and Natural Gas Rights;
 - (ii) \$247,990 to the Tangibles; and

(iii) \$10.00 to the Miscellaneous Interests.

At Closing, Purchaser shall pay to Vendor, by certified cheque, bank draft or electronic transfer of funds, an amount equal to the Purchase Price plus GST plus or minus the adjustments as provided for in Section 2(b) hereof (the "Closing Payment").

(d) Within five (5) business days of acceptance of this Letter Agreement by Vendor, Purchaser shall pay to Vendor, by certified cheque, bank draft or electronic transfer of funds, a deposit of \$124,000 (the "Deposit"), representing 10% of the total amount of the Purchase Price submitted herein and subject to the terms hereof.

3. Terms and Conditions

This Letter Agreement is irrevocable and shall constitute a binding agreement of the purchase and sale of the Assets. The Purchaser acknowledges and agrees that the Terms and Conditions attached hereto as Schedule "B" and the Land Schedule attached hereto as Schedule "C" are both incorporated by reference and made part of this Letter Agreement.

4. Representations and Warranties

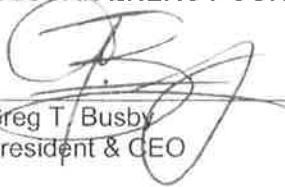
(a) Purchaser hereby makes the representations and warranties as set out in Schedule "B" attached hereto. There shall not be any merger of any covenant, representation or warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

(b) Other than the limited representations and warranties made by the Vendor in Schedule "B", the Vendor makes no representations or warranties to the Purchaser of any kind, whatsoever, and the Purchaser acknowledges and agrees that it is acquiring the Assets on an "as is, where is" basis.

If you are prepared to accept this Letter Agreement, please so indicate by executing in the space provided below and returning one (1) originally executed copy hereof, to the attention of the undersigned.

Yours truly,

WESCAN ENERGY CORP.



Greg T. Busby
President & CEO

ACCEPTED AND AGREED to on this 20th
day of April, 2015.

ALSTON ENERGY INC., by and through its court-
appointed Receiver, Alvarez & Marsal Canada Inc.
and not in its personal capacity



Per: _____

Name: Orest Konowalchuk

Title: Vice President

SCHEDULE "A"

DEFINITIONS TO A LETTER AGREEMENT DATED APRIL 20, 2015

In this Letter Agreement, the following terms have the following meanings:

- (a) "**AER**" means the Alberta Energy Regulator and any predecessor thereto having jurisdiction over the Assets or certain of them and the operation thereof.
- (b) "**AER Deposits**" means any deposits paid by or on behalf of the Debtor to the AER that relate to the Assets.
- (c) "**Assets**" means the Debtor's right, title, estate and interest in the Petroleum and Natural Gas Rights, the Miscellaneous Interests and the Tangibles, but excludes the Excluded Assets.
- (d) "**Closing**" means the transfer of possession, beneficial ownership and risks of the Assets from the Vendor to the Purchaser, the exchange of any conveyance documents reasonably requested by the Vendor and payment of the Purchase Price by Purchaser to Vendor, and all other items and consideration required to be delivered on the Closing Date pursuant hereto.
- (e) "**Closing Date**" means the business day following the day Court Approval is obtained or such other date as the Parties may agree to in writing.
- (f) "**Court**" means the Court of Queen's Bench of Alberta;
- (g) "**Court Approval**" means the approval of the transaction contemplated hereby by the Court and the vesting of the Assets in the name of the Purchaser free and clear of any and all encumbrances other than the Permitted Encumbrances.
- (h) "**Debtor**" means Alston Energy Inc.
- (i) "**Effective Time**" means 12:01 a.m. on the Closing Date.
- (j) "**Excluded Assets**" means:
 - (i) all other interpretations, evaluations, valuations, forecasts, analyses and similar items relating to the Assets, including any economic valuations or reserve forecasts prepared or acquired by or on behalf of the Debtor, or its Affiliates or a Third Party with respect to the Assets or the transaction contemplated hereby;
 - (ii) any computer software, computer networks and other technology systems;
 - (iii) AER Deposits;
 - (iv) advances and deposits to operators, government authorities or other third parties prior to the Effective Time to secure obligations or as prepayment of costs or expenses;

- (v) legal and title opinions;
 - (vi) documents prepared by or on behalf of the Debtor in contemplation of litigation and any other documents within the possession of the Debtor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction; and
 - (vii) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets.
- (k) "**GST**" means the goods and services tax required to be paid pursuant to the *Excise Tax Act* (Canada) and in accordance with the Purchase Price allocation set forth in Section 2(c).
- (l) "**Land Schedule**" means Schedule "C" attached hereto.
- (m) "**Lands**" means the entire interest of Debtor as of the Effective Time in and to the lands set forth and described in the Land Schedule, and includes (i) unless the context otherwise requires, the surface of such lands and (ii) the Petroleum Substances within, upon or under such lands, together with the rights to drill for, explore for, win, take, own or remove same, insofar as the same are granted by the Leases to such lands.
- (n) "**Leases**" means the leases, reservations, permits, licenses or other documents of title by virtue of which the holder thereof is entitled to drill for, explore for, mine, win, take, own or remove Petroleum Substances underlying the Lands, and include, if applicable, all renewals and extensions of such documents and all documents issued in substitution thereof.
- (o) "**Miscellaneous Interests**" means all of the right, title, interest and estate of the Debtor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights and the Excluded Assets), to the extent relating to the Petroleum and Natural Gas Rights, the Lands or the Tangibles and to which the Debtor is entitled at the Effective Time, including the following property, rights and assets:
- (i) all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Petroleum and Natural Gas Rights, the Lands or the Tangibles, including the Title and Operating Documents and any rights of the Debtor in relation thereto;
 - (ii) the surface rights related thereto;
 - (iii) geological, geophysical, geochemical and mineralogical data, reports and findings and archive samples, and all core or liquid samples and cuttings;
 - (iv) all seismic data, to the extent relating solely and directly to the Lands;
 - (v) all engineering information, reports, to the extent relating solely and directly to the Petroleum and Natural Gas Rights, the Lands, and the

Tangibles which the Debtor either has in its custody or to which the Debtor has access, excluding any such information which is subject to confidentiality restrictions;

- (vi) all permits, licenses, approvals and other authorizations, emergency response plans, crossing privileges and other subsisting rights to carry out operations on the Lands and any lands upon which the Tangibles are located, including well and pipeline licenses and other permits and authorizations relating to the Petroleum and Natural Gas Rights or the Tangibles;
 - (vii) geological and geophysical interpretations related to the Assets; and
 - (viii) the Wells, including the entire wellbores and casings; but specifically excluding the Excluded Assets.
- (p) **"Party"** means the Vendor or the Purchaser, and **"Parties"** means the Vendor and the Purchaser,
- (q) **"Permitted Encumbrances"** means, as of a particular time, any of the following:
- (i) easements, rights of way, servitudes, permits, licenses and other similar rights in land, including right of ways and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cable;
 - (ii) the right reserved to or vested in any government authority by the terms of any Title and Operating Document, lease, license, franchise, grant or permit or by any Applicable Law, to terminate any such Title and Operating Document, lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
 - (iii) the right reserved to or vested in any government authority to levy taxes on Petroleum Substances or the income or revenue attributable thereto and governmental requirements and limitations of general application;
 - (iv) rights reserved to or vested in any government authority to control or regulate any of the Assets in any manner;
 - (v) liens granted in the ordinary course of business to a public utility or government authority in connection with operations on or in respect of the Lands;
 - (vi) the express or implied reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Lands or interests therein and statutory exceptions to title;
 - (vii) all royalty burdens or conversions and other Encumbrances as more specifically identified in the Land Schedule;

- (viii) the terms and condition of the Leases and the Title and Operating Documents; and
- (ix) any other circumstance, matter or thing disclosed in the attached Schedules hereto.
- (r) **"Petroleum and Natural Gas Rights"** means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Debtor in and to the Lands and the Leases, subject in all events to the Permitted Encumbrances.
- (s) **"Petroleum Substances"** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to or produced in conjunction with any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and hydrogen sulphide.
- (t) **"Receivership Order"** means the order issued by the Court in the Receivership Proceedings on May 9, 2014, as amended, modified or supplemented from time to time.
- (u) **"Receivership Proceedings"** means the means the proceedings before the Court and identified as Court File No. 1401-05127.
- (v) **"Tangibles"** means, collectively, all right, title, interest and estate of the Debtor, whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to the tangible property and assets located within or upon the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable Petroleum Substances or in connection with water condensate, injection or removal operations that pertain to the Petroleum and Natural Gas Rights.
- (w) **"Title and Operating Documents"** means all agreements, contracts, instruments and other documents that govern the ownership, operation or use of the Assets or relate to Permitted Encumbrances, including (i) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created, (ii) permits, licenses, approvals and authorizations, (iii) operating agreements, unit agreements, production allocation agreements, trust declarations, participation agreements, joint venture agreements, farmin agreements, farmout agreements and royalty agreements, (iv) agreements that create or relate to surface rights, (v) agreements for the construction, ownership and/or operation of the Tangibles, (vi) trust declarations and other documents and instruments that evidence the Debtor's interests in the Assets; and (vii) trust declarations pursuant to which the Debtor holds interests in the Lands in trust for other persons.
- (x) **"Vesting Order"** means a vesting order to be issued by the Court necessary to give effect to this transaction which will vest title to the Assets in the name of the Purchaser free and clear of all encumbrances and charges save only the Permitted Encumbrances.

- (y) **"Wells"** means all wells which have been, are or may be used in connection with the Petroleum and Natural Gas Rights, including without limitation producing, shut in, suspended, abandoned, capped, water source, water disposal and water injection wells, service, observation, delineation wells, all as more specifically set out in the Land Schedule.

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SCHEDULE "B"
TERMS AND CONDITIONS

TO A LETTER AGREEMENT DATED APRIL 20, 2015

1. The Purchaser acknowledges and agrees that acceptance of this Letter Agreement by the Vendor is made by it solely in its capacity as Receiver of the Company and not in its personal capacity, and that neither the Receiver nor the Vendor and its respective employees, servants and agents shall have no personal or corporate liability whatsoever with respect to any matter(s) relating to or arising out of this Letter Agreement or the advertisement or sale of the Assets. Any suit, claim, demand or cause of action of the Purchaser, in any way arising out of or related to this Letter Agreement, or the advertisement or sale of the Assets, shall be restricted solely to the Assets and the Deposit.
2. Nothing herein shall be construed as a warranty, agreement or representation that the Vendor, as the Receiver of the Company, is the owner of the Assets or that there are or will be no restrictions, encumbrances, burdens or obligations against the Assets.
3. The Vendor, in its sole discretion, may waive any or all of the Terms and Conditions of the Agreement which are for the benefit of the Vendor, provided however that any waiver shall only be effective if in writing and any such waiver shall not apply to waive any other provisions unless expressly stated in writing.
4. The Vendor has specified certain details respecting the Assets. The descriptions herein contained are not warranted to be complete or accurate.
5. The Assets are being sold on an "as is and where is" without recourse basis.
6. The Purchaser acknowledges that it was entitled to and had the opportunity to consult with its own independent legal counsel prior to executing this Letter Agreement.
7. Subject to the acceptance of this Letter Agreement and delivery of the Deposit pursuant to paragraph 2(d) of the Letter Agreement, then, subject to Paragraph 8 hereof, the Deposit shall be applied to the Purchase Price.
8. If this Letter Agreement is accepted and the Purchaser fails to comply with any term or condition of this Letter Agreement, or if the Purchaser is unable or unwilling to complete this transaction for any reason whatsoever, the Deposit and all payments made on account of the Purchase Price (if any) shall be forfeited to the Vendor as genuine pre-estimate of liquidated damages and not as penalty. Notwithstanding the foregoing, if the Purchaser does not waive or provide written notice that the condition precedent in favour of the Purchaser at Paragraph 21 of this Schedule "B" has been satisfied (except the condition contained in section 21(d)) by the date set out therein, then the Deposit shall be returned to the Purchaser without interest and as soon as practicably possible. For greater certainty, if the condition in section 21(d) is not satisfied or waived and the Purchaser terminates this agreement, the Vendor shall be entitled to retain the Deposit as liquidated damages.
9. If this Letter Agreement is accepted and the Vesting Order is not obtained prior to Closing the Deposit shall be returned to the Purchaser without interest as soon as practicably possible.

10. The Purchaser acknowledges that the Vendor is not obligated to accept this Letter Agreement and this Letter Agreement, if accepted by the Vendor, is subject to Court Approval.

11. If this Letter Agreement is accepted, then notification of such acceptance shall be made effective upon delivery of such notification in writing to the address of the Purchaser set forth in the Letter Agreement and shall be deemed to have been received by the Purchaser on the day on which such delivery is made. Subject to the satisfaction of (i) the condition precedent in favour of the Vendor at Paragraph 20 of this Schedule "B", and (ii) the condition precedent in favour of the Purchaser at Paragraph 21 of this Schedule "B", upon acceptance as aforesaid, the acceptance of this Letter Agreement shall constitute a binding agreement of purchase and sale of the Assets. The Assets are largely in form as attached as Schedule "C".

12. Time shall be of the essence of this Letter Agreement.

13. This Letter Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the Purchaser irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta.

14. In consideration of the Vendor making available to the Purchaser information relating to the Assets and the opportunity of inspection of such information, and in consideration of the Vendor receiving offers, the Purchaser agrees that its Letter Agreement is irrevocable and cannot be retracted, withdrawn, varied or countermanded prior to acceptance or rejection thereof.

15. In the event of any material damage(s) occurring prior to the Closing Date to the Assets, the Purchaser shall not have the right to rescind, but, rather, shall have all of the rights of the insured party under the terms of the insurance policy under which the Assets are insured. The Purchaser shall arrange for its own insurance as at and from the Closing Date.

16. At the Closing Date, the Vendor shall provide a Vesting Order or any other documentation necessary to give effect to this transaction which shall vest title to the Assets in the name of the Purchaser free and clear of all encumbrances and charges.

17. The Vendor does hereby represents and warrants to the Purchaser that:

- (a) It has been appointed by the Court as receiver and manager of the Assets and such appointment is valid and subsists;
- (b) It has good right, full power and absolute authority to sell, assign, transfer, convey and set over the interest of the Debtor in and to the Assets, subject to the terms and conditions of the Receivership Order and the Court Approval including any approval required to effect the transfer of the licenses issued by the AER; and
- (c) It is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

18. Other than as listed in paragraph 17 of Schedule "B", there are no other representations, warranties, collateral agreements, or conditions whatsoever by the Vendor, and the Purchaser agrees that there are no representations, collateral agreements, conditions or warranties, expressed or implied, by statute, custom or otherwise, on the part of the Vendor or their

respective agents, servants or employees, affecting the rights of the Purchaser hereunder, and that, without restricting the generality of the foregoing, there are no representations regarding the Assets as to title, location, existence, fitness for particular purpose, condition, quality, quantity, merchantability or suitability for intended purpose, or as to any other attributes which the Purchaser considers relevant. The Purchaser further acknowledges and agrees that it is not relying upon any representations made by the Vendor or their respective agents, servants or employees and that the Agreement is and shall be the entire agreement between the parties.

19. The Purchaser represents and warrants to the Vendor that as of the date hereof, to and including the Closing Date:

- (a) Standing: Purchaser is a corporation duly organized and validly existing under the laws of the jurisdiction of corporation of Purchaser and is authorized to carry on business in the Province in which the Assets are located;
- (b) Requisite Authority: except for the Court Approval, it has taken all action and has full power and authority to enter into this Letter Agreement and the other documents and agreements executed and delivered hereunder and it has taken all necessary action to consummate the transaction contemplated hereby and to perform its obligations hereunder and the other documents and agreements executed and delivered hereunder;
- (c) Execution and Enforceability: provided the Court Approval is obtained, this Letter Agreement has been duly and validly authorized, and all documents and agreements to be executed by it at Closing pursuant to this Letter Agreement shall be, duly executed, and upon execution by Vendor and it, this Letter Agreement constitutes, and all documents and agreements required to be executed by it at Closing will constitute legal, valid and binding obligations of it and enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, preference, reorganization, moratorium and other similar laws affecting creditor's rights generally and the discretionary nature of equitable remedies and defences;
- (d) No Further Authorization Required: to its knowledge after due inquiry, and provided that Court Approval is obtained, no authorization or approval or other action by, and no notice to or filing with, any government authority exercising jurisdiction over the Assets is required by it or on its behalf for the due execution and delivery of this Letter Agreement other than the acceptance and approval of transferring the Wells and their respective licences by the AER.
- (e) No Conflicts: provided the Court Approval is obtained, the consummation of the transaction contemplated hereby will not constitute or result in a material violation, breach or default by it under any provision of any agreement or instrument to which it is a party or by which is it bound or any judgment, law, decree, order or ruling applicable to it;
- (f) Finder's Fee: it has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the transaction contemplated hereby for which the Vendor or the Debtor shall have any obligations or liability;

- (g) No Lawsuits or Claims: it has not received notice of any claims in existence, contemplated, pending or threatened against it seeking to prevent the consummation of this transaction;
- (h) Purchaser as Principal: it is acquiring the Assets in its capacity as a principal and is purchasing the Assets for solely for its own purposes and benefit;
- (i) Licensee Liability Rating: the licensee liability rating, ("LLR") (as assessed by the AER and described in AER Directive 66) of the Purchaser equals or exceeds 1.0 and will not fall below 1.0 as a result of the transaction and transfer application(s) contemplated hereby. It is expected, however, that all transfers by Vendor will result in an LLR greater 1.20.
- (j) Availability of Funds: it has sufficient funds available to it to enable it to pay in full the Purchase Price to the Vendor as herein provided and otherwise to fully perform its obligations under this Agreement; and
- (k) Insiders: to the Purchaser's knowledge, having made due enquiry, no Insider (as that term is defined in the *Securities Act* (Alberta)) of the Purchaser is also an Insider of the Vendor or the Debtor.
- (l) No Further Registration: no registration with, giving of notice to, or consent or approval of, any governmental or public bodies or authorities, or any other parties, is necessary for the execution and delivery by the Purchaser of the Letter Agreement or for the performance by the Purchaser of the terms and conditions contained herein;
- (m) The Purchaser is not a non-Canadian: the Purchaser is not a non-Canadian as defined in the *Investment Canada Act* or if the Purchaser is such a non-Canadian, then either the transaction herein is not notifiable or reviewable under such Act or the Purchaser has satisfied the requirements of such Act such that the transaction herein provided for may be completed without contravention of such Act.

20. The obligation of the Vendor to complete the sale and transfer the Assets pursuant hereto is subject to the following conditions precedent:

- (a) that the Court Approval is obtained;
- (b) all amounts to be paid by Purchaser to Vendor at Closing shall have been paid to the Vendor in the form stipulated in this Letter Agreement;
- (c) On or before May 15, 2015, the Vendor shall have been provided with evidence of the final approval by the TSX Venture Exchange as required by the Purchaser to Close the transaction contemplated herein or such date as mutually agreed upon between the Parties;
- (d) On or before May 15, 2015, the Vendor shall have been provided with evidence of the final approval of the transaction from the Purchaser's Board of Directors as required by the Purchaser to Close the transaction contemplated herein or such date as mutually agreed upon between the Parties;

- (e) Vendor will have received confirmation, in a form satisfactory to Vendor in its sole discretion, that the license transfers relating to the Assets will be effected by the AER;
- (f) Purchaser will have executed and delivered to the Vendor all conveyance documents as reasonably requested and provided by the Vendor.

21. The obligation of the Purchaser to complete the sale of the Assets pursuant hereto is subject to the following conditions precedent:

- (a) that the Court Approval is obtained;
- (b) between the date hereof and the Closing Date, the Assets shall have suffered no material, adverse damage or change;
- (c) Purchaser shall have received all approvals required by the TSX Venture Exchange to complete the transaction contemplated hereby; and
- (d) Purchaser shall have received approval from its Board of Directors to complete the transaction contemplated hereby;

22. Subject to Closing, Purchaser shall see to the timely performance all abandonment and reclamation obligations in respect Assets. Purchaser shall be liable for and, in addition, indemnify Vendor from and against all claims and losses and liabilities relating to all environmental matters (including the abandonment and reclamation obligations) relating to the Assets.

23. The Purchaser shall cause to be paid and delivered to the Vendor on the Closing Date the Purchase Price plus any applicable goods and services tax or provincial sales tax if payable in accordance with the terms and conditions herein.

24. The Offer is not subject to financing or a financing condition.

25. No amendment or variation of the Agreement shall be of any force or effect unless the same is reduced to writing and duly executed by the Vendor and the Purchaser.

26. Interest on the Deposit and all other funds paid to the Vendor pursuant to this Letter Agreement shall accrue to the benefit of Vendor. The Deposit shall be paid to McCarthy Tétrault LLP, solicitors to the Vendor, in trust.

27. The Purchaser and the Vendor mutually agree to do all such further acts and execute all such further documents and instruments (such as Conveyance Documents to be prepared by Vendor) as may reasonably be necessary or convenient to give full effect to the Letter Agreement.

28. There shall be no sales commission payable by the Vendor to any realtor or other agent as a result of the sale pursuant to the Offer.

29. This Letter Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and the Parties agree and confirm that this Letter Agreement cancels and supersedes any prior understandings and agreements between the Parties hereto

with respect to the subject matter hereof. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties.

30. In the event any of the provisions of this Letter Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SCHEDULE "C"
TO A LETTER AGREEMENT DATED APRIL 20, 2015

Land Schedule

(as provided by Receiver and agreed to by Purchaser)

**Alston Energy Inc.
Land Schedule & Facility Listing
Schedule C**

File Number	Lessors/Lease Date/Expiry Date Extension Information/Mineral Interest	Legal Description and Rights	Working Interest	Royalties	Gross Area (Hectares)	Gross Developed (Hectares)	UWI/Well Status/Type	AER License	Rental	Related Contracts
M0192	Conovus Energy Inc. Petroleum Lease No. AB-86-29358 Lease Date: October 19, 1997 Expiry Date: April 18, 2000 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 11 & 14) Section 21 Petroleum to top Paleozoic	100.00%	LOR - 22.5% on Oil & Condensate LOR - Solution Gas 18%	32	32	100/11-21-038-03W4/00 - Prod Oil 100/14-21-038-03W4/00 - Prod Oil	#214639 #214191	\$400.00	C0019 C0028
M0193	Conovus Energy Inc. Petroleum Lease No. AB-86-29354 Lease Date: October 19, 1997 Expiry Date: April 18, 2000 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM SW 21 Petroleum to top Paleozoic	100.00%	LOR - 22.5% on Oil & Condensate LOR - Solution Gas 18%	64	64	102/06-21-038-03W4/00 - Prod Oil	#214824	\$800.00	C0019 C0028
M0197	Conovus Energy Inc. Petroleum Lease No. AB-86-29353 Lease Date: October 19, 1997 Expiry Date: April 18, 2000 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM NE 21 Petroleum to top Paleozoic	100.00%	LOR - 22.5% on Oil & Condensate LOR - Solution Gas 18%	64	64	104/16-21-038-03W4/00 - Susp Oil 104/16-21-038-03W4/02 - Prod Oil 104/15-21-038-03W4/00 - Prod Oil	#213549 #213549 #401186	\$600.00	C0019 C0028 P0021
M0194	Alberta Crown PNG Lease 0496100091 Lease Date: October 12, 1995 Expiry Date: October 11, 2000 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 13 & 14) Section 22 PNG to Base Mannville	100.00%	LOR - Crown S/S	32	32	100/14-22-038-03W4/00 - Prod Oil 100/14-22-038-03W4/02 - Shut In	#186598 #186598	\$112.00	C0019 C0046
M0218	Alberta Crown PNG Lease 0483110169 Lease Date: November 17, 1983 Expiry Date: November 16, 1988 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 3, 4, 5 & 6) Section 22 PNG to Base Mannville	100.00%	LOR - Crown S/S	66	66	105/03-22-038-03W4/00 - Prod Oil 105/05-22-038-03W4/00 - Prod Oil 106/05-22-038-03W4/00 - Unknown	#208556 #400152 #440353	\$196.00	C0019 C0046
M0549	Alberta Crown PNG Lease 0408080295 Lease Date: August 21, 2008 Expiry Date: August 20, 2013 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 12) Section 22 PNG in Mannville	100.00%	LOR - Crown S/S	16	16	102/12-22-038-03W4/00 - Prod Oil	#295875	\$56.00	C0019
M0156	Conovus Energy Inc. Natural Gas Lease No. AB-86-20401 Lease Date: December 1, 1986 Expiry Date: November 30, 1997 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM Section 27 PNG to base Mannville	100.00%	LOR - 25%	266	266	103/15-27-038-03W4/00 - Prod Gas 100/16-27-038-03W4/00 - Susp. Gas 100/16-27-038-03W4/02 - Prod Gas 100/16-27-038-03W4/03 - Commingled	#398162 #396439 #396439 #396439	\$3 200.00	C0019
M0189	Conovus Energy Inc. Petroleum Lease No. M111629 Lease Date: October 1, 2012 Expiry Date: September 30, 2013 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 2) Section 27 Petroleum in Spary Petroleum in Rex Sandstone	100.00%	LOR - 25% on Oil & Other	16	16	100/05-27-038-03W4/00 - Prod Oil 100/02-27-038-03W4/02 - Commingled 100/02-27-038-03W4/03 - Commingled	#271385 #271385 #271385	\$800.00	C0019 C0085 C0086 P0077 P0078
M0198	Conovus Energy Inc. Petroleum Lease No. AB-85-20402 Lease Date: December 1, 1986 Expiry Date: November 30, 1997 Extension: Held by Production 100% Mineral Interest	TWP 38 RGE 3 WAM (LSD 10, 15 & 16) Section 27 Petroleum to base Mannville	100.00%	LOR - 25% on Oil & Other	48	48	100/10-27-038-03W4/00 - Susp Oil 100/16-27-038-03W4/02 - Prod Oil	#200583 #200583	\$600.00	C0019 P0021 P0078

File Number	Leasor/Lease Date/Expiry Date Extension Information/Mineral Interest	Legal Description and Rights	Working Interest	Royalties	Gross Area (Hectares)	Gross Developed (Hectares)	UWI/Well Status/Type	AER/Licence #	Rental	Related Contracts
M0232	Alberta Crown PNG Lease 0485090047 Lease Date: June 13, 1985 Expiry Date: June 12, 1990 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD B & 9) Section 28 PNG from base Belly River to base Mannville	100.00%	LOR - Crown S/S	24	24	100/06-28-038-03W4/00 - Prod Oil	#121935	\$94.00	C0019 C0046
M0190	Alberta Crown PNG Lease 0407010677 Lease Date: January 25, 2007 Expiry Date: January 24, 2012 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD (SV) 4) Section 29 PNG from base Belly River to base Mannville	100.00%	LOR - Crown S/S GOR - 5% on Oil & 15% on Gas Paid to Richdale (35%), Penn West (40%) & Great Plains (25%) Paid by Alston 100%	4	4	103/04-29-038-03W4/00 - Flowing Oil	#437475	\$50.00	C0019 C0040
M0169	Alberta Crown PNG Lease 0413010051 Lease Date: January 10, 2013 Expiry Date: January 9, 2018 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD (N & SE) 4) Section 29 All PNG	100.00%	LOR - Crown S/S	12	12	103/04-29-038-03W4/00 - Flowing Oil	#437475	\$50.00	C0019 C0040
M0219	Alberta Crown PNG Lease 0487120108 Lease Date: December 3, 1987 Expiry Date: December 2, 1992 Extension: Section 15 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD (W) 6) Section 29 PNG from base Viking A to base Mannville	100.00%	LOR - Crown S/S	8	8	180/06-29-038-03W4/00 - Prod Oil	#141030	\$50.00	C0019 C0040
M0254	Alberta Crown PNG Lease 0412060023 Lease Date: June 14, 2012 Expiry Date: June 13, 2017 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD 16) Section 20 PNG below base Viking	100.00%	LOR - Crown S/S	16	0	No Wells	#138834	\$56.00	
M0061	Alberta Crown PNG Lease 0410900343 Lease Date: September 22, 2011 Expiry Date: September 21, 2016 100% Mineral Interest	TWP 38 RGE 3 W4M NW 20 PNG to base Belly River PNG below base Viking	100.00%	LOR - Crown S/S	64	0	No Wells		\$224.00	
M0060	Alberta Crown PNG Lease 0411090344 Lease Date: September 22, 2011 Expiry Date: September 21, 2016 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD 1) Section 28 All PNG	100.00%	LOR - Crown S/S	16	0	No Wells		\$56.00	
M0200	Alberta Crown PNG Lease 0415010052 Lease Date: January 10, 2013 Expiry Date: January 9, 2018 100% Mineral Interest	TWP 38 RGE 3 W4M (LSD 5) Section 28 All PNG	100.00%	LOR - Crown S/S	15	0	No Wells		\$56.00	C0019 C0046
M0055	Alberta Crown PNG Lease 0412050465 Lease Date: May 31, 2012 Expiry Date: May 30, 2017 100% Mineral Interest	TWP 38 RGE 3 W4M NE & S Section 30 All PNG	100.00%	LOR - Crown S/S	192	0	No Wells		\$672.00	C0081
Facilities										
	04-29-38-03W4	Battery						#ABB7 7500939		
	10/16-21-38-03W4	Satellite						#25887		
	04-22-38-03W4	Satellite						N/A		
	10-27-38-03W4	Satellite						N/A		
	04-27-38-03W4	Satellite						N/A		
	13-22-38-03 W4	Satellite						N/A		
	08-28-38-03 W4	Satellite						N/A		

APPENDIX B

Alston Energy Inc. - In Receivership

APPENDIX B

Summary of Receiver's Fees and Disbursements

May 9, 2014 to April 30, 2015

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1	May 9, 2014 to May 31, 2014	\$ 74,467.50	0.00	74,467.50	3,723.38	78,190.88
2	April 1, 2014 to June 30, 2014	97,601.50	515.00	98,116.50	4,905.83	103,022.33
3	July 1, 2014 to July 31, 2014	89,656.00	550.50	90,206.50	4,510.33	94,716.83
4	August 1, 2014 to August 31, 2014	46,725.00	424.23	47,149.23	2,357.46	49,506.69
5	September 1, 2014 to September 30, 2014	42,086.50	936.38	43,022.88	2,151.14	45,174.02
6	September 28, 2014 to October 31, 2014	40,202.50	393.56	40,596.06	2,029.80	42,625.86
7	November 1, 2014 to November 30, 2014	37,221.50	323.62	37,545.12	1,877.26	39,422.38
8	December 1, 2014 to December 31, 2014	31,802.00	70.77	31,872.77	1,593.64	33,466.41
9	January 1, 2015 to January 31, 2015	41,605.00	358.51	41,963.51	2,098.18	44,061.69
10	February 1, 2015 to February 28, 2015	45,608.00	70.77	45,678.77	2,283.94	47,962.71
11	March 1, 2015 to March 31, 2015	21,341.00	270.19	21,611.19	1,080.56	22,691.75
12	April 1, 2015 to April 30, 2015	14,982.00	0.00	14,982.00	749.10	15,731.10
TOTAL		\$ 583,298.50	\$ 3,913.53	\$ 587,212.03	\$ 29,360.60	\$ 616,572.63

** Incurred fees and costs of the Receiver

APPENDIX C

Alston Energy Inc. - In Receivership

APPENDIX C

Summary of the Receiver's counsels (McCarthy Tetrault LLP) Fees and Disbursements
May 9, 2014 to April 30, 2015

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1	May 9, 2014 to May 31, 2014	\$ 14,928.00	14.75	14,942.75	747.14	15,689.89
2	June 1, 2014 to June 30, 2014	16,889.50	379.95	17,269.45	850.48	18,119.93
3	July 1, 2014 to July 31, 2014	48,228.50	79.00	48,307.50	2,415.38	50,722.88
4	August 1, 2014 to August 31, 2014	18,510.50	554.65	19,065.15	944.86	20,010.01
5	September 1, 2014 to September 30, 2014	10,880.00	2.50	10,882.50	544.13	11,426.63
6	October 1, 2014 to October 31, 2014	8,406.00	0.00	8,406.00	420.30	8,826.30
7	November 1, 2014 to November 30, 2014	14,544.50	13.50	14,558.00	727.90	15,285.90
8	December 1, 2014 to December 31, 2014	7,954.00	0.75	7,954.75	397.74	8,352.49
9	January 1, 2015 to January 31, 2015	11,265.50	3.50	11,269.00	563.45	11,832.45
10	February 1, 2015 to February 28, 2015	20,211.00	224.30	20,435.30	1,021.77	21,457.07
11	March 1, 2015 to March 31, 2015	7,504.00	13.00	7,517.00	375.85	7,892.85
12	April 1, 2015 to April 30, 2015	7,061.50	0.50	7,062.00	353.11	7,415.11
TOTAL		\$ 186,383.00	\$ 1,286.40	\$ 187,669.40	\$ 9,362.09	\$ 197,031.49

** Incurred and accrued fees and cost of McCarthy Tetrault LLP