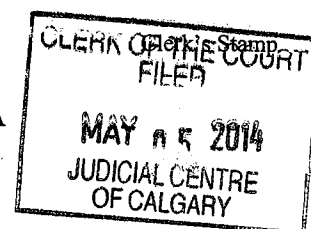


COURT FILE NUMBER 1301-14151
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



**IN THE MATTER OF THE COMPANIES CREDITORS
ARRANGEMENT ACT, RSC 1985 c.C-36**

**IN THE MATTER OF THE BUSINESS CORPORATIONS
ACT, RSA 2000, c. B-9**

**IN THE MATTER OF THE PLAN OF ARRANGEMENT
OF ALSTON ENERGY INC.**

DOCUMENT **AFFIDAVIT OF JAMES HUMBKE**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

Davis LLP
Barristers and Solicitors
1000, 250 - 2 Street SW
Calgary, Alberta T2P 0C1
Attention: Peter S. Jull, Q.C.
File No. 80034-00010/PSJ
Tel.: 403.776.8811
Fax: 403.776.8855

AFFIDAVIT OF JAMES HUMBKE sworn this 5 day of May, 2014

**I, JAMES HUMBKE, of the City of Calgary, in the Province of Alberta, MAKE OATH
AND SAY AS FOLLOWS:**

I. INTRODUCTION

1. I am Vice President, Asset Management Department for Alberta Treasury Branches ("ATB") and am authorized to swear this Affidavit on behalf of ATB. As such I have a personal knowledge of the facts and matters herein deposed to except where stated to be

based on information and belief and where so stated I do verily believe the same to be true.

2. This Affidavit is made in support of an application by ATB for an Order (the "**Receivership Order**") pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3 as amended (the "**BIA**"), Section 65(7) of the *Personal Property Security Act*, R.S.A. 2000, c.P.7 and Section 13(2) of the *Judicature Act*, R.S.A. 2000, c.J-2, appointing Alvarez and Marsal ("**Alvarez**") as Receiver and Manager over all of the assets, properties and undertakings of Alston Energy Inc. ("**Alston**").
3. In addition, I make this Affidavit in opposition to Alston's application for an extension of the stay proceedings under the *Companies Creditors Arrangement Act* ("**CCAA**") and in support of an Application to vary the stay of proceedings with respect to Alston pursuant to the stay provisions of the CCAA so as to permit the filing of the Application for the Receivership Order.

II. ALSTON

4. Alston is a body corporate continued pursuant to the laws of Alberta and has its head office in the City of Calgary, in the Province of Alberta.
5. To my knowledge Alston is a producer of crude oil and natural gas, currently engaged in exploration, development and production of crude oil, natural gas and natural gas liquids within the province of Alberta. According to the Affidavit #1 of Don Umbach dated December 6, 2013 (the "**Umbach Affidavit #1**") and filed in the CCAA proceedings (Court Action #1301-14151)(the "**CCAA Action**"), approximately 65% of Alston's production capability is crude oil and natural gas liquids, and 35% is natural gas. The majority of Alston's production base is generated from two operated producing areas referred to as the Provost and Newton areas in Alberta. All of the company's assets are located in Alberta. The company has three employees who are also executive officers, and the bulk of their operations are conducted by independent operators.

III. LOANS AND GRANTING OF SECURITY

6. Alston and ATB are parties to a Loan Agreement dated as of July 13, 2012 (the "**Loan Agreement**"). Attached hereto and marked as **Exhibit "A"** to this my Affidavit is a true copy of the Loan Agreement. The Loan Agreement provides for a revolving operating loan of up to \$9,000,000 and a revolving acquisition loan facility of up to \$2,500,000. Each facility is payable on demand. No advances have been made under the Acquisition Loan.
7. As security for the funds advanced pursuant to the Loan Agreement, Alston granted to ATB a General Security Agreement dated as of July 17, 2012 (the "**GSA**"). Attached hereto and marked as **Exhibit "B"** to this my Affidavit is a true copy of the GSA.
8. The GSA was registered at the Personal Property Registry for the Province of Alberta. We have received a security opinion from our counsel, Davis LLP that ATB has a priority charge against the assets of Alston as a result of various subordination agreements relating to prior charges registered by private lenders and other lenders. In the Monitor's Second Report dated February 28, 2014, it reported that its counsel was completing a security review which was expected to come to the same conclusion. Attached hereto and marked as **Exhibit "C"** is a true copy of a Personal Property Registry Search Report.
9. Pursuant to the terms of the Loan Agreement, the filing of a CCAA application constitutes an event of default. ATB did not make demand on the Loan Agreement prior to the filing of the CCAA application, but according to the Umbach Affidavit #1, the filing was precipitated by a demand issued by Second Wave Petroleum Inc., a lender in second position to ATB with respect to their security charge against the assets of Alston.
10. The amount due and owing to ATB as of April 30, 2014 is **\$7,616,026.71**, as follows:
 - (a) Loan 760-21533284200 - \$7,550,000 plus interest at \$839.15 per diem;
 - (b) Loan 760-24287951400 (Fees) - \$59,018.08 plus interest at \$6.42 per diem;
and
 - (c) Mastercard - \$7,008.47 plus interest at \$0.12 per diem.

IV. CCAA PROCEEDINGS

11. On December 10, 2013, Alston applied for, and was granted creditor protection under the CCAA, and Alvarez was appointed as Monitor (the “**Monitor**”). According to the Umbach Affidavit #1, Alston engaged Sayer Energy Advisors Inc. (“**Sayer**”) in July 2013 to conduct a sale process of Alston’s assets and explore strategic corporate combinations. The deadline for the sales process was October 24, 2013 and no acceptable offers were generated. The Umbach Affidavit #1 stated that Alston intended to continue the engagement of Sayer which it hoped would “result in greater value for stakeholders than a liquidation of Alston’s assets, particularly in light of the tax pools which may be preserved through a restructuring or strategic combination”.
12. The initial CCAA Order was amended and restated on December 11, 2013, to provide, amongst other things, a priority Administrative Charge to a maximum of \$750,000, and a Director’s Charge, to a maximum of \$500,000.
13. Alston has applied for and obtained two stay extensions under the CCAA. The first extension dated January 8, 2014 extended the stay for 60 days. In support of that application was filed the First Monitor’s Report dated January 3, 2014, and the Affidavit #1 of Neil Burrows, which revealed that Alston was intending to seek DIP financing in order to fund operations and the CCAA process.
14. Alston obtained a second stay extension under the CCAA on March 4, 2014. In support of that application was filed the Second Monitor’s Report dated February 28, 2014 and the Affidavit #3 of Don Umbach dated February 28, 2014, which revealed that Alston and Sayer conducted another “soft” marketing process in January 2014. As a result, one acceptable offer was received for a minor asset in the Alexander area of Alberta. Additionally, one party submitted an offer in the nature of a corporate acquisition, which was subject to further negotiation and approval by ATB and Alston’s other primary stakeholders. By Order of Justice MacLeod dated March 4, 2014, the stay was extended to May 9, 2014.

15. On March 4, 2014, Justice MacLeod also granted an approval and vesting order with respect to the sale of the Alexander property, whereby ATB and Alston agreed that only \$650,000 would be paid to ATB as a permanent reduction of the limit on the operating loan, with the majority of the sales proceeds (which would otherwise be subject to ATB's priority charge) being used for Alston's working capital and use in the CCAA proceedings, including the payment of restructuring costs and retainers to the Monitor's and Alston's legal counsel. As a result of Alston being able to utilize the major portion of the sale proceeds in this way, the need for DIP financing was avoided. On the consent of the parties, the Order also provided for a reduction of the maximum for the Administration and Directors Charges to \$250,000 each.
16. In late February, 2014, ATB was advised by Alston that they had entered into a Letter of Intent with the party who was proposing a corporate acquisition (the "LOI Party"). However, that proposed corporate acquisition was subject to several conditions, including financing with ATB. In mid April, ATB advised the LOI Party that their proposal was unacceptable. The letter of intent has since expired. Just a few days ago, the LOI Party submitted a new proposal to ATB which would involve further ATB financing and a significant write-down. ATB is currently reviewing this latest proposal, but has concerns with its position vis-a-vis Alston's assets, and the LOI Party's capability to meet ATB's requirements.
17. Although ATB has recently been advised that there have been a few expressions of interest in Alston's tax losses, we are unaware of any formal offers with respect to these tax losses.
18. On April 28, 2014, ATB and its counsel participated in a conference call with representatives of Alston, its counsel and the Monitor and its counsel. ATB was advised that Alston was seeking a further 90 day extension to the stay, and would seek to implement a sales and solicitation process, implemented by Sayer and overseen by the Monitor.

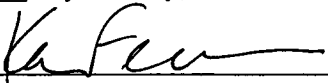
19. It is a term of the Loan Agreement that within 90 days of year end, Alston is to provide ATB with an external engineering report prepared by an accredited, independent firm of consulting petroleum engineers satisfactory to ATB. I am advised that Alston did not complete an engineering report this year, nor did they seek ATB's approval for a waiver of this term. In the conference call of April 28, 2014 referenced in paragraph 17 above, Don Umbach on behalf of Alston acknowledged that the company unilaterally decided not to complete the report in order to save costs, but provided ATB with a mechanical report.
20. I have reviewed the Umbach Affidavit #4 filed on April 30, 2014, and the Third Monitor's Report. It would appear that Alston is reverting back to its initial plan to re-market the assets through Sayer. Based on Alston's past history of being unable to generate and close acceptable offers, ATB has lost faith that this next proposed process will be successful, or to the optimum benefit for creditors. ATB is concerned that it is facing a deficiency position, and does not believe that the proposed sales process under the CCAA, with the current overhead and management in place, will maximize value for the assets. ATB has already suffered an erosion of its position due to the Administrative Charge of \$250,000, restructuring costs of approximately \$500,000 which have already been incurred, and ATB could suffer an erosion of its position due to the Directors Charges. Furthermore, ATB has suffered from the diversion of a portion of the Alexander sale proceeds for Alston's use and benefit in the CCAA process. It is ATB's belief that the marketplace would respond better to these assets if they were taken out of the hands of Alston and remarketed by a Receiver.
21. ATB is the priority secured creditor of Alston, and is by far the largest, and possibly the only, economic stakeholder in the assets. ATB no longer supports Alston's restructuring efforts under the CCAA. To the best of ATB's knowledge, the company has been trying to consummate a sale since entering into CCAA five months ago. Initially, ATB supported the process as it was contemplated that the subordinate debt holder, who had demanded payment, would be acquiring ATB's debt. That did not occur, so the company proceeded to solicit bids and it was contemplated again that ATB would be paid out in

full, but the purchaser was not able to secure the financing required. That same purchaser has now proposed that ATB take a discount to allow them to purchase the assets. In the circumstances, it is my belief that it is just and equitable that a Receiver be appointed in order to preserve ATB's position and maximize recovery of the assets.

V. RECEIVER

22. Through its role as Monitor, Alvarez is already familiar with the operations and assets of Alston. In all of the circumstances I do verily believe that the appointment of a Receiver over the undertakings, property and assets of Alston is necessary and proper to protect the interests of ATB and other creditors and to preserve and maximize the value of the Alston business and to realize upon the GSA and other security held by Alston and the other creditors.
23. I do verily believe that Alvarez are qualified and have consented to their appointment as Receiver of Alston if so ordered by this Court. Attached hereto and marked as **Exhibit "D"** to this my Affidavit is a true copy of the Consent to Act as Receiver executed by an authorized signatory of Alvarez.
24. I make this Affidavit in support of an Application to appoint Alvarez as Receiver of the undertakings, property and assets of Alston.

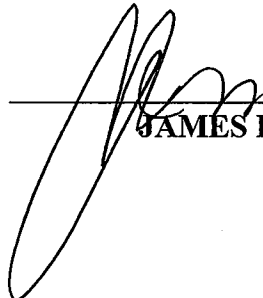
SWORN BEFORE ME at the City of
CALGARY, in the Province of Alberta,
this 5 day of May, 2014



A Commissioner for Oaths in the Province of
Alberta

Karen L. Fellowes
Barrister-Solicitor
Notary

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)
)
)
)



JAMES HUMBKE

Phone: 403-731-3822
Fax: 403-974-5784

July 13, 2012

Alston Energy Inc.
1100, 744 - 4th Avenue SW
Calgary, AB T2P 3T4

Attn: Don Umbach, President & CEO

Dear Sir:

Alberta Treasury Branches has approved and offers financial assistance on the terms and conditions in the attached Commitment Letter.

You may accept our offer by returning the enclosed duplicate of this letter, signed as indicated below, by 4:00 p.m. on or before July 27, 2012 or our offer will automatically expire. We reserve the right to cancel our offer at any time prior to acceptance.

All credit facilities made available to CanRock Energy Corp. and all other debts and liabilities under the Commitment Letter dated October 5, 2011 issued by Alberta Treasury Branches in favour of PetroSands Resources (Canada) Inc. (amalgamation predecessor to CanRock Energy Corp.), as amended, restated and replaced, shall be permanently repaid in full by Alston Energy Inc., and such credit facilities shall cease to be available, upon the amalgamation, merger or winding up of CanRock Energy Corp.

Thank you for your continued business.

Yours truly,

ALBERTA TREASURY BRANCHES

By: *Luke Puxley*
Luke Puxley, Director

By: *Soni Ben*
Per Chris Edel, Associate Director

Encl.

Accepted this 17th day of July, 2012

Alston Energy Inc.

Per: _____

Per: _____

This is Exhibit "A" referred to
in the Affidavit of

JAMES HUMBKE

Sworn before me this 5th

Day of MAY A.D. 2012

Karen L. Fellowes

A Notary Public - Commissioner for Oaths
in and for the Province of Alberta

Karen L. Fellowes
Barrister-Solicitor
Notary

Phone: 403-731-3822
Fax: 403-974-5784

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Thank you for your continued business.

Yours truly,

ALBERTA TREASURY BRANCHES

By: _____
Luke Puxley, Director

By: _____
Chris Edel, Associate Director

Encl.

Accepted this 17th day of July, 2012

Alston Energy Inc.


Per: 

Per: _____

Acknowledged by

CanRock Energy Corp.

Per:

A handwritten signature in black ink, appearing to be "D. E. Co.", written over a horizontal line.

Per:

COMMITMENT LETTER

LENDER: ALBERTA TREASURY BRANCHES

BORROWER: ALSTON ENERGY INC.

1. AMOUNTS AND TYPES OF FACILITIES (each referred to as a "Facility")

Facility #1 - Operating Loan Facility (Revolving) – Cdn. \$9,000,000.00

- Facility #1 is available by way of:
 - Prime-based loans in Canadian dollars
 - Guaranteed Notes in Canadian dollars
 - Letters of Credit (to an aggregate maximum of \$1,000,000) in Canadian dollars
 - Corporate MasterCard (to a maximum of \$50,000)
- Facility #1 is to be used, firstly, to refinance and/or repay in full all indebtedness of CanRock Energy Corp. ("CanRock"), to the Lender immediately prior to the amalgamation of CanRock with Alston Energy Inc., including without limitation all indebtedness of CanRock to the Lender pursuant to the commitment letter between PetroSands Resources (Canada) Inc., an amalgamation predecessor of CanRock, and the Lender, dated October 5, 2011, as amended restated and replaced (the "Prior Commitment Letter"), and, thereafter, for the general operating purposes of Borrower, including to assist the Borrower in the exploration, development, production and acquisition of oil and gas reserves in Western Canada.

The Borrower hereby acknowledges that it is liable for and assumes and will repay the amount of all indebtedness of CanRock to the Lender immediately prior to the amalgamation of CanRock with Alston Energy Inc., including without limitation pursuant to the Prior Commitment Letter, and, without limiting the foregoing, authorizes the Lender, in its discretion, to apply the proceeds of an advance under Facility #1 to repay such indebtedness and/or set off the amount of such indebtedness from the proceeds of such an advance. Alternatively, the Lender may in its discretion treat all borrowings and other indebtedness and liabilities outstanding under the Prior Commitment Letter as Borrowings and indebtedness and liabilities of the Borrower hereunder.

- Notwithstanding the amount of Facility #1, advances under Facility #1 will be limited to the amount equal to the lesser of:
 - the maximum principal amount of Facility #1; and
 - the amount of the most recent Borrowing Base determined hereunder.

From time to time, the Borrowing Base shall be re-calculated by Lender upon receipt of each engineering report required to be delivered hereunder and if Borrower fails to deliver any such report then at any other time at Lender's sole discretion. Lender shall notify Borrower of each change in the amount of the Borrowing Base. In the event that Lender re-calculates the Borrowing Base to be an amount that is less than the Borrowings outstanding under Facility #1, Borrower shall repay the difference between such Borrowings outstanding and the new Borrowing Base within 30 days of receiving notice of the new Borrowing Base, and all rates and fees for Facility #1 listed under the "Interest Rates and Prepayment" section hereof will immediately upon receipt of that notice

increase by 100 basis points. Lender confirms that the Borrowing Base on the date hereof is \$9,000,000.00.

Facility #2 – Acquisition Loan Facility (Revolving) – Cdn. \$2,500,000.00

- Facility #2 is available by way of:
 - Prime-based loans in Canadian dollars
 - Guaranteed Notes in Canadian dollars
- Facility #2 is to be used to assist in the acquisition of producing petroleum and natural gas reserves.

Other Facilities – Foreign Exchange, Interest Rate and Commodity Derivatives

- At Borrower's request, Lender may enter into foreign exchange forward contracts and/or interest rate and commodity derivatives with Borrower from time to time. Lender makes no commitment to enter into any such contract or derivative and may at any time in its sole discretion decline to enter into any such contract or derivative. Any Security Documents will also secure Borrower's liability and obligations pursuant to any such contracts or derivatives.

2. INTEREST RATES AND PREPAYMENT:

Facility #1:

- Pricing applicable to Facility #1 is as follows:
 - Prime-based loans: Interest is payable in Canadian dollars at Prime plus 1.00% per annum
 - Guaranteed Notes: Acceptance fee is payable in Canadian dollars at 2.50% per annum
 - Letters of Credit: Fee is 2.00% per annum with a minimum fee of \$200.00.
 - Corporate MasterCard: Fees are detailed in the Corporate MasterCard documentation.
- Non-refundable facility fee calculated at a rate of 0.30% per annum is payable monthly in Canadian dollars on the last day of each month, calculated daily on the unused portion of the authorized amount of Facility #1.
- Facility #1 may be prepaid in whole or in part at any time (subject to the notice periods provided hereunder) without penalty, except that Guaranteed Notes cannot be prepaid prior to their maturity.

Facility #2:

- Pricing applicable to Facility #2 is as follows:
 - Prime-based loans: Interest is payable in Canadian dollars at Prime plus 1.50% per annum
 - Guaranteed Notes: Acceptance fee is payable in Canadian dollars at 3.25% per annum

- Non-refundable facility fee calculated at a rate of 0.30% per annum is payable monthly in Canadian dollars on the last day of each month, calculated daily on the unused portion of the authorized amount of Facility #2.
- Facility #1 may be prepaid in whole or in part at any time (subject to the notice periods provided hereunder) without penalty, except that Guaranteed Notes cannot be prepaid prior to their maturity.

3. REPAYMENT:

Facility #1:

- Facility #1 is payable in full on demand by Lender, and Lender may terminate the availability thereof (including any undrawn portion) at any time without notice.
- Facility #1 may revolve in multiples as permitted hereunder, and Borrower may borrow, repay, reborrow and convert between types of Borrowings, up to the amount and subject to the notice periods provided hereunder.

Facility #2:

- Facility #2 is payable in full on demand by Lender, and Lender may terminate the availability thereof (including any undrawn portion) at any time without notice.
- Facility #2 may revolve in multiples as permitted hereunder, and Borrower may borrow, repay, reborrow and convert between types of Borrowings, up to the amount and subject to the notice periods provided hereunder.

4. FEES:

- Non-refundable application fee of \$19,500.00 for Facility #1 is payable on acceptance of this offer. Lender is hereby authorized to debit Borrower's current account for any unpaid portion of the fee.
- Non-refundable commitment/renewal fee of \$6,250.00 for Facility #2 is payable on acceptance of this offer. Lender is hereby authorized to debit Borrower's current account for any unpaid portion of the fee.
- Any amount in excess of established credit facilities may be subject to a fee where Lender in its sole discretion permits excess Borrowings, if any.
- For reports or statements not received within the stipulated periods (and without limiting Lender's rights by virtue of such default), Borrower will be subject to a fee of \$50 per month (per monthly or quarterly report or statement) and \$250 per month (per annual report or statement) for each late reporting occurrence, which will be deducted from Borrower's account.

5. SECURITY DOCUMENTS:

All security documents (whether held or later delivered) (collectively referred to as the "Security Documents") shall secure all Facilities and all other obligations of Borrower to Lender (whether

present or future, direct or indirect, contingent or matured). The parties acknowledge that the following security documents are currently held:

- (a) Inter-creditor Agreement and Subordination Agreement (the "Second Wave Postponement") executed by Second Wave Petroleum Inc. ("Second Wave") in respect of the indebtedness of CanRock for \$3,500,000; and
- (b) General Security Agreement from CanRock providing a security interest over all present and after acquired personal property and a floating charge on all lands;

The security documents required at this time are as follows:

- (a) General Security Agreement from Borrower providing a security interest over all present and after acquired personal property and a floating charge on all lands;
- (b) Inter-creditor Agreement and Subordination Agreement executed by Second Wave in respect of the indebtedness of the Borrower dated _____, 2012;
- (c) ISDA Master Agreement.

The security documents are to be registered in the following jurisdictions: Alberta and Saskatchewan.

6. REPRESENTATIONS AND WARRANTIES:

Borrower represents and warrants to Lender that:

- (a) if a Loan Party is a corporation, it is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of Alberta and in each other jurisdiction where it carries on any material business;
- (b) if a Loan Party is a partnership, it is a partnership duly created, validly existing and duly registered or qualified to carry on business in the Province of Alberta and in each other jurisdiction where it carries on any material business;
- (c) the execution, delivery and performance by each Loan Party of this agreement and each Security Document to which it is a party have been duly authorized by all necessary actions and do not violate its governing documents or any applicable laws or agreements to which it is subject or by which it is bound;
- (d) no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, a breach of any provision of this agreement or any Security Document given in connection herewith;
- (e) the most recent financial statements of Borrower and, if applicable, any Guarantor, provided to Lender fairly present its financial position as of the date thereof and its results of operations and cash flows for the fiscal period covered thereby, and since the date of such financial statements, there has occurred no material adverse change in its business or financial condition;

- (f) all engineering data, production and cash flow projections, and other information and data provided to Lender by or on behalf of Borrower (including, without limitation, any engineering reports and land schedules) are true and correct in all material respects as at the time provided and fairly reflect the interests of the Loan Parties therein net of all royalties and other burdens affecting the same;
- (g) each Loan Party has good and marketable title to all of its properties and assets, free and clear of any encumbrances, other than Permitted Encumbrances;
- (h) each Loan Party is in compliance in all material respects with all applicable laws including, without limitation, all environmental laws, and there is no existing material impairment to its properties and assets as a result of environmental damage, except to the extent disclosed in writing to Lender and acknowledged by Lender;
- (i) as of July 17, 2012 CanRock has been or will be amalgamated into the Borrower, and the name of the amalgamation successor is and will be Alston Energy Inc., being the Borrower hereunder; and
- (j) the Borrower has no Subsidiaries.

All representations and warranties are deemed to be repeated by Borrower on each request for an advance hereunder.

7. POSITIVE COVENANTS:

Borrower covenants with Lender that so long as it is indebted or otherwise obligated (contingently or otherwise) to Lender, it will do and perform the following covenants. If any such covenant is to be done or performed by a Guarantor, Borrower also covenants with Lender to cause Guarantor to do or perform such covenant.

- (a) Borrower will pay to Lender when due all amounts (whether principal, interest or other sums) owing by it to Lender from time to time;
- (b) Borrower will deliver to Lender the Security Documents, in all cases in form and substance satisfactory to Lender and Lender's solicitor;
- (c) Borrower will ensure that at least 95% of its consolidated assets are held by those Loan Parties which have provided security in favour of Lender;
- (d) Borrower will use the proceeds of loans only for the purposes approved by Lender;
- (e) each Loan Party will maintain its valid existence as a corporation or partnership, as the case may be, and except to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect, will maintain all licenses and authorizations required from regulatory or governmental authorities or agencies to permit it to carry on its business, including, without limitation, any licenses, certificates, permits and consents for the protection of the environment;
- (f) each Loan Party will maintain appropriate books of account and records relative to the operation of its business and financial condition;

- (g) each Loan Party will maintain and defend title to all of its property and assets, will maintain, repair and keep in good working order and condition all of its property and assets and will continuously carry on and conduct its business in a proper, efficient and businesslike manner and in accordance with good oilfield practice;
- (h) each Loan Party will maintain appropriate types and amounts of insurance with Lender shown as first loss payee on any property insurance covering any assets on which Lender has security, and promptly advise Lender in writing of any significant loss or damage to its property;
- (i) each Loan Party will provide evidence of insurance to Lender:
 - i) in situations where Lender has taken a fixed charge on an asset or property whether on real property or personal property; and
 - ii) in all other situations, on request;
- (j) each Loan Party will permit Lender, by its officers or authorized representatives at any reasonable time and on reasonable prior notice, to enter its premises and to inspect its plant, machinery, equipment and other real and personal property and their operation, and to examine and copy all of its relevant books of accounts and records (including without limitation, all land records);
- (k) Borrower will ensure that all engineering data, production and cash flow projections and other information and data provided to Lender by or on behalf of the Loan Parties (including without limitation, any engineering reports and land schedules) are true and accurate in all material respects as at the time provided and fairly reflect the interests of the Loan Parties therein net of all royalties and other burdens affecting the same;
- (l) each Loan Party will remit all sums when due to tax and other governmental authorities (including, without limitation, any sums in respect of employees and GST), and upon request, will provide Lender with such information and documentation in respect thereof as Lender may reasonably require from time to time;
- (m) each Loan Party will comply with all applicable laws, including without limitation, environmental laws, except to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect;
- (n) Borrower will promptly advise Lender in writing, giving reasonable details, of (i) the discovery of any contaminant or any spill, discharge or release of a contaminant into the environment from or upon any property of a Loan Party which could reasonably be expected to result in a Material Adverse Effect, (ii) any event which constitutes, or which with notice, lapse of time or both, would constitute a breach of any provision hereof or of any Security Documents, and (iii) each event which has or is reasonably likely to have a Material Adverse Effect;
- (o) Borrower undertakes that, upon request from Lender, Borrower will grant (or cause any Guarantor to grant) a fixed mortgage and charge to Lender on any or all property of Borrower or any Guarantor so designated by Lender. Borrower shall promptly provide to Lender all information reasonably requested by Lender to assist it in that regard. Borrower acknowledges that this undertaking constitutes present and continuing security

in favour of Lender, and that Lender may file such caveats, security notices or other filings in regard thereto at any time and from time to time as Lender may determine.

8. NEGATIVE COVENANTS:

Borrower covenants with Lender that while it is indebted or otherwise obligated (contingently or otherwise) to Lender, it will not do any of the following, without the prior written consent of Lender. If a Guarantor is not to do an act, Borrower also covenants with Lender not to permit Guarantor to do such act.

- (a) a Loan Party will not create or permit to exist any mortgage, charge, lien, encumbrance or other security interest on any of its present or future assets, other than Permitted Encumbrances;
- (b) a Loan Party will not create, incur, assume or allow to exist any Indebtedness other than:
 - i) trade payables incurred in the ordinary course of business;
 - ii) any Indebtedness owing to another Loan Party (but only if that Loan Party has provided security in favour of Lender);
 - iii) any Indebtedness secured by a Permitted Encumbrance;
 - iv) any unsecured advances from affiliates/shareholders which are postponed in all respects to the Facilities;
 - v) secured indebtedness to management and directors of the Borrower in an amount not exceeding, in the aggregate, \$347,863, as such amount may be repaid and reduced from time to time, provided that such indebtedness and any security therefor has been postponed and assigned in favour of the Lender on terms satisfactory to the Lender; and
 - vi) any Indebtedness owing to Lender;
- (c) a Loan Party will not sell, lease or otherwise dispose of any assets except (i) inventory sold, leased or disposed of in the ordinary course of business, (ii) obsolete equipment which is being replaced with equipment of an equivalent value, (iii) assets sold, leased or disposed of to another Loan Party (but only if that Loan Party has provided security in favour of Lender), and (iv) assets sold, leased or disposed of during a fiscal year having an aggregate fair market value not exceeding 5% of the Borrowing Base for such fiscal year;
- (d) a Loan Party will not provide financial assistance (by means of a loan, guarantee or otherwise) to any person (other than Lender) other than loans permitted under clause (b) above;
- (e) a Loan Party will not pay to or for the benefit of shareholders or persons associated with shareholders (within the meaning of the Alberta Business Corporations Act) by way of salaries, bonuses, dividends, management fees, repayment of loans or otherwise, any amount which would cause a breach of a provision hereof;

- (f) a Loan Party will not reduce its capital or redeem, purchase or otherwise acquire, retire or pay off any of its present or future share capital other than to another Loan Party;
- (g) without the prior written consent of Lender, a Loan Party will not amalgamate, consolidate, or merge with any person other than a Loan Party and then only if no default or event of default is then in existence or would thereafter be in existence, and will not enter into any partnership with any other person unless the partnership becomes a Loan Party hereunder and provides security in favour of Lender;
- (h) a Loan Party will not acquire any assets in, or move or allow any of its assets to be moved to, a jurisdiction where Lender has not registered or perfected the Security Documents;
- (i) a Loan Party will not change the present nature of its business;
- (j) Borrower will not operate accounts with or otherwise conduct any banking business with any financial institution other than Lender, other than to the extent expressly permitted in the definition of Permitted Encumbrances hereunder;
- (k) a Loan Party will not incur capital expenditures in respect of oil or gas properties outside of the Western Canadian sedimentary basin;
- (l) a Loan Party will not enter into any Hedging Agreement which is not used for risk management in relation to its business or which is not entered into in the ordinary course of its business but is entered into for speculative purposes, or which, in the case of commodity swaps or similar transactions of either a financial or physical nature, have a term exceeding two years or if more than 50% of its forecasted production from proved producing resources would be hedged at the time of determination for the hedged period;
- (m) a Loan Party will not allow any pollutant (including any pollutant now on, under or about such land) to be placed, handled, stored, disposed of or released on, under or about any of its lands unless done in the normal course of its business and then only as long as it complies with all applicable laws in placing, handling, storing, transporting, disposing of or otherwise dealing with such pollutants, except to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect;
- (n) Borrower will not utilize Borrowings to finance a hostile takeover;

9. REPORTING COVENANTS:

Borrower will provide to Lender:

- (a) within 120 days after the end of each of its fiscal years:
 - i) financial statements of Borrower on an audited basis and on a consolidated basis prepared by a firm of qualified accountants;
 - ii) a compliance certificate executed by a senior officer of Borrower in the form attached hereto as Schedule "A";
- (b) within 90 days after the end of each of its fiscal years:

- i) external engineering report of the Loan Parties' total proved properties prepared by an accredited, independent firm of consulting petroleum engineers satisfactory to Lender;
 - ii) an officer's certificate as to title, attaching thereto a current land schedule of major producing petroleum and natural gas reserves held by the Loan Parties described by lease (type, date, term, parties), legal description (wells and spacing units), interest (W.I. or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances and overrides; and
 - iii) an environmental questionnaire and disclosure statement in the form requested by Lender;
 - iv) annual capital and revenue budget reports from Borrower for the next following fiscal year which include gross and/or net oil and gas production volumes, gross revenues, royalties and other burdens, operating costs, general & administrative costs, commodity price assumptions and, if available, a pro forma balance sheet;
- (c) within 60 days following the end of each of its first 3 fiscal quarters:
- i) internally produced consolidated financial statements of Borrower for that quarter, and
 - ii) a compliance certificate executed by a senior officer of Borrower in the form attached hereto as Schedule "A";
- (d) within 60 days following the end of each calendar month, monthly production and revenue reports (operator statements or internally generated area-by-area summaries) for the Loan Parties' producing properties, certified by a senior officer of Borrower, clearly indicating gross and/or net oil and gas production volumes, gross revenues, royalties and other burdens, operating costs, etc.;
- (e) on request, any further information regarding its assets, operations and financial condition that Lender may from time to time reasonably require.

10. FINANCIAL COVENANTS:

Borrower will not at any time, without the prior written consent of Lender, breach the following restriction:

- (a) permit the Working Capital Ratio to fall below 1.00:1.

The above financial ratio shall be maintained at all times and shall be detailed in the compliance certificate required to be delivered hereunder.

11. CONDITIONS PRECEDENT:

It is a condition precedent to each advance hereunder that, at the time of such advance, all representations and warranties hereunder must be true and correct in all material respects as if made on such date, and there must be no default hereunder or under any Security Document.

In addition, no Facilities will be available until the following conditions precedent have been satisfied, unless waived by Lender:

- (a) Lender has received all Security Documents and all registrations and filings have been completed in Alberta and Saskatchewan, in all cases in form and substance satisfactory to Lender;
- (b) Borrower and Guarantors (if any) have provided all authorizations and all financial statements, appraisals, environmental reports and any other information that Lender may require;
- (c) Lender has received payment of all fees due in respect hereof;
- (d) Lender is satisfied as to the value of Borrower's and any Guarantor's assets and financial condition, and Borrower's and any Guarantor's ability to carry on business and repay any amount owed to Lender from time to time;
- (e) Lender has received an officer's certificate as to title satisfactory to Lender including a schedule of major producing petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (W.I. or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides;
- (f) Lender has received executed postponements and assignments from Wayne Babcock, Don Umbach, Troy Winsor, and 366325 Alberta Ltd. in form satisfactory to the Lender in respect of all loans and security held by such creditors for the indebtedness of the Borrower to each of them;
- (g) Lender has received a postponement and subordination agreement in favour of the Lender from Second Wave in form satisfactory to the Lender respecting the postponement and subordination of all security held by Second Wave for the indebtedness of the Borrower; and
- (h) Lender has received evidence satisfactory to the Lender of the satisfactory closing of the CanRock Arrangement, without waiver or amendment of any material term, and arrangements satisfactory to the Lender for the amalgamation of CanRock into the Borrower (with Alston Energy Inc., the Borrower, as the surviving entity and amalgamation successor of CanRock) concurrently with the closing of the CanRock Arrangement and repayment of all indebtedness of CanRock to the Lender, including under the Prior Commitment Letter, as contemplated herein.

No advances will be available under Facility #2 until the following additional conditions precedent have been satisfied, unless waived by Lender:

- (a) Prior review by the Lender of an approved third party engineering report utilizing the Lender's normal lending parameters accorded to the total proved petroleum and natural gas reserves being acquired;
- (b) As applicable and necessary, receipt of satisfactory Security, No Interest Letter, environmental questionnaire and title certificate on reserves acquired.

12. AUTHORIZATIONS AND SUPPORTING DOCUMENTS

Borrower has delivered or will deliver the following authorizations and supporting documents to Lender:

- Corporate Borrower:
 - a) Incorporation documents including Certificate of Incorporation or Amalgamation, Articles of Incorporation or Amalgamation (including any amendments) and last Notice of Directors;
 - b) Business Corporation Agreement;
 - c) Corporate MasterCard documentation;
 - d) Environmental Questionnaire & Disclosure Statement;
 - e) Credit Information and Alberta Land Titles Office Name Search Consent Form;
- Corporate Guarantors:
 - a) Corporate Guarantee Resolution;
 - b) Incorporation documents including Certificate of Incorporation, Articles of Incorporation (including any amendments) and last Notice of Directors;
- General:
 - a) Solicitor Opinion Letter from counsel to Borrower and any Guarantors;
 - b) Solicitor Opinion Letter from counsel to Lender.

13. DRAWDOWNS, PAYMENTS AND EVIDENCE OF INDEBTEDNESS

- Interest on Prime-based loans is calculated on the daily outstanding principal balance, and is payable on the last day of each month.
- If revolving of loans is permitted hereunder, principal advances and repayments on Prime-based loans are to be in the minimum sum of Cdn. \$25,000.00 or multiples of it.
- If Guaranteed Notes are available hereunder, Borrower will issue non-interest bearing promissory notes to Lender in multiples of Cdn. \$100,000, subject to a minimum of Cdn. \$1,000,000, with a minimum term of 30 days and up to 180 day maturity dates. Borrower agrees to be bound by the power of attorney set out in Schedule "B" hereto. On

the date of drawdown, Lender shall make an advance to Borrower in an amount equal to the proceeds which would have been realized from a hypothetical sale of those Guaranteed Notes at the Discount Rate, less the acceptance fees payable hereunder. Lender is authorized to hold or negotiate any such promissory notes. Guaranteed Notes shall remain in effect until the maturity of the term selected and notwithstanding anything to the contrary contained herein, may not be repaid prior to their maturity. On the maturity date thereof, Borrower shall pay Lender the face amount of each Guaranteed Note. If Lender does not receive written instructions from Borrower prior to maturity concerning the renewal of the Guaranteed Notes, then the face amount of the Guaranteed Notes shall be automatically deemed to be outstanding as a Prime-based loan under the relevant Facility until written instructions are received from Borrower.

- If Letters of Credit are available hereunder, the term of each Letter of Credit shall not exceed one (1) year, although automatic extensions thereof (unless notified by Lender) are permitted. On any demand being made by a beneficiary for payment under a Letter of Credit, the amount so paid shall be automatically deemed to be outstanding as a Prime-based loan under the relevant Facility.
- Borrower shall monitor its Borrowings (including the face amount and maturity date of each Guaranteed Note and Letter of Credit) to ensure that the Borrowings hereunder do not exceed the maximum amount available hereunder.
- Borrower shall provide notice to Lender prior to requesting an advance or making a repayment or conversion of Borrowings hereunder, as follows:

For Borrowings:
 - under Cdn. \$5,000,000 – same day notice
 - Cdn. \$5,000,000 and over – one Business Day prior written notice
- Borrower may cancel the availability of any unused portion of a Facility on five Business Days' notice. Any such cancellation is irrevocable.
- The annual rates of interest or fees to which the rates calculated in accordance with this agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.
- If the amount of Borrowings outstanding under any Facility, when converted to the Equivalent Amount in Canadian dollars, exceeds the amount available under such Facility, Borrower shall, unless Lender otherwise agrees in its sole discretion, immediately repay such excess to Lender.
- If any amount due hereunder is not paid when due, Borrower shall pay interest on such unpaid amount (including without limitation, interest on interest) if and to the fullest extent permitted by applicable law, at a rate per annum equal to Prime plus 5%.
- The branch of Lender (the "Branch of Account") where Borrower maintains an account and through which the Borrowings will be made available is located at Calgary Stephen Avenue, 239 - 8 Avenue SW, Calgary, Alberta T2P 1B9. Funds under the Credit Facilities will be advanced into and repaid from account no. 760-00135805724 at the Branch of Account, or such other branch or account as Borrower and Lender may agree upon from time to time.

- Lender shall open and maintain at the Branch of Account accounts and records evidencing the Borrowings made available to Borrower by Lender under this agreement. Lender shall record the principal amount of each Borrowing and the payment of principal, interest and fees and all other amounts becoming due to Lender under this agreement. Lender's accounts and records (and any confirmations issued hereunder) constitute, in the absence of manifest error, conclusive evidence of the indebtedness of Borrower to Lender pursuant to this agreement.
- Borrower authorizes and directs Lender to automatically debit, by mechanical, electronic or manual means, any bank account of Borrower for all amounts payable by Borrower to Lender pursuant to this agreement. Any amount due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day, and interest shall accrue accordingly.

14. MISCELLANEOUS:

- (a) All reasonable legal and other costs and expenses incurred by Lender in respect of the Facilities, the Security Documents and other related matters will be paid or reimbursed by Borrower on demand by Lender.
- (b) All Security Documents will be prepared by or under the supervision of Lender's solicitors, unless Lender otherwise permits. Acceptance of this offer will authorize Lender to instruct Lender's solicitors to prepare all necessary Security Documents and proceed with related matters.
- (c) Lender, without restriction, may waive in writing the satisfaction, observance or performance of any of the provisions of this Commitment Letter. The obligations of a Guarantor (if any) will not be diminished, discharged or otherwise affected by or as a result of any such waiver, except to the extent that such waiver relates to an obligation of such Guarantor. Any waiver by Lender of the strict performance of any provision hereof will not be deemed to be a waiver of any subsequent default, and any partial exercise of any right or remedy by Lender shall not be deemed to affect any other right or remedy to which Lender may be entitled.
- (d) Borrower shall reimburse Lender for any additional cost or reduction in income arising as a result of (i) the imposition of, or increase in, taxes on payments due to Lender hereunder (other than taxes on the overall net income of Lender), (ii) the imposition of, or increase in, any reserve or other similar requirement, (iii) the imposition of, or change in, any other condition affecting the Facilities imposed by any applicable law or the interpretation thereof.
- (e) Lender is authorized but not obligated, at any time, to apply any credit balance, whether or not then due, to which Borrower or any Guarantor is entitled on any account in any currency at any branch or office of Lender in or towards satisfaction of the obligations of Borrower or such Guarantor due to Lender under this agreement or any guarantee granted in support hereof, as applicable. Lender is authorized to use any such credit balance to buy such other currencies as may be necessary to effect such application.
- (f) Words importing the singular will include the plural and vice versa, and words importing gender will include the masculine, feminine and neuter, and anything importing or

referring to a person will include a body corporate and a partnership and any entity, in each case all as the context and the nature of the parties requires.

- (g) Where more than one person is liable as Borrower (or as a Guarantor) for any obligation hereunder, then the liability of each such person for such obligation is joint and several with each other such person.
- (h) If any portion of this agreement is held invalid or unenforceable, the remainder of this agreement will not be affected and will be valid and enforceable to the fullest extent permitted by law. In the event of a conflict between the provisions hereof and of any Security Document, the provisions hereof shall prevail to the extent of the conflict.
- (i) Where the interest rate for a credit is based on Prime, the applicable rate on any day will depend on the Prime rate in effect on that day, as applicable. The statement by Lender as to Prime and as to the rate of interest applicable to a credit on any day will be binding and conclusive for all purposes. All interest rates specified are nominal annual rates. The effective annual rate in any case will vary with payment frequency. All interest payable hereunder bears interest as well after as before maturity, default and judgment with interest on overdue interest at the applicable rate payable hereunder. To the extent permitted by law, Borrower waives the provisions of the *Judgment Interest Act* (Alberta).
- (j) Any written communication which a party may wish to serve on any other party may be served personally (in the case of a body corporate, on any officer or director thereof) or by leaving the same at or couriering or mailing the same by registered mail to the Branch of Account (for Lender) or to the last known address (for Borrower or any Guarantor), and in the case of mailing will be deemed to have been received two (2) Business Days after mailing except in the case of postal disruption.
- (k) Unless otherwise specified, references herein to "\$" and "dollars" mean Canadian dollars.
- (l) If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Agreement, it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of exchange means the rate at which Lender would, on the relevant date, be prepared to sell a similar amount of such currency against the Judgment Currency, in accordance with normal banking procedures. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which judgment is given and the date of payment of the amount due, Borrower will, on the date of payment, pay such additional amounts as may be necessary to ensure that the amount paid on such day is the amount in the Judgment Currency which, when converted at the rate of exchange prevailing on the date of payment, is the amount then due under this Agreement in such other currency. Any additional amount due from Borrower under this paragraph will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due in connection with this Agreement.
- (m) Lender shall have the right to assign, sell or participate its rights and obligations in the Facilities or in any Borrowing thereunder, in whole or in part, to one or more persons, provided that the consent of Borrower shall be required if no default is then in existence, such consent not to be unreasonably withheld or delayed.

- (n) Borrower shall indemnify Lender against all losses, liabilities, claims, damages or expenses (including without limitation legal expenses on a solicitor and his own client basis) (i) incurred in connection with the entry into, performance or enforcement of this agreement, the use of the Facility proceeds or any breach by Borrower or any Guarantor of the terms hereof or any document related hereto, or (ii) arising out of or in respect of: (A) the release of any hazardous or toxic waste or other substance into the environment from any property of Borrower or any of its Subsidiaries, and (B) the remedial action (if any) taken by Lender in respect of any such release, contamination or pollution. This indemnity will survive the repayment or cancellation of any of the Facilities or any termination of this agreement.
- (o) For certainty, the permission to create a Permitted Encumbrance shall not be construed as a subordination or postponement, express or implied, of Lender's Security Documents to such Permitted Encumbrance.
- (p) Each accounting term used hereunder, unless otherwise defined herein, has the meaning assigned to it under GAAP consistently applied. If there occurs a change in generally accepted accounting principles (an "Accounting Change"), including as a result of a conversion to International Financial Reporting Standards, and such change would result in a change (other than an immaterial change) in the calculation of any financial covenant, standard or term used hereunder, then at the request of Borrower or Lender, Borrower and Lender shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial condition of Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by Borrower or Lender, Borrower and Lender have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change.
- (q) Borrower's information, corporate or personal, may be subject to disclosure without its consent pursuant to provincial, federal, national or international laws as they apply to the product or service Borrower has with Lender or any third party acting on behalf of or contracting with Lender.
- (r) Borrower acknowledges that the terms of this agreement are confidential, and Borrower agrees not to disclose the terms hereof or provide a copy hereof to any person without the prior written consent of Lender, unless and to the extent required by applicable law.
- (s) Time shall be of the essence in all provisions of this agreement.
- (t) This agreement may be executed in counterpart.
- (u) This agreement shall be governed by the laws of Alberta.
- (v) Margot Langdon of Burnet, Duckworth & Palmer LLP is designated as Lender's solicitor.

15. NEXT REVIEW DATE:

All demand Facilities are subject to review by Lender at any time in its sole discretion, and at least annually. The next annual review date has been set for May 31, 2013 but may be set at an earlier or later date at the sole discretion of Lender.

16. DEFINITIONS:

"Borrowing Base" means the number determined by Lender based on a lending value assigned to the net present value of the total proved oil and gas properties of Borrower and any Guarantor, as determined by Lender in its sole discretion in accordance with its customary practices and standards for oil and gas loans using such reasonable assumptions as may be determined by Lender in its sole discretion.

"Borrowings" means all amounts outstanding under the Facilities, or if the context so requires, all amounts outstanding under one or more of the Facilities or under one or more borrowing options of one or more of the Facilities.

"Business Day" means a day, excluding Saturday and Sunday, on which banking institutions are open for business in the province of Alberta.

"CanRock Arrangement" means the arrangement and amalgamation of Alston Energy Inc. and CanRock Energy Corp., as represented to the Lender and as outlined in the information circular provided to and reviewed by the Lender

"Current Assets" means, for a day, the amount of current assets of Borrower as determined in accordance with GAAP on a consolidated basis, but in any event excluding any amounts arising as a result of the mark-to-market position of Borrower due to hedging contracts.

"Current Liabilities" means, for a day, the amount of current liabilities of Borrower as determined in accordance with GAAP on a consolidated basis, but in any event excluding any amounts arising as a result of the mark-to-market position of Borrower due to hedging contracts and any subordinated loans from related parties and the subordinated loan payable to Second Wave Petroleum Inc.

"Discount Rate" means, with respect to Guaranteed Notes, the per annum rate of interest which is the arithmetic average of the rates per annum applicable to Canadian dollar bankers' acceptances having identical issue and comparable maturity dates as the Guaranteed Notes proposed to be issued by Borrower displayed and identified as such on the display referred to as the "CDOR Page" (or any display substituted therefor) of Reuter Monitor Money Rates Service as at approximately 8 a.m. (mountain standard time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day, or if the rate referred to is not available, then the rate quoted by Lender.

"Equivalent Amount" means, with respect to an amount of any currency, the amount of any other currency required to purchase that amount of the first mentioned currency through Lender in accordance with normal banking procedures.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles as may be described in the Canadian Institute of Chartered Accountants Handbook and other primary sources recognized from time to time by the Canadian Institute of Chartered Accountants.

"Guaranteed Notes" means the non-interest bearing promissory notes issued hereunder by Borrower to Lender under Lender's guaranteed note program.

"Guarantor" means any party that has provided a guarantee in favour of Lender with respect to the Borrowings hereunder.

"Hedging Agreement" means any swap, hedging, interest rate, currency, foreign exchange or commodity contract or agreement, or confirmation thereunder, entered into from time to time in connection with:

- (a) interest rate swaps, forward rate transactions, interest rate options, cap transactions, floor transactions and similar rate-related transactions;
- (b) forward rate agreements, foreign exchange forward agreements, cross currency transactions and other similar currency-related transactions; or
- (c) commodity swaps, hedging transactions and other similar commodity-related transactions (whether physically or financially settled), including without limitation commodity swaps;

the purpose of which is to hedge (a) interest rate, (b) currency exchange, and/or (c) commodity price exposure, as the case may be.

"Indebtedness" means all present and future obligations and indebtedness of a person, whether direct or indirect, absolute or contingent, including all indebtedness for borrowed money, all obligations in respect of swap or hedging arrangements and all other liabilities which in accordance with GAAP would appear on the liability side of a balance sheet (other than items of capital, retained earnings and surplus or deferred tax reserves).

"Letter of Credit" means a standby or documentary letter of credit or letter of guarantee issued by the Lender on behalf of the Borrower.

"Loan Parties" means the Borrower and all Guarantors, other than any Guarantors that are natural persons, and **"Loan Party"** means any of them.

"Material Adverse Effect" means a material adverse effect on:

- (a) the financial condition of Borrower or of any Guarantor; or
- (b) the ability of Borrower or any Guarantor to repay amounts owing hereunder or under its guarantee in respect hereof.

"Permitted Encumbrances" means, in respect of the Borrower and any Guarantor, the following:

- (a) liens for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith;
- (b) liens arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
- (c) liens under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith provided any execution thereof has been stayed;

- (d) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent;
- (e) liens arising by operation of law such as builders' liens, carriers' liens, materialmen's liens and other liens of a similar nature which relate to obligations not due or delinquent;
- (f) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other persons which singularly or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of Borrower or such Guarantor;
- (g) security given to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or other authority in connection with the operations of Borrower or such Guarantor, all in the ordinary course of its business which singularly or in the aggregate do not materially impair the operation of the business of Borrower or such Guarantor;
- (h) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (i) liens created or arising in the ordinary course of the oil and gas business in respect of the joint operation of oil and gas properties and related production and processing facilities or arrangements for the processing, treating, transmission or transportation of hydrocarbon substances, provided such liens are not in respect of obligations which are due or delinquent and do not materially reduce the value of the oil and gas properties affected by such liens;
- (j) penalties arising in the ordinary course of business under non-participation or independent operations provisions of operating agreements as a consequence of an election not to participate in drilling or other operations;
- (k) the provisions of operating agreements, pooling agreements, unitization agreements and other similar arrangements entered into in the ordinary course of the oil and gas business which do not materially affect the value of the oil and gas properties which are subject thereto;
- (l) royalties, net profits interests and similar encumbrances and rights to convert any of them to working interests which are created in the ordinary course of the oil and gas business; provided that if any of the foregoing relate to oil and gas properties, full disclosure thereof is made in any engineering reports required to be delivered to Lender from time to time in respect of such oil and gas properties;
- (m) rights of first refusal and similar preferential rights created in the ordinary course of the oil and gas business;
- (n) operating leases;

- (o) capital lease transactions (according to GAAP) or sale-leaseback transactions where the indebtedness represented by all such transactions does not at any time exceed \$100,000 in aggregate;
- (p) security interests granted or assumed to finance the purchase of any property or asset (a "Purchase Money Security Interest") where:
 - i) the security interest is granted at the time of or within 60 days after the purchase,
 - ii) the security interest is limited to the property and assets acquired, and
 - iii) the indebtedness represented by all Purchase Money Security Interests does not at any time exceed \$100,000 in aggregate;
- (q) security interests or liens (other than those hereinbefore listed) of a specific nature (and excluding for greater certainty floating charges) on properties and assets having a fair market value not in excess of \$100,000 in aggregate; and
- (r) security interests in favour of Wayne Babcock, Don Umbach, Troy Winsor and 366325 Alberta Ltd. securing in the aggregate not more than \$347,863, provided that such security and debt are postponed and assigned to the Lender on terms satisfactory to the Lender.

"Prime" means the prime lending rate per annum established by Lender from time to time for commercial loans denominated in Canadian dollars made by Lender in Canada.

"Subsidiaries" means

- (a) a person of which another person alone or in conjunction with its other subsidiaries owns an aggregate number of voting shares sufficient to elect a majority of the directors regardless of the manner in which other voting shares are voted; and
- (b) a partnership of which at least a majority of the outstanding income interests or capital interests are directly or indirectly owned or controlled by such person,

and includes a person in like relation to a Subsidiary.

"Working Capital Ratio" means, at any time, the ratio of (i) Current Assets plus any undrawn availability under the Facilities, to (ii) Current Liabilities less (to the extent included therein) any amount drawn under the Facilities.

SCHEDULE "A"

CONTAINING FORM OF COMPLIANCE CERTIFICATE

To: Alberta Treasury Branches
Corporate Financial Services
600, 444 – 7th Avenue SW
Calgary, AB T2P 0X8
Attention: Luke Puxley

I, _____ hereby certify as of the date of this certificate as follows:

- (a) I am the _____ *[insert title]* of Alston Energy Inc. ("**Borrower**") and I am authorized to provide this certificate to you for and on behalf of Borrower.
- (b) This certificate applies to the [**fiscal quarter/fiscal year**] ending _____.
- (c) I am familiar with and have examined the provisions of the letter agreement (the "**Agreement**") dated _____, 20____ between the Borrower and Alberta Treasury Branches ("**Lender**"), as lender, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of Borrower and of any Guarantor. Terms defined in the Agreement have the same meanings when used in this certificate.
- (d) No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of the Agreement and there is no reason to believe that during the next fiscal quarter of Borrower, any such event or circumstance will occur.

OR

We are or anticipate being in default of the following terms or conditions, and our proposed action to meet compliance is set out below:

Description of any breaches and proposed action to remedy: _____

- (e) Our financial ratios are as follows:
 - i) the Working Capital Ratio is ____:1, being not less than the required ratio of 1.00:1.
- (f) The detailed calculations of the foregoing ratios and covenants are set forth in the addendum annexed hereto and are true and correct in all respects.

This certificate is given by the undersigned officer in his/her capacity as an officer of the Borrower without any personal liability on the part of such officer.

Dated this _____ day of _____, 20____.

Alston Energy Inc.

Per: _____
 Name: _____
 Title: _____

APPENDIX

(i) the **Working Capital Ratio** is ____:1, calculated as follows:

Current Assets: \$ _____

but excluding mark-to-market impact of hedging +/- \$ _____

+ undrawn availability under Facilities + \$ _____

= \$ _____

divided by:

Current Liabilities, excluding any amount drawn under Facilities: \$ _____

excluding mark-to-market impact of hedging +/- \$ _____

excluding subordinated loans from related parties -\$ _____

excluding subordinated loan payable to Second Wave Petroleum Inc. -\$ _____

= \$ _____

SCHEDULE "B"

POWER OF ATTORNEY APPLICABLE TO GUARANTEED NOTES

Borrower hereby appoints Lender, acting by its duly authorized signing officers (the "Attorney") for the time being at the Branch of Account, the attorney of Borrower:

1. To sign for and on behalf and in the name of Borrower as drawer, guaranteed notes in the Lender's standard form for advances in the nature of Guaranteed Note advances (the "Notes") payable to Lender or its order evidencing Guaranteed Note advances made by Lender to Borrower; and
2. To fill in the amount, date and maturity date of such Notes;

Provided that such acts in each case are to be undertaken by Lender in accordance with instructions given to Lender by Borrower as provided in this power of attorney.

Instructions to Lender relating to the execution and completion by Lender on behalf of Borrower of Notes which Borrower wishes to issue to Lender shall be communicated by Borrower to Lender in writing at the Branch of Account following delivery by Borrower of a notice in respect of a drawdown or conversion and shall specify the following information:

1. A Canadian Dollar amount; which shall be the aggregate face amount of the Guaranteed Note advances to be made by Lender in respect of a particular drawdown or conversion;
2. A specified period of time, which shall be the number of days after the date of such Notes that such Notes are to be payable, and the dates of issue and maturity of such Notes; and
3. Payment instructions specifying the account number of Borrower and the financial institution at which the proceeds of such Guaranteed Note advances are to be credited.

The communication in writing by Borrower to Lender of the instructions referred to above shall constitute the authorization and instruction of Borrower to Lender to complete and execute Notes in accordance with such information as set out above. Borrower acknowledges that Lender shall not be obligated to make any Guaranteed Note advances and therefore complete and execute any Notes evidencing the same. Lender shall be and is hereby authorized to act on behalf of Borrower upon and in compliance with instructions communicated to Lender as provided herein if Lender reasonably believes them to be genuine.

Borrower agrees to indemnify Lender and its directors, officers, employees, affiliates and agents and to hold it and them harmless from any loss, liability, expense or claim of any kind or nature whatsoever incurred by any of them as a result of any action or inaction in any way relating to or arising out of this power of attorney or the acts contemplated hereby; provided that this indemnity shall not apply to any such loss, liability, expense or claim which results from the negligence or willful misconduct of Lender or any of its directors, officers, employees, affiliates or agents.

This power of attorney may be revoked by Borrower at any time upon not less than five (5) Business Days' written notice served upon Lender at the Branch of Account provided that (i) it may be replaced with another power of attorney forthwith and (ii) no such revocation shall reduce, limit or otherwise affect the obligations of Borrower in respect of any Note executed and completed in accordance herewith prior to the time at which such revocation becomes effective. This power of attorney may be terminated by Lender at any time upon not less than five (5) Business Days' written notice to Borrower.

Any revocation or termination of this power of attorney shall not affect the rights of Lender and the obligations of Borrower with respect to the indemnities of Borrower above stated with respect to all matters arising prior in time to any such revocation or termination.

This power of attorney shall be governed in all respects by the laws of the Province of Alberta and the laws of Canada applicable therein and each of Borrower and Lender hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of such jurisdiction in respect of all matters arising out of this power or attorney.

GENERAL SECURITY AGREEMENT
Non-Consumer

TO: Alberta Treasury Branches
("ATB")

BRANCH Suite 600, 444 – 7th Avenue SW
Calgary, Alberta T2P 0X8

FROM: ALSTON ENERGY INC.
(the "Debtor")

This is Exhibit "B" referred to
in the Affidavit of

JAMES HUMBKE
Sworn before me this 5th

Day of MAY A.D. 2014

A Notary Public - Commissioner for Oaths
in and for the Province of Alberta
Karen L. Fellowes
Barrister-Solicitor
Notary

1. DEFINITIONS

All capitalized terms used in this Agreement and in any schedules attached hereto shall, except where defined herein, be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* (the "PPSA") of the province or territory referred to in the "Governing Law" section of this Agreement (the "Province") and any regulations issued thereunder.

2. SECURITY INTEREST AND CHARGE

- (a) As general and continuing collateral security for the payment and performance of all debts, liabilities and obligations of the Debtor to ATB howsoever arising, both present and future, absolute and contingent, direct and indirect, matured or not, and whether the Debtor be bound alone or jointly or severally with others (the "Indebtedness"), the Debtor hereby assigns and grants a mortgage, pledge, charge and security interest (which, in the case of any real property and any other Collateral (as hereinafter defined) not subject to the PPSA, shall be a mortgage as and by way of a floating charge) to and in favour of ATB in all property, assets and undertaking of the Debtor referred to in Schedule "A" (including all such property, assets and undertaking owned or leased by or licensed to the Debtor and in which the Debtor at any time has an interest or to which the Debtor is or at any time may become entitled) and in all Proceeds and renewals thereof, Accessions thereto and substitutions therefor (herein collectively called the "Collateral").
- (b) The assignments, mortgages, pledges, charges, security interests and floating charges (if applicable) granted hereunder are hereinafter collectively called the "Security Interests". The Debtor warrants and acknowledges to and in favour of ATB that:
- (i) the Debtor has rights in all existing Collateral and the parties intend the Security Interest hereby created in any of the Debtor's existing property which is subject to the PPSA to attach upon execution and delivery hereof;
 - (ii) the parties intend the Security Interest created in any of the Debtor's after-acquired property which is subject to the PPSA to attach at the same time as it acquires rights in the after-acquired property; and
 - (iii) value has been given.
- (c) For greater certainty, where the Collateral includes all of the Debtor's present and after-acquired Personal Property, and any of such Collateral is or becomes located on lands or premises leased or subleased by the Debtor, the Collateral includes the Debtor's interest as tenant or lessee under any and all of such leases and subleases of the lands or premises.
- (d) The last day of any term reserved by any lease or agreement to lease is excepted out of the Security Interest and does not form part of the Collateral, but the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (e) If the grant of the Security Interest in respect of any contract, lease, agreement to lease, license, permit, approval or intellectual property right would result in the termination or breach of such contract, lease, agreement to lease, license, permit, approval or intellectual property right, then the applicable contract, lease, agreement to lease, license, permit, approval or intellectual property right will not be subject to the Security Interest but will be held in trust by the Debtor

for the benefit of ATB and, on exercise by ATB of any of its rights under this Agreement following Default, assigned by the Debtor as directed by ATB.

3. CONTINUOUS INTEREST

The Security Interest hereby created is a continuing charge, and shall secure all Indebtedness notwithstanding that the Indebtedness may be fluctuating and even may from time to time and at any time be reduced to a nil balance, and notwithstanding that monies advanced may be repaid and future advances may be made to or to the order of the Debtor or in respect of which the Debtor is liable. The Security Interest maintains priority for all Indebtedness secured hereby whether incurred or arising before or after the creation or registration of any Encumbrance (as hereinafter defined) and notwithstanding that at any time there may not be any Indebtedness then outstanding.

4. AUTHORIZED DEALING WITH COLLATERAL

Until Default (as hereinafter defined), or until ATB provides written notice to the contrary to the Debtor, the Debtor may deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement, provided that the Debtor shall not, without the prior written consent of ATB:

- (a) sell, exchange, lease, transfer or otherwise dispose of any of the Collateral other than inventory being sold, leased or disposed of for fair market value in the ordinary course of the Debtor's business as it is presently conducted and for the purpose of carrying on that business, or
- (b) create, incur or permit to exist any security interest, mortgage, lien, claim, charge or other encumbrance (herein collectively called the "Encumbrances" and individually, an "Encumbrance") upon any of the Collateral whether it would rank or purport to rank in priority to, equally with or behind the Security Interest granted under this Agreement, except operating leases incurred in the ordinary course of the Debtor's business.

Nothing in this Agreement or otherwise creates a postponement or subordination of any priority of ATB in any of the Collateral in favour of any present or future holder of an Encumbrance (including without limitation, a holder of a lease) in any of the Collateral.

If the Collateral comprises any Investment Property, Chattel Paper, Instrument, Money or Document of Title, the Debtor will, forthwith upon request, deliver the same to ATB and will allow ATB to retain possession of the same. If the Collateral comprises any Investment Property that is a Certificated Security, the Debtor will, upon request, deliver to ATB all Security Certificates relating to such Certificated Security endorsed in blank. If the Collateral comprises any Investment Property that is an Uncertificated Security or a Security Entitlement, the Debtor, on request by ATB, will, or will cause the issuer of such Investment Property to, or will cause the Securities Intermediary that holds such Investment Property to, take all steps as are necessary to give exclusive control (as that term is used in the PPSA) over such Investment Property to ATB on terms and conditions satisfactory to ATB.

5. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor hereby represents and warrants to ATB that:

- (a) the Collateral is owned by the Debtor free of all Encumbrances, save for those Encumbrances agreed to in writing between ATB and the Debtor and those shown on Schedule "B" hereto;
- (b) each Account, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor") and the amount represented by the Debtor to ATB from time to time as owing by each Account Debtor will be the correct amount actually and unconditionally owing from such Account Debtor, except for normal cash discounts where applicable;
- (c) as at the date hereof, the description of the Collateral in Schedule "A" hereto is complete and accurate, and, if so requested by ATB, all serial numbers and vehicle identification numbers affixed to or ascribed to any of the Collateral have been provided to ATB;
- (d) the Debtor has full power and authority to conduct its business and own its properties in all jurisdictions in which the Debtor carries on business, except to the extent any failure to do so would not reasonably be expected to have a material

adverse effect on its business, operations or financial condition or impair its ability to perform its obligations hereunder, and has full power and authority to grant to ATB the Security Interest created under this Agreement and to execute, deliver and perform all of its obligations under this Agreement;

- (e) this Agreement has been duly executed and delivered by the Debtor and constitutes a legal, valid and binding obligation of the Debtor, subject only that such enforcement may be limited by bankruptcy, insolvency and any other similar laws of general application affecting creditors' rights generally and by rules of equity limiting enforceability by specific performance;
- (f) there is no provision in any agreement to which the Debtor is a party, nor is there any statute, rule or regulation, or to the knowledge of the Debtor any judgment, decree or order of any court, binding on the Debtor which would be contravened by the execution and delivery of this Agreement;
- (g) there is no litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or the Collateral, the adverse determination of which might materially and adversely affect the Debtor's business, financial condition or operations or impair the Debtor's ability to perform its obligations hereunder or affect the priority of the Security Interest created hereunder or affect the rights and remedies of ATB hereunder;
- (h) the name of the Debtor is accurately and fully set out below, and the Debtor is not nor has it been known by any other name other than as set out below;
- (i) as at the date hereof, the Collateral is located in the Province and such other jurisdictions indicated on Schedule "A" hereto. With respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "A" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment; and all buildings, fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations. For certainty, the Security Interests attach to all Collateral, wherever located, whether or not in jurisdictions indicated on Schedule "A" hereto;
- (j) the Collateral does not consist of Consumer Goods;
- (k) the Collateral, except as previously communicated to ATB in writing, does not consist of Goods that are of a kind that are normally used in more than one jurisdiction; and
- (l) the Debtor's place of business, or if more than one place of business, the Debtor's chief executive office, is located in the Province (unless otherwise advised to ATB in writing).

6. COVENANTS OF THE DEBTOR

The Debtor hereby covenants with ATB that:

- (a) the Debtor owns and will maintain the Collateral free of Encumbrances, except those agreed to in writing between ATB and the Debtor and those described in Schedule "B" hereto, or hereafter approved in writing by ATB prior to their creation or assumption, and will defend its title to the Collateral for the benefit of ATB against the claims and demands of all persons;
- (b) the Debtor will maintain the Collateral in good condition and repair and will not allow the value of the Collateral to be materially impaired and will permit ATB or such person as ATB may from time to time appoint to enter into any premises during business hours and on reasonable prior notice (or at such other time as may be reasonably requested by ATB or such person) where the Collateral may be kept to view its condition;
- (c) the Debtor will conduct its business in a proper and business-like manner and will keep proper books of account and records of its business, and upon request will furnish access to its books and records at all reasonable times, and will give to ATB any information which it may reasonably require relating to the Debtor's business;
- (d) the Debtor will punctually pay all rents, taxes, rates and assessments lawfully assessed or imposed upon any property or income of the Debtor and will punctually pay all debts and obligations to labourers, workers, employees, contractors, subcontractors, suppliers of materials and other creditors which, when unpaid, might under applicable federal, provincial, state or other laws have priority over the Security Interest granted by this Agreement;

- (e) the Debtor will punctually make all payments and perform all of its obligations under any contracts under which any material Collateral is held or to which it is subject;
- (f) the Debtor will immediately give notice to ATB of
 - (i) any change in the location of the Collateral from that specified in Section 5(i) hereof;
 - (ii) the details of any material acquisition or disposition of Collateral (whether authorized by ATB or not), including any additions to or deletions from the listing of serial numbers and vehicle identification numbers specified in Schedule "A" hereto;
 - (iii) any material loss of or damage to Collateral;
 - (iv) the details of any claims or litigation that could adversely affect the Debtor or the Collateral in any material way;
 - (v) any change of its name or of any trade or business name used by it;
 - (vi) any change of its place of business, or if it has more than one place of business, of its chief executive office; and
 - (vii) any merger or amalgamation of the Debtor with any person;

and the Debtor agrees not to effect or permit any of the changes referred to in clauses (i), (ii), (v), (vi) or (vii) above unless all filings have been made and all other actions have been taken that are required or desirable (as determined by ATB) in order for ATB to continue to have a valid and perfected Security Interest in respect of the Collateral at all times following such change;

- (g) the Debtor will insure and keep insured the Collateral (or, in the case of any real property, the buildings located on and constituting part of the Collateral) against loss or damage by fire, lightning, explosion, smoke, impact by aircraft or land vehicle, riot, windstorm, hail and other insurable hazards to the extent of its full insurable value, and will maintain all such other insurance as ATB may reasonably require. The loss under the policies of insurance will be made payable to ATB as its interest may appear and will be written by an insurance company approved by ATB on terms reasonably satisfactory to ATB, and the Debtor will provide ATB with copies of the same. The Debtor will pay all premiums and other sums of money necessary for such purposes as they become due and will deliver to ATB proof of said payment, and will not allow anything to be done by which the policies may become vitiated. Upon the happening of any loss or damage the Debtor will furnish at its expense all necessary proofs and will do all necessary acts to enable ATB to obtain payment of the insurance monies;
- (h) the Debtor will observe the requirements of any regulatory or governmental authority with respect to the Collateral, except to the extent any failure to do so would not reasonably be expected to have a material adverse effect on its business, operations or financial condition or affect the priority of the Security Interest created hereunder or affect the rights and remedies of ATB hereunder;
- (i) the Debtor will not remove any of the Collateral from any location specified in Section 5(i) hereof without the prior written consent of ATB;
- (j) ATB may pay or satisfy any Encumbrance created in respect of any Collateral, or any sum necessary to be paid to clear title to such Collateral, and the Debtor agrees to repay the same on demand, plus interest thereon at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness;
- (k) ATB and the Debtor may from time to time agree in writing as to affirmative and negative covenants and restrictions to be performed and observed by the Debtor in respect of provision of financial information, payment of dividends, capital expenditures, incurring of additional obligations, reduction of capital, distribution of assets, amalgamation, repayment of loans, lending of money, sale and other disposition of assets and/or such other matters as ATB and the Debtor may think fit, and the Debtor agrees to perform and observe such affirmative and negative covenants and restrictions to the same extent and effect as if the same were fully set forth in this Agreement; and

- (l) the Debtor will not permit the Collateral constituting personal property to become affixed to real or other personal property (unless the Debtor owns such real or other personal property, and ATB has a Security Interest therein having the same priority as in respect of the Collateral becoming so affixed) without the prior consent of ATB in writing, and will obtain and deliver to ATB such waivers regarding the Collateral as ATB may reasonably request from any owner, landlord or mortgagee of the premises where the Collateral is or may be located.

7. DEFAULT

The happening of any of the following shall constitute default (a "Default") under this Agreement:

- (a) the Debtor fails to pay, when due, the Indebtedness or any part thereof;
- (b) the Debtor fails, when due, to perform any obligation (other than payment of the Indebtedness or any part thereof) to ATB, and such failure, if capable of being cured, is not cured within 5 days of the date the Debtor first knew or should have known of such failure;
- (c) the Debtor fails when due to perform any obligation to any other person, and such failure, if capable of being cured, is not cured within 7 days of the date the Debtor first knew or should have known of such failure;
- (d) any representation or warranty made in this Agreement or any other document or report furnished to ATB in respect of the Debtor or the Collateral is false or misleading in any material respect;
- (e) the Debtor ceases or demonstrates an intention to cease to carry on business or disposes or purports to dispose of all or a substantial part of its assets;
- (f) any of the licenses, permits or approvals granted by any government or any government authority and material to the business of the Debtor is withdrawn, cancelled or significantly altered;
- (g) an order is made or a resolution is passed for winding up the Debtor, or a petition is filed for the winding up, dissolution, liquidation or amalgamation of the Debtor or any arrangement or composition of its debts;
- (h) the Debtor becomes insolvent or makes an assignment or proposal or files a notice of intention to make a proposal for the benefit of its creditors, or a bankruptcy petition or receiving order is filed or made against the Debtor, or a Receiver (as hereinafter defined), trustee, custodian or other similar official of the Debtor or any part of its property is appointed, or the Debtor commits or demonstrates an intention to commit any act of bankruptcy, or the Debtor otherwise becomes subject to the provisions of the Bankruptcy and *Insolvency Act* (Canada), the *Companies' Creditors Arrangements Act* (Canada) or any other act for the benefit of its creditors;
- (i) any execution, sequestration, extent or distress or any other like process is levied or enforced against any property of the Debtor, or a secured party takes possession of any of the Debtor's property;
- (j) any material adverse change occurs in the financial position of the Debtor; or
- (k) ATB considers that it is insecure, or that the prospect of payment or performance by the Debtor of the Indebtedness is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy.

8. REMEDIES ON DEFAULT:

- (a) ATB may seize or otherwise take possession of the Collateral or any part thereof and sell the same by public or private sale at such price and upon such terms as ATB in its sole discretion may determine, and the proceeds of such sale less all costs and expenses of ATB (including costs as between a solicitor and its own client on a full indemnity basis) shall be applied on the Indebtedness and the surplus, if any, shall be disposed of according to law;
- (b) ATB may apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral;
- (c) ATB may enforce this Agreement by any method provided for in this Agreement, under the PPSA or under any other applicable statute or otherwise as permitted by law, and may dispose of the Collateral by any method permitted by law, including disposal by lease or deferred payment;

- (d) ATB may apply to a court for the appointment of a Receiver (as hereinafter defined), or may appoint by instrument any person or persons, to be a Receiver of any Collateral, and may remove any person so appointed and appoint another in his stead. The term "Receiver" as used in this Agreement includes a receiver, a manager and a receiver- manager;
- (e) any Receiver will have the power:
 - (i) to take possession of any or all of the Collateral and for that purpose to take any proceedings, in the name of the Debtor or otherwise;
 - (ii) to carry on or concur in carrying on the business of the Debtor and enter on, occupy and use (without charge by the Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor;
 - (iii) to sell or lease any Collateral;
 - (iv) to make any arrangement or compromise which he may think expedient in the interest of ATB;
 - (v) to pay all liabilities and expenses connected with the Collateral, including the cost of insurance and payment of taxes or other charges incurred in obtaining, maintaining possession of and preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;
 - (vi) to hold as additional security any increase or profits resulting from the Collateral;
 - (vii) to exercise all rights that ATB has under this Agreement or otherwise at law;
 - (viii) with the consent of ATB in writing, to borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the Collateral or any part thereof or for other purposes approved by ATB, and any amount so borrowed together with interest thereon shall form a charge upon the Collateral in priority to the Security Interest created by this Agreement;
 - (ix) to enter into and to occupy any premises in which the Debtor has any interest; and
 - (x) to exercise any of the powers and rights of an Entitlement Holder in respect of any Security Entitlement of the Debtor;
- (f) the Debtor hereby appoints each Receiver appointed by ATB to be its attorney to effect the sale or lease of any Collateral and any deed, lease, agreement or other document signed by a Receiver under his seal pursuant hereto will have the same effect as if it were under the seal of the Debtor;
- (g) any Receiver will be deemed (for purposes relating to responsibility for the Receiver's acts or omissions) to be the agent of the Debtor and not of ATB, and the Debtor will be solely responsible for his acts or defaults and for his remuneration and expenses, and ATB will not be in any way responsible for any misconduct or negligence on the part of any Receiver;
- (h) neither ATB nor any civil enforcement agent, sheriff, Receiver or person having similar responsibilities will be required to take any steps to preserve any rights against other parties pursuant to any Collateral, including without limitation, any Investment Property, Chattel Paper or Instrument constituting the Collateral or any part of it. Furthermore, ATB shall have no obligation to take any steps to preserve prior encumbrances on any Collateral whether or not in ATB's possession and shall not be liable or accountable for failure to do so;
- (i) neither ATB nor any civil enforcement agent, sheriff, Receiver or person having similar responsibilities is required to keep Collateral identifiable; and
- (j) ATB may use the Collateral in any manner as it in its sole discretion deems advisable.

ATB may exercise any or all of the foregoing rights and remedies (or any other rights and remedies available to ATB) without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable law) to or on the Debtor or any other person, and the Debtor by this Agreement waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable law. None of the rights and remedies

contained herein or otherwise available to ATB will be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time.

9. COLLECTION OF DEBTS

After Default, ATB may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on any Collateral to ATB. The Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from Account Debtors after Default under this Agreement and whether before or after notification of this Security Interest to Account Debtors shall be received and held by the Debtor in trust for ATB and shall be turned over to ATB on request. The Debtor shall furnish ATB with all information which may assist in the collection of all Accounts and any other monies or debts due to the Debtor.

10. INVESTMENT PROPERTY

If the Collateral at any time includes Investment Property, the Debtor irrevocably authorizes and appoints ATB as its attorney and agent to transfer the same or any part thereof into its own name or that of its nominee(s) so that ATB or its nominee(s) may appear on record as the sole owner thereof (it being understood that, subject to change, it is not ATB's current intention to exercise such right until after Default); provided that, until Default, ATB shall deliver promptly to the Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Debtor or its order a proxy to vote and take all action with respect to such Investment Property. After Default, the Debtor waives all rights to receive any notices or communications received by ATB or its nominee(s) as such registered owner and agrees that no proxy issued by ATB to the Debtor or to its order as aforesaid shall thereafter be effective. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released.

11. COLLATERAL IN POSSESSION OF ATB

The Debtor agrees with ATB that, with respect to any Collateral held in the possession of ATB pursuant to this Agreement ("Retained Collateral"):

- (a) ATB's responsibility with regard to the Retained Collateral shall be limited to exercising the same degree of care which it gives to similar property held by ATB at the branch where the Retained Collateral is held. ATB shall not in any event be obligated to protect the Retained Collateral from depreciating or becoming worthless, or to present, protest, collect, enforce or realize on any of the Retained Collateral;
- (b) ATB shall not be obliged to collect or see to the payment of revenue, income, interest or dividends upon any of the Retained Collateral, but all such revenue, income, interest or dividends, if any, when received by the Debtor, shall immediately be paid to ATB. ATB, in its sole discretion, may hold such monies as Collateral or appropriate it to any portion of the Indebtedness;
- (c) the Debtor irrevocably appoints ATB as its attorney and agent, with full powers of substitution, to sell, transfer, surrender, redeem, endorse or otherwise deal with any of the Retained Collateral as ATB, in its sole discretion, may see fit. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released; and
- (d) ATB shall have all rights and powers, but shall not be required to exercise any right or benefit which the holder or owner of the Retained Collateral may at any time have in connection with the Retained Collateral.

12. ACCELERATION

In the event of Default, ATB, in its sole discretion, may without demand or notice of any kind, declare all or any of the Indebtedness which is not by its terms payable on demand, to be immediately due and payable. The provisions of this section are not intended in any way to affect any rights of ATB with respect to any Indebtedness which may now or hereafter be payable on demand.

13. NOTICE

Any notice or demand required or permitted to be made or given by ATB to the Debtor may be validly served by delivering the same or by mailing the same prepaid registered mail, addressed to the Debtor at the last known address of the Debtor or of any officer or director thereof, as shown on the records of ATB, and in the case of mailing, such notice or demand shall be deemed to have been received by the Debtor on the third business day following the date of mailing.

14. COSTS AND EXPENSES

The Debtor agrees to pay all reasonable costs, charges and expenses incurred by ATB or any Receiver appointed by it (including without restricting the generality of the foregoing, legal costs as between a solicitor and his own client on a full indemnity basis and also an allowance for the time, work and expenses of ATB or any agent, solicitor, or servant of ATB for any purpose herein provided at such rates as ATB may establish in its sole discretion from time to time) in preparing, registering or enforcing this Agreement, taking custody of, preserving, maintaining, repairing, processing, preparing for disposing of the Collateral and in enforcing or collecting the Indebtedness, and all such costs, charges and expenses shall be a first charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.

15. REAL PROPERTY (ONLY APPLICABLE IF OPTION (B) IN SCHEDULE A HAS BEEN SELECTED OR DEEMED TO HAVE BEEN SELECTED)

(a) For all purposes, including for the purposes of any application to register a crystallized floating charge under the *Land Title Act* (British Columbia) against any real property, the floating charge created by this Agreement shall be crystallized and become a fixed charge against all of the property which is then subject to the floating charge upon the earliest of:

- (i) any one of the events described in Section 7 hereof occurring;
- (ii) a declaration by ATB pursuant to Section 12 or a demand for payment otherwise being made by ATB;
- (iii) ATB taking any action to appoint a Receiver or to enforce its Security Interest or to realize upon all or any part of the Collateral; or
- (iv) ATB taking any action to register the floating charge granted hereunder or any caveat, security notice or other instrument in respect thereof against all or any part of the property which was subject to the floating charge at any real property registry or other similar office.

(b) In accordance with the *Property Law Act* (British Columbia), the doctrine of consolidation applies to this Agreement.

16. REGISTRATION

The Debtor will ensure that this Agreement and all such supplementary and corrective instruments and any additional mortgage and security documents, and all documents, caveats, cautions, security notices and financing statements in respect thereof, are promptly filed and refiled, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by applicable law or as may be necessary or desirable to perfect and preserve the Security Interests as a first priority mortgage, charge and security interest and the rights conferred or intended to be conferred upon ATB by the Security Interests and will cause to be furnished promptly to ATB evidence satisfactory to ATB of such filing, registering and depositing.

17. MISCELLANEOUS

(a) Without limiting any other right of ATB, whenever the debts and liabilities of the Debtor to ATB are immediately due and payable, or ATB has the right to declare the debts and liabilities to be immediately due and payable, whether or not it has so declared, ATB may, in its sole discretion, set-off against the debts and liabilities any and all monies then owed to the Debtor by ATB in any capacity, whether due or not due, and ATB shall be deemed to have exercised such right of set-off immediately at the time of making its decision to do so even though any charge therefor is made or entered on ATB's records subsequent thereto.

- (b) ATB may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, sureties and others and with Collateral and other security as ATB may see fit without prejudice to the liability of the Debtor or to ATB's right to hold and realize the Security Interest. ATB may demand, collect and sue on the Collateral in either the Debtor's or ATB's name, at ATB's option, and may endorse the Debtor's name on any and all cheques, commercial paper and any other instruments pertaining to or constituting Collateral and for this purpose, the Debtor irrevocably authorizes and appoints ATB as its attorney and agent, with full power of substitution. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released.
- (c) Upon the Debtor's failure to perform any of its obligations under this Agreement, ATB may, but shall not be required to, perform any such obligations, and the Debtor will pay to ATB, upon demand, an amount equal to the expense incurred by ATB in so doing with interest thereon from the date such expense is incurred at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness.
- (d) This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. The Debtor may not assign this Agreement, or any of its rights or obligations under this Agreement, without the prior written consent of ATB. In any action brought by an assignee of this Agreement or the Security Interest created hereunder or any part thereof, the Debtor shall not assert against the assignee any claim or defense which the Debtor now has or hereafter may have against ATB.
- (e) If more than one person executes this Agreement as the Debtor:
- (i) the obligations of such persons hereunder shall be joint and several;
 - (ii) the Security Interests shall secure the Indebtedness of each Debtor, whether or not any other Debtor or any other person is also liable therefor; and
 - (iii) the Collateral shall include the interest of any Debtor in the property, assets and undertaking constituting Collateral owned or otherwise held by such Debtor, whether or not any other Debtor also has an interest therein.
- (f) The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation or corporations it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Security Interests granted hereby:
- (i) shall extend and attach to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated corporation; and
 - (ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating corporations and the amalgamated corporation to ATB at the time of amalgamation and any "Indebtedness" of the amalgamated corporation to ATB thereafter arising.
- (g) This Agreement is in addition to and not in substitution for any other security or securities now or hereafter held by ATB and all such other securities shall remain in full force and effect. ATB will not be obliged to exhaust its recourse against the Debtor or any other person or against any other security it may hold in respect of the Indebtedness before realizing upon or otherwise dealing with the Collateral in such manner as ATB may consider desirable.
- (h) The Debtor further agrees to execute and deliver to ATB such further assurances and conveyances and supplemental deeds and instruments as may be necessary to properly carry out the intention of this Agreement, as determined by ATB, or as may be required by ATB from time to time, in each case acting reasonably.
- (i) After Default, ATB may from time to time apply and re-apply, notwithstanding any previous application, in any such manner as it, in its sole discretion, sees fit, any monies received by it from the Debtor or as a result of any enforcement or recovery proceedings, in or toward payment of any portion of the Indebtedness. The Debtor will remain liable for any Indebtedness that is outstanding following realization of all or any part of the Collateral and the application of the proceeds thereof.

- (j) In the event that the Debtor is a body corporate, it is hereby agreed that *The Limitation of Civil Rights Act* (Saskatchewan), or any provision thereof, shall have no application to this Agreement or any agreement or instrument renewing or extending or collateral to this Agreement. In the event that the Debtor is an agricultural corporation within the meaning of *The Saskatchewan Farm Security Act* (Saskatchewan), the Debtor agrees with ATB that all of Part IV (other than Section 46) of that Act shall not apply to the Debtor.
- (k) In the event that the Debtor is a body corporate, the Debtor further agrees that *The Land Contracts (Actions) Act* (Saskatchewan) shall have no application to an action, as defined in that Act, with respect to this Agreement.
- (l) For the purpose of assisting ATB in assessing the creditworthiness of the Debtor or the ownership or description of any of the Collateral, and for the purpose of collecting all or any portion of the Indebtedness owing by the Debtor to ATB, the Debtor consents to the disclosure and release to ATB of personal information, including without limitation, motor vehicle information from Alberta Registries (or any other provincial government department having jurisdiction in that area). This consent is effective from the effective date of this Agreement and shall remain in effect until all Indebtedness is fully satisfied.

18. INTERPRETATION

- (a) If a portion of this Agreement is wholly or partially invalid, then this Agreement will be interpreted as if the invalid portion had not been a part of it.
- (b) Where the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary depending upon the person referred to being male, female or body corporate.

19. GOVERNING LAW

This Agreement will be interpreted in accordance with the laws of the Province of Alberta, and the Debtor irrevocably agrees that any suit or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the courts of such Province or in any court of competent jurisdiction, as ATB may elect, and the Debtor agrees to attorn to the same.

20. COPY OF AGREEMENT

The Debtor hereby acknowledges receipt of a copy of this Agreement, and waives any right it may have to receive a Financing Statement, Financing Change Statement or Verification Statement relating to it.

[execution page follows]

IN WITNESS WHEREOF the Debtor has executed this Agreement this 17th day of July, 2012.

ALSTON ENERGY INC.

Per: 

Name:

Title:

Don K. Umbach
President & CEO

c/s

Per: _____

Name: _____

Title: _____

Full Address of Debtor:

510, 1011 – 1st Street SW
Calgary, Alberta T2R 1J2

Full List of all prior names by which Debtor has been known (whether by way of name change, amalgamation or otherwise):

CanRock Energy Corp.

SCHEDULE A

Description of Collateral:

Select appropriate box or boxes. If no box is selected, the Debtor shall be deemed to have selected box (b).

- ☐ (a) All of the Debtor's present and after-acquired Personal Property.
- ☒ (b) All of the Debtor's present and after-acquired property, assets and undertaking, including without limitation all present and after-acquired Personal Property, and all present and after-acquired real, immoveable and leasehold property.
- ☐ (c) All of the Debtor's present and after-acquired Personal Property except •:
- ☐ (d) All of the Debtor's equipment of whatever kind and wherever situated including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatever nature.
- ☐ (e) All Accounts, Instruments, debts and Chattel Paper which are now due, owing or accruing due, or which may hereafter become due, owing or accruing due, to the Debtor, together with all records (whether in writing or not) and other documents of any kind which in any way evidence or relate to any or all of the Accounts, Instruments, debts or Chattel Paper.
- ☐ (f) All of the Debtor's present and after-acquired Inventory, wherever located.
- ☐ (g) The following described Personal Property of the Debtor:
- ☐ (h) All harvested and unharvested crops whether growing or matured, and whether grain, roots, seeds, leaves or otherwise howsoever, and any interest of the Debtor therein, wherever located.
- ☐ (i) All of the Debtor's, male or female, born or unborn, branded or unbranded, of whatever age or stage of growth, wherever located.

Listing of Serial Numbers:

The registration mark (for aircraft only) and the serial numbers or vehicle identification numbers of any motor vehicles, trailers, mobile homes, manufactured homes, boats, outboard motors for boats, or aircraft (other than those held as Inventory for sale or lease by the Debtor) constituting Collateral are as follows:

<u>Make</u>	<u>Model</u>	<u>Year of Manufacture</u>	<u>Serial Number (and Registration Mark for aircraft only)</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Locations of Collateral:

The Collateral is located at the following location(s):

- ALBERTA
- SASKATCHEWAN

SCHEDULE B
PERMITTED ENCUMBRANCES

"Permitted Encumbrances" as agreed to by ATB in writing from time to time.

Search ID#: Z05328125

Transmitting Party

DAVIS LLP

1000 Livingston Place West
250 2 Street SW
CALGARY, AB T2P 0C1

Party Code: 50100726
Phone #: 403 296 4470
Reference #: 80034-00010

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Business Debtor Search For:

ALSTON ENERGY INC.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

This is Exhibit "C" referred to
in the Affidavit of

JAMES HUMBKE

Sworn before me this 5th

Day of MAY A.D. 20 14

A Notary Public - Commissioner for Oaths
in and for the Province of Alberta
Karen L. Fellowes
Barrister-Solicitor
Notary



Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11012129006

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Jan-21

Registration Status: Current

Expiry Date: 2023-Jan-21 23:59:59

Exact Match on: Debtor

No: 2

Amendments to Registration

11051223887

Amendment

2011-May-12

13010212652

Amendment And Renewal

2013-Jan-02

Debtor(s)

Block

Status

1 ALSTON VENTURES INC.
510, 1011 - 1st Street S.W.
Calgary, AB T2R 1J2

Deleted by
13010212652

Block

Status

2 ALSTON ENERGY INC.
1100, 744-4 Avenue SW
Calgary, AB T2P 3T4

Current by
13010212652

Secured Party / Parties

Block

Status

1 WINSOR, TROY
12078 238th Street
Maple Ridge, BC V4R 4X4

Current

Collateral: General

Block

Description

Status

1 All of the Debtor's present and after-acquired property and proceeds therefrom.

Current

Search ID#: Z05328125

Particulars

Block **Additional Information**

1 This registration is subordinated to registration nos. 11051131914 and 11051132133 in
favour of National Bank of Canada.

Status

Current By
11051223887

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11012129556

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Jan-21

Registration Status: Current

Expiry Date: 2023-Jan-21 23:59:59

Exact Match on: Debtor

No: 2

Amendments to Registration

11051224100

Amendment

2011-May-12

13010212493

Amendment And Renewal

2013-Jan-02

Debtor(s)

Block

1 ALSTON VENTURES INC.
510, 1011 - 1st Street S.W.
Calgary, AB T2R 1J2

Status

Deleted by
13010212493

Block

2 ALSTON ENERGY INC.
1100, 744-4 Avenue SW
Calgary, AB T2P 3T4

Status

Current by
13010212493

Secured Party / Parties

Block

1 366325 ALBERTA LTD.
92 Strathclyde Rise S.W.
Calgary, AB T3H 1G4

Status

Current

Collateral: General

Block

Description

1 All of the Debtor's present and after-acquired property and proceeds therefrom.

Status

Current

Particulars

Block

Additional Information

Status

1

This registration is subordinated to registration nos. 11051131914 and 11051132133 in favour of National Bank of Canada.

Current By
11051224100

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11012129645

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Jan-21

Registration Status: Current

Expiry Date: 2023-Jan-21 23:59:59

Exact Match on: Debtor

No: 2

Amendments to Registration

11051223365

Amendment

2011-May-12

13010212805

Amendment And Renewal

2013-Jan-02

Debtor(s)

Block

1 ALSTON VENTURES INC.
510, 1011 - 1st Street S.W.
Calgary, AB T2R 1J2

Status

Deleted by
13010212805

Block

2 ALSTON ENERGY INC.
1100, 744-4 AVENUE SW
Calgary, AB T2P 3T4

Status

Current by
13010212805

Secured Party / Parties

Block

1 UMBACH, DON
86 Lynx Meadows Drive N.W.
Calgary, AB T3L 2L9

Status

Current

Collateral: General

Block

Description

1 All of the Debtor's present and after-acquired property and proceeds therefrom.

Status

Current

Search ID#: Z05328125

Particulars

Block

Additional Information

Status

1 This registration is subordinated to registration nos. 11051131914 and 11051132133 in favour of National Bank of Canada.

Current By
11051223365

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11012129759

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Jan-21

Registration Status: Current

Expiry Date: 2023-Jan-21 23:59:59

Exact Match on: Debtor

No: 2

Amendments to Registration

11051223658

Amendment

2011-May-12

13010212724

Amendment And Renewal

2013-Jan-02

Debtor(s)

Block

Status

1 ALSTON VENTURES INC.
510, 1011 - 1st Street S.W.
Calgary, AB T2R 1J2

Deleted by
13010212724

Block

Status

2 ALSTON ENERGY INC.
1100, 744-4 Avenue SW
Calgary, AB T2P 3T4

Current by
13010212724

Secured Party / Parties

Block

Status

1 BABCOCK, WAYNE
1006 - 2201 Pine Street
Vancouver, BC V6J 5E7

Current

Collateral: General

Block

Description

Status

1 All of the Debtor's present and after-acquired property and proceeds therefrom.

Current

Search ID#: Z05328125

Particulars

Block

Additional Information

Status

1 This registration is subordinated to registration nos. 11051131914 and 11051132133 in favour of National Bank of Canada.

Current By
11051223658

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022408645

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Feb-24

Registration Status: Current

Expiry Date: 2016-Feb-24 23:59:59

Exact Match on: Debtor

No: 3

Amendments to Registration

12011225024

Amendment

2012-Jan-12

12072022001

Amendment

2012-Jul-20

Debtor(s)

Block

1 CANROCK ENERGY CORP.
1400, 606-4TH STREET SW
CALGARY, AB T2P 1T1

Status

Deleted by
12011225024

Block

2 CANROCK ENERGY CORP.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Status

Deleted by
12072022001

Block

3 ALSTON ENERGY INC.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Status

Current by
12072022001

Secured Party / Parties

Block

1 SECOND WAVE PETROLEUM INC.
1750, 520-5TH AVENUE SW
CALGARY, AB T2P 3R7

Status

Deleted by
12072022001

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022001

Collateral: General

Block **Description**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Status

Current

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022408773

Registration Type: LAND CHARGE

Registration Date: 2011-Feb-24

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor

No: 3

Amendments to Registration

12011225053

Amendment

2012-Jan-12

12072022059

Amendment

2012-Jul-20

Debtor(s)

Block

Status

1	CANROCK ENERGY CORP. 1400, 606-4TH STREET SW CALGARY, AB T2P 1T1	Deleted by 12011225053
---	--	---------------------------

Block

Status

2	CANROCK ENERGY CORP. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Deleted by 12072022059
---	--	---------------------------

Block

Status

3	ALSTON ENERGY INC. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Current by 12072022059
---	--	---------------------------

Secured Party / Parties

Block

Status

1	SECOND WAVE PETROLEUM INC. 1750, 520-5TH AVENUE SW CALGARY, AB T2P 3R7	Deleted by 12072022059
---	--	---------------------------

Search ID#: Z05328125

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022059

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022410561

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Feb-24

Registration Status: Current

Expiry Date: 2016-Feb-24 23:59:59

Exact Match on: Debtor

No: 4

Amendments to Registration

12011219899	Amendment	2012-Jan-12
12011224684	Amendment	2012-Jan-12
12072022106	Amendment	2012-Jul-20

Debtor(s)

Block

Status

1	PETROSANDS RESOURCES (CANADA) INC. 1400, 606-4TH STREET SW CALGARY, AB T2P 1T1	Deleted by 12011219899
---	--	---------------------------

Block

Status

2	CANROCK ENERGY CORP. 1400, 606-4TH STREET SW CALGARY, AB T2P 1T1	Deleted by 12011224684
---	--	---------------------------

Block

Status

3	CANROCK ENERGY CORP. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Deleted by 12072022106
---	--	---------------------------

Block

Status

4	ALSTON ENERGY INC. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Current by 12072022106
---	--	---------------------------

Search ID#: Z05328125

Secured Party / Parties

Block

1 SECOND WAVE PETROLEUM INC.
1750, 520-5TH AVENUE SW
CALGARY, AB T2P 3R7

Status

Deleted by
12072022106

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022106

Collateral: General

Block

Description

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Status

Current

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022410978

Registration Type: LAND CHARGE

Registration Date: 2011-Feb-24

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor

No: 4

Amendments to Registration

12011220052	Amendment	2012-Jan-12
12011224946	Amendment	2012-Jan-12
12072022167	Amendment	2012-Jul-20

Debtor(s)

Block

Status

1	PETROSANDS RESOURCES (CANADA) INC. 1400, 606-4TH STREET SW CALGARY, AB T2P 1T1	Deleted by 12011220052
---	--	---------------------------

Block

Status

2	CANROCK ENERGY CORP. 1400, 606-4TH STREET SW CALGARY, AB T2P 1T1	Deleted by 12011224946
---	--	---------------------------

Block

Status

3	CANROCK ENERGY CORP. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Deleted by 12072022167
---	--	---------------------------

Block

Status

4	ALSTON ENERGY INC. 1100, 744 - 4TH AVENUE SW CALGARY, AB T2P 3T4	Current by 12072022167
---	--	---------------------------

Secured Party / Parties

Block

1 SECOND WAVE PETROLEUM INC.
1750, 520-5TH AVENUE SW
CALGARY, AB T2P 3R7

Status

Deleted by
12072022167

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022167

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022411238

Registration Type: SECURITY AGREEMENT

Registration Date: 2011-Feb-24

Registration Status: Current

Expiry Date: 2016-Feb-24 23:59:59

Exact Match on: Debtor

No: 4

Amendments to Registration

12011219955	Amendment	2012-Jan-12
12011224822	Amendment	2012-Jan-12
12072022536	Amendment	2012-Jul-20

Debtor(s)

Block

Status

1 QMAC VENTURES INC.
1400, 606-4TH STREET SW
CALGARY, AB T2P 1T1

Deleted by
12011219955

Block

Status

2 CANROCK ENERGY CORP.
1400, 606-4TH STREET SW
CALGARY, AB T2P 1T1

Deleted by
12011224822

Block

Status

3 CANROCK ENERGY CORP.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Deleted by
12072022536

Block

Status

4 ALSTON ENERGY INC.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Current by
12072022536

Secured Party / Parties

Block

1 SECOND WAVE PETROLEUM INC.
1750, 520-5TH AVENUE SW
CALGARY, AB T2P 3R7

Status

Deleted by
12072022536

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022536

Collateral: General

Block

Description

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Status

Current

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 11022411453

Registration Type: LAND CHARGE

Registration Date: 2011-Feb-24

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor

No: 4

Amendments to Registration

12011220003	Amendment	2012-Jan-12
12011224876	Amendment	2012-Jan-12
12072022195	Amendment	2012-Jul-20

Debtor(s)

Block

Status

1 QMAC VENTURES INC.
1400, 606-4TH STREET SW
CALGARY, AB T2P 1T1

Deleted by
12011220003

Block

Status

2 CANROCK ENERGY CORP.
1400, 606-4TH STREET SW
CALGARY, AB T2P 1T1

Deleted by
12011224876

Block

Status

3 CANROCK ENERGY CORP.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Deleted by
12072022195

Block

Status

4 ALSTON ENERGY INC.
1100, 744 - 4TH AVENUE SW
CALGARY, AB T2P 3T4

Current by
12072022195

Search ID#: Z05328125

Secured Party / Parties

Block

1 SECOND WAVE PETROLEUM INC.
1750, 520-5TH AVENUE SW
CALGARY, AB T2P 3R7

Status

Deleted by
12072022195

Block

2 SECOND WAVE PETROLEUM INC.
1400, 202 - 6TH AVENUE S.W.
CALGARY, AB T2P 2R9

Status

Current by
12072022195

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 12071315315

Registration Type: SECURITY AGREEMENT

Registration Date: 2012-Jul-13

Registration Status: Current

Expiry Date: 2022-Jul-13 23:59:59

Exact Match on: Debtor

No: 2

Amendments to Registration

13101021227

Amendment

2013-Oct-10

Debtor(s)

Block

Status

1 ALSTON ENERGY INC.
510, 1011-1 STREET SW
CALGARY, AB T2R 1J2

Deleted by
13101021227

Block

Status

2 ALSTON ENERGY INC.
Suite 1100 744 - 4th Avenue SW
CALGARY, AB T2P 3T4

Current by
13101021227

Secured Party / Parties

Block

Status

1 ALBERTA TREASURY BRANCHES
600, 444-7 AVENUE SW
CALGARY, AB T2P 0X8

Current

Collateral: General

Block

Description

Status

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Current

Search ID#: Z05328125

Business Debtor Search For:

ALSTON ENERGY INC.

Search ID #: Z05328125

Date of Search: 2014-Jan-20

Time of Search: 10:19:01

Registration Number: 12071315348

Registration Type: LAND CHARGE

Registration Date: 2012-Jul-13

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor

No: 2

Amendments to Registration

13101021257

Amendment

2013-Oct-10

Debtor(s)

Block

Status

1 ALSTON ENERGY INC.
510, 1011-1 STREET SW
CALGARY, AB T2R 1J2

Deleted by
13101021257

Block

Status

2 ALSTON ENERGY INC.
Suite 1100 744 - 4th Avenue SW
CALGARY, AB T2P 3T4

Current by
13101021257

Secured Party / Parties

Block

Status

1 ALBERTA TREASURY BRANCHES
600, 444-7 AVENUE SW
CALGARY, AB T2P 0X8

Current

Result Complete

COURT FILE NUMBER

Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

ALBERTA TREASURY BRANCHES

DEFENDANT

ALSTON ENERGY INC.

DOCUMENT

CONSENT TO ACT AS RECEIVER

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

Davis LLP
Barristers and Solicitors
1000, 250 - 2 Street SW
Calgary, Alberta T2P 0C1
Attention: Peter S. Jull, Q.C.
File No. 80034-00010
Tel.: 403.776.8811
Fax: 403.776.8855

CONSENT TO ACT AS RECEIVER

Alvarez & Marsal Canada Inc. HEREBY CONSENTS to act as Receiver of the Defendant, Alston Energy Inc.

DATED May 3, 2014.

ALVAREZ & MARSAL CANADA INC.

This is Exhibit "D" referred to
in the Affidavit of

JAMES HUMBRE

Sworn before me this 5th

Day of MAY A.D. 2014

Karen L. Fellowes
A Notary Public - Commissioner for Oaths
in and for the Province of Alberta

Karen L. Fellowes
Barrister-Solicitor
Notary

By:



Authorized Signatory

Name: **TIM REID**

Senior Vice President