COURT FILE NUMBER	1301-14151	Clerk's Stamp CLERK OF THE COURT FILED FEB 28 2014 JUDICIAL CENTRE OF CALGARY
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED AND IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, RSA 2000, c.B-9, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGMENT OF ALSTON ENERGY INC.	
DOCUMENT	**SECOND REPORT OF THE MONITOR** **FEBRUARY 28, 2014**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ALVAREZ & MARSAL CANADA INC. Bow Valley Square I Suite 570, 202 – 6th Avenue SW Calgary, Alberta T2P 2R9 Tim Reid/Orest Konowalchuk Telephone: (403) 538-4756 / (403) 538-4736 Email: treid@alvarezandmarsal.com okonowalchuk@alvarezandmarsal.com **COUNSEL** McCarthy Tetrault LLP Sean Collins / Walker MacLeod Suite 3300, 421-7th Avenue Calgary, Alberta T2P 4K9 Phone: (403) 260-3531 / (403) 260-3710 Fax: (403) 260-3501 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca File: 213575-457897	

TABLE OF CONTENTS OF THE SECOND MONITOR'S REPORT

LISTING OF APPENDICES TO THE SECOND MONITOR'S REPORT

INTRODUCTION

1. On December 9, 2013, Alston Energy Inc. ("Alston" or the "Company") sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "CCAA") pursuant to an order of the Court of Queen's Bench of Alberta ("Court") (the "Initial Order").

2. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed monitor of the Company (the "Monitor").

3. Under the Initial Order, the initial stay period may be extended by the Court from time to time and the Company is to continue carrying on the business in a manner consistent with the preservation of its business and assets.

4. On December 11, 2013, the Court granted a further order (the "Amended and Restated Initial Order") that, amongst other things, extended the initial stay period.

5. The Initial Order and Amended and Restated Initial Order granted the Company various relief, including but not limited to, imposing a stay of proceedings against the Company and its current and future assets, undertakings and properties of every nature (the "Property") and providing the Company an opportunity to prepare and file a plan of arrangement or compromise under the CCAA for the consideration of its creditors and other stakeholders.

6. The purpose of this second report Monitor (the "Second Report") is to provide the Court with an update in respect of the following:

    a) a brief operational update since the first report of the Monitor dated January 3, 2014 (the "First Report");

    b) the Monitor's activities since the First Report;

    c) the Company's update on its restructuring efforts;

d) the Applicant's request for this Honourable Court to grant an order approving the sale and vesting order for the sale of its ownership interest in the Alexander assets (the "Alexander Property") pursuant to a signed asset purchase sales agreement dated February 19, 2014 (the "Alexander APA") between Alston and Black Powder Energy Inc. ("Black Powder") (formerly known as 1704260 Alberta Inc.);

e) the Applicant's request that a portion of the proceeds from the sale of the Alexander Property, subject to Court approval, be paid as a permanent reduction of Alberta Treasury Branch ("ATB") indebtedness and the remaining proceeds to be utilized for the Company's operational and restructuring purposes in accordance with the Updated Forecast (defined below);

f) an analysis of the budget to actual cash flow results for the period from December 28, 2013 to February 14, 2014 (the "Reporting Period");

g) the revised cash flow projections (the "Updated Forecast") from February 15, 2014 through June 6, 2014 (the "Forecast Period");

h) the Applicant's request for a decrease in the Administration Charge and Directors Charge to $250,000, subject to the closing of the Alexander APA and the Monitor confirming arrangements satisfactory to the Monitor, its counsel and Alston's counsel have been made to secure payments of the Monitor, its counsel and Alston's counsels fees;

i) the Company's request for an extension to the Stay Period until, and including June 6, 2014; and

j) the Monitor's recommendations.

7. Capitalized terms not defined in this Second Report are as defined in the Initial Order, the First Report, the Initial Order and the Amended and Restated Initial Order.

8. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

9. In preparing this Second Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of Alston. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

BACKGROUND

10. Alston is a publicly traded oil and gas company with its operational and financial management is located in Calgary, Alberta. Alston's oil and gas properties are solely located in the province of Alberta and its outstanding shares of common stock are currently listed and traded on the TSX Venture Exchange. Alston has no subsidiaries or affiliates and carries on its operations through various joint venture, farm-in and joint operating arrangements.

11. As discussed in the affidavit of Don Umbach sworn December 6, 2013 (the "December 6th Umbach Affidavit"), the cause of Alston's financial difficulties resulted from a number of factors, including:

   a) consequences of a share purchase transaction where Alston acquired CanRock Energy Corp. ("CanRock") on July 17, 2012 and later amalgamated and continued in business as Alston (the "CanRock Transaction");

b) the loss of a significant well at Newton; and

c) the lack of access to capital markets coupled with a decline in natural gas prices and the widening price differential between the price Alston can obtain for crude in Western Canada versus West Texas Intermediate crude oil price.

12. As a result of these challenges, Alston's default to one of its secured creditors, Second Wave Petroleum Inc. ("Second Wave"), and Second Wave's subsequent demand for repayment, Alston believed that if Second Wave were to exercise its security it would have resulted in a significant erosion of value for Alston and its stakeholders. As such, the Company sought and the Court granted a stay of proceedings as against Alston pursuant to the Initial Order.

13. Further background to Alston and its operations are contained in the materials filed relating to the Initial Order, the Amended Initial Order including the various affidavits of Don Umbach. These documents, together with other information including the various reports of the Monitor in this CCAA proceeding, have been posted by the Monitor on its website at: www.amcanadadocs.com/alston .

OPERATIONAL UPDATE

Operations

14. Since the First Report, Alston's operations have not experienced any material change. Alston has been able to maintain its key employees and contractors and has generally enjoyed the support of its critical vendors and suppliers.

Insurance

15. As previously discussed in the First Report, Alston's Corporate Insurance Policy in place with Chubb Insurance Co. of Canada was to expired on February 23, 2014. This policy was renewed by Alston for another year, which will expire on February 22, 2015 and the Monitor has been advised by the Company that its renewed Corporate Insurance Policy is adequate and appropriate for their

purposes. The total annual premium of this coverage is approximately $65,000 and will be paid on a monthly basis. The Company's D&O policy remains in place with Lloyd's of London and will not expire until August 18, 2014.

Capital program

16. Alston has taken recent steps to increase oil and gas production in the Provost area and addressing certain operational and mechanical issues, which are currently reducing the Company's full production ability. Some of these issues consist of routine downhole well service work to repair broken rods, pumps and tubing strings. In addition, a flowline is required to replace a ruptured line used to transport disposal water to an injection well which will remove current constraints on Provost oil production. In order to rectify these issues, Alston estimates making certain capital expenditures of approximately $320,000, which have been included in the Updated Forecast below.

17. Alston has planned this capital program into three phases. The first phase ("First Capital Phase") is now complete and the expenditures total approximately $100,000, which approximately $27,000 was paid in the Reporting Period and the remaining $73,000 is forecast to be paid in the Forecast Period. The First Capital Phase is expected to:

    a) increase production of 32 BOE/day;

    b) increase monthly revenue by $31,710;

    c) payout will occur after 3.15 months; and

    d) increase revenue collected by in Week 16 of the Updated Forecast.

18. The overall effect of all of these expenditures in the First Phase is to restore Alston's production and revenue from the Provost area to previous levels.

19. The second phase (the "Second Capital Phase") and third phase (the "Third Capital Phase") are expected to contain additional approximate $220,000 and the

result of these expenditures are expected to increase the overall production and value of the Company. In particular, Alston believes the capital expenditures in the Second Capital Phase and Third Capital Phase will bring on an additional 74 BOE/day, with a 4.6 month payout. The starting of the Second Capital Phase and Third Capital Phase are dependent upon the Alexander APA obtaining approval by this Honourable Court, as Alston will require a portion of the sales proceeds from the Alexander APA to fund these expenditures.

RESTRUCTURING UPDATE

20. Since the First Report, Alston has taken numerous steps with respect to its restructuring efforts, which include (amongst other things):

   a) communicating and meeting with its significant stakeholders, the Monitor, and Sayer about its restructuring, operational and the go-forward plan;

   b) addressing offers received from prospective strategic partners and/or purchasers of Alston's shares and assets; and

   c) stabilizing and continuing Alston's operations in the field and working closely with its key customers and suppliers;

21. On January 22, 2014, the Monitor and its counsel met with representatives of the Company, its counsel, and representatives of ATB and its counsel at the office of the Company's counsel, Dentons Canada LLP. The purpose of this meeting was to explain and provide details of the Company's restructuring efforts to date, offers received as a result of the Sayer marketing process and the go-forward plan of Alston. One of the items discussed at the meeting related to Alston's desire to accept an offer made on the Alexander Property from Black Powder. As a result of these discussions, ATB and the Monitor expressed its support to Alston that it should continue its efforts in attempting to close the Alexander APA (as further discussed below).

22. In addition, the Company advised ATB and the Monitor that it had also received a corporate offer from a prospective purchaser. After initial comments were received from the Monitor and ATB on this particular corporate offer, the Company was encouraged to continue work with this interested party on its corporate offer with the goal of entering into a non-binding letter of intention (the "LOI") for further consideration by the beginning of March 2014.

23. On January 27, 2014, the Company, with the assistance of the Monitor, prepared a letter requesting ATB support for the Alexander APA and ATB's views in respect of the use of proceeds from the sale of the Alexander Property (subject to Court approval) if the sale were to proceed. On January 29, 2014, counsel to ATB responded to Alston indicating that it supports the sale of the Alexander Property and would support the following relating to the use of proceeds from the sale of the Alexander Property and other considerations:

a) $650,000 of the net proceeds will be paid to ATB as a permanent reduction of Alston's indebtedness to ATB;

b) the ATB facility will otherwise remain unaffected and be available to Alston;

c) the balance of the net proceeds will be available for Alston for working capital and use in the CCAA proceedings, including the payment of restructuring costs and retainers to the Monitor, its counsel and Alston's legal counsel; and

d) each of the Administration Charge and the Director Charge contained in the Amended and Restated Initial Order will be reduced to $250,000 upon the closing of the Alexander APA, subject to Court Approval and the Monitor confirming arrangements satisfactory to the Monitor, its counsel and Alston's counsel have been made to secure payments of the Monitor, its counsel and Alston's counsels' fees and disbursements.

24. The Monitor supports this arrangement and use of proceeds from the sale of the Alexander Property. As a result of the foregoing, Alston does not anticipate needing interim financing in these proceedings if the sale of the Alexander Property is approved by this Honourable Court.

25. The Monitor understands that the Company continues to work with the prospective purchaser on a corporate offer and is in the final stages of completing the LOI for further consideration and comments of the Monitor and ATB.

26. The Monitor is of the view that an extension to the Stay Period is necessary for Alston to complete the sale of the Alexander Property (subject to Court approval) and to continue its restructuring efforts and work with its main stakeholders in order to provide a restructuring plan or plan of arrangement to its creditors that would provide greater recovery than under a liquidation scenario.

MONITORS ACTIVITIES

27. Since the First Report, the Monitor has, among other things:

a) continued its review of Alston's receipts and disbursements and monitoring of the Companies' performance relative to the cash flows filed in the First Report (the "First Report Forecast");

b) provided comments and continued review of the Companies analysis, identification and treatment of critical suppliers;

c) attended the head office of Alston to meet with management and continued review the company's books and records;

d) responded to creditor questions and calls regarding the CCAA proceedings;

e) continued discussions and analysis of various materials provided by Alston's management and Sayer Energy Advisors ("Sayer") relating to Alston's restructuring efforts;

f) meet with Alston and its counsel and one of Alston's significant secured creditors, ATB, to discuss the Company's actions to date, its restructuring initiatives and the "go-forward" plan of Alston;

g) provide comments and feedback to Alston's management and counsel relating to the potential sale of the Alexander property; and

h) continued communication with Alston's legal advisors regarding the Company's intention to seek a claims procedure order in due course;

28. The Monitor will continue to work with Alston and all of its stakeholders as appropriate during these CCAA proceedings.

SECURITY OPINION

29. The Monitor advises that its legal counsel is in the process of completing its review of the ATB security in relation Alston's assets and anticipates that it will confirm that the security held by ATB is valid and enforceable and ranks in priority to ordinary unsecured creditors. The Monitor and its counsel are not aware of any prior ranking claims ahead of ATB.

ALEXANDER PROPERTY OFFER

Overview

30. Over the past one and half (1.5) years, Alston has been actively marketing and reviewing its strategic alternatives that would allow Alston to continue operating as a going concern and enhance shareholder value.

31. On January 26, 2013, Alston entered into a financial advisory engagement agreement with Integral for the purpose of exploring various opportunities, which included a possible take-over, merger, sale, recapitalization, arrangement and/or amalgamation of asset or any combination thereof. As a result of this process, the Monitor was advised that Alston received two offers on the sale of Provost assets and held various discussion and received some offers from several corporations to

complete a corporate transactions. The two offers received for the Provost assets did not materialized and the corporate offers were not satisfactory to Alston at the time.

32. Since then, Alston's financial expectations (particularly in regard to the Provost assets) had also been negatively impacted by a widening price differential between crude oil markets in Western Canada and the North American benchmark price of West Texas Intermediate crude. This widening of the price differential and the glut of oil supply in Western Canada had a negative impact on Alston's ability to fund its operations and service its obligations to all creditors.

33. As a result of these challenges, Alston entered into another financial advisory engagement agreement with Sayer on July 24, 2014 to further assess its strategic alternatives. As discussed in the affidavit of Mr. Don Umbach sworn December 6, 2013 (the "Initial Umbach Affidavit), the Sayer marketing process (the "Sayer Marketing Process") resulted in a process whereby Alston's core and non-core assets were marketed for sale, and strategic corporate combinations were sought in respect of Alston. The deadline for bids to be submitted in the Sayer Marketing Process was October 24, 2013 (the "Bid Deadline") and no acceptable offers to Alston were generated by this process.

34. On December 9, 2013, the Initial Order was granted and Alston sought creditor protection under the CCAA. Pursuant to the Initial Order, Sayer was retained as its financial advisor to continue in its efforts to market the assets and/or shares of Sayer. In December 2013, Alston reached out to those previous interested parties that had submitted an offer by the Bid Deadline and encouraged them to resubmit their offers if they were interest in doing so to Sayer on or before January 20, 2014 (the "Sayer Soft Marketing Process"). Various resubmitted offers were received and as a result, the most significant offer that Alston wished to entertain was the offer submitted by Black Powder on the Alexander Property, as discussed below.

Sayer Marketing Process

Kick-Off

35. The Monitor understands that Sayer undertook a significant sales and marketing process to ensure it effectively and thoroughly canvassed the market. A brief summary of the Sayer Marketing Process is summarized below:

a) The Sayer Marketing Process commenced on September 23, 2013, whereby information brochures summarizing the Company was mailed out to approximately 1,500 contacts and an additional approximate 2,000 parties received brochures from a different distribution list by email. In addition, a copy of the brochure was posted on Sayer's website where statistics showed that the information package was downloaded a total of 197 times through the marketing process;

b) On September 30, 2013, an advertisement was placed in the Daily Oil Bulletin announcing the divestiture of Alston and an advertisement of the divestiture was also placed in Sayer's *Canadian Oil Industry Asset Sale Listing* during the entire marketing period;

c) The Sayer Marketing Process advised prospective purchasers and interested parties that all offers were due by the Bid Deadline;

d) Total of 17 confidentiality agreements ("CAs") were received; however, there were no visits to the data room that hosted various Alston information. Sayer advises that typically the degree of public disclosure relating to an entity, coupled with the detailed disclosure provided in the "*confidential information binder*" left little information outstanding to be reviewed in the data room;

e) Two "show and tell" presentations were held during the Sayer Marketing Process at the request of two interested companies regarding to obtain more technical information regarding the Provost Property.

Results from the Sayer Marketing Process

36. The Monitor is advised that a total of six (6) companies submitted written offers prior to the Bid Deadline of October 24, 2013. There was one offer for the shares of Alston and the remaining five offers were for select properties. The Monitor is advised that the ratio of bids to CAs received (6/17 or 35%), which is apparently comparable to other similar divestiture assignments Sayer has recently managed. The six submitted offers received were not satisfactory to Alston at the time.

Results from the Sayer Soft Marketing Process

37. As discussed above, after the date of the Initial Order, Sayer reached out to those companies that previously submitted an offer in the Sayer Marketing Process and requested them (if interested) to resubmit their offers by January 20, 2014. As a result of the Sayer Soft Marketing Process, a total of six (6) companies submitted written offers, where one offer was for the shares of Alston (corporate offer), one was for all of the assets of Alston and the remaining four (4) offers were for selected properties.

38. The best and highest offer received and accepted by Alston was for the purchase of the Alexander Property to Black Powder, subject to Court approval. The Company advises that Black Powder is an independent third-party to the Alexander APA and the Company is also continuing to consider and pursue the corporate offer that was made to them as discussed above.

39. Due to the confidential nature of the information provided in the offers received on the Alexander Property during the Sayer Marketing Process, the Sayer Soft Marketing Process, and the analysis conducted by the Monitor with respect to the Alexander APA, the Monitor is concerned that if the information is disclosed to third parties prior to the closing of the sale of the Alexander property the disclosure could materially jeopardize the sale or, if the sale does not close, could

materially jeopardize the value that Alston could subsequently obtain from the sale of the Alexander Property. As such, the Monitor is respectfully of the view that it is appropriate that this Honourable Court grant the Company's request for a temporary sealing of the following appendices in relation to the Second Report of the Monitor:

a) a "bid summary" of the various offers received for the Alexander Property in the Sayer Marketing Process and the Sayer Soft Monitoring Process (Confidential Appendix A);

b) the APA Agreement (Confidential Appendix B); and

c) the Monitor's analysis on the APA Agreement (Confidential Appendix C);

ACTUAL TO FORECAST RESULTS – DECEMBER 28, 2013 TO FEBRUARY 21, 2014

Actual to Forecast Summary Results

40. The actual to forecast cash flow presented in the below chart for the Reporting Period contains the actual cash receipts and disbursements relating to the Company as compared to the First Report Forecast.

Alston Energy Inc.
Forecast to Actual Results
December 28, 2013 to February 21, 2014
($CAD)

	Forecast	Actual	Variance
Operating receipts			
Oil	302,700	319,862	17,162
Natural gas	54,000	50,293	(3,707)
NGL's	13,000	10,616	(2,384)
Joint venture receipts	97,000	94,663	(2,337)
Total operating receipts	**466,700**	**475,434**	**8,734**
Operating disbursements			
Operating costs	476,500	280,255	196,245
Payroll, benefits and contractor costs	87,800	79,741	8,059
Critical suppliers	81,000	81,088	(88)
Lease rentals and royalty costs	36,700	64,743	(28,043)
General and administrative costs	103,550	69,305	34,245
Interim Financing interest and fees	23,500	-	23,500
Hedge settlements, net	8,800	8,595	205
Capital expenditures	150,000	27,241	122,759
Total operating disbursements	**967,850**	**610,967**	**356,883**
Net change in cash from operations	**(501,150)**	**(135,533)**	**365,617**
Non-operating disbursements			
Restructuring costs	550,000	25,000	525,000
Other	-	-	-
Total non-operating disbursements	**550,000**	**25,000**	**525,000**
Interim Financing			
Borrowings (repayment)	700,000	-	(700,000)
Total net change in cash flow	**(351,150)**	**(160,533)**	**190,617**
Opening cash	395,379	395,379	0
Total net change in cash flow	(351,150)	(160,533)	190,617
Ending cash	**44,229**	**234,846**	**190,617**

41. Receipts for the Reporting Period totalled $475,434, representing a favorable variance of approximately $8,734 from the receipts as set out in the First Report Forecast. This positive variance was primarily due to:

a) a permanent positive variance of $17,162 relating to higher than expected Oil production volumes in the Provost and Newton area in January; and

b) a combined negative permanent variance of $8,427 relating primarily to lower than forecast Gas, NGL and join venture receipts over the Reporting Period.

42. Operating disbursements for the Reporting Period totaled $610,967 representing a positive variance of $356,883. This variance was primarily due to:

a) positive timing variances of approximately $196,000 relating to certain operating costs not paid in the Reporting Period, but most of these costs are now expected to be made in the Forecast Period;

b) positive timing variance of approximately $42,300 relating to certain payroll and general and administrative costs expected to be paid in the Forecast Period;

c) a positive permanent variance of $23,500 relating to forecast costs associated on borrowings that did not occur incurred in the Reporting Period and are not anticipated to be incurred in the Forecast Period;

d) positive variance of approximately $122,700 relating to capital expenditures originally forecast to be paid in the Reporting Period (mostly relating to AER reclamation costs), but have now been contemplated in the Updated Forecast; and

e) negative permanent variance of approximately $28,000 relating to higher than forecast lease and royalty costs that were not previously forecast to be paid in the Reporting Period.

43. Restructuring fees paid in the Reporting Period totalled $25,000 representing a positive variance of $525,000. The Monitor is advised that the current outstanding and accrued combined professional fees of the Alston's counsel, the Monitor and its counsel total approximately $425,000. Alston has included the payment of these amounts and future anticipated fees in its Updated Forecast for the Forecast Period.

44. Interim financing (borrowings) of $700,000 was forecast to be obtained in the Reporting Period; however, this was not collected as Alston did not seek an interim financing order from this Honourable Court. As discussed above, if the Alexander APA is approved by this Honourable Court, Alston believes that there is unlikely to be a need for interim financing during the CCAA proceedings.

45. The ending total cash available under Alston's current revolving operating loan is $234,846 compared to the forecast cash balance amount of $44,229, for the reasons discussed above.

UPDATED CASH FLOW FORECAST THROUGH JUNE 6, 2014

Confidential Appendix D

46. Alston, with the assistance of the Monitor, has prepared an Updated Forecast for the Forecast Period based on the most current information available, which is attached in the Confidential Appendix D to this Second Report.

47. Confidential Appendix D contains financial information of a commercial nature which if disclosed to third parties prior to the closing of the proposed Alexander APA (subject to Court approval) could materially jeopardize the sale, or if the sale does not close, could materially jeopardize the value that Alston could subsequently obtain from the sale of the Alexander Property. As such the Monitor is respectfully of the view that it is appropriate that this Honourable Court grant the Alston's request for a temporary sealing of the Confidential Appendix D.

Updated Forecast (Redacted)

48. The table below summarizes the Updated Forecast (as included in the Confidential Appendix D) on a "redacted basis". The "redacted" table shows the Updated Forecast without the collection of the Alexander Property sale proceeds and without certain corresponding forecast payments being made from these proceeds.

Alston Energy Inc. **Cash Flow Forecast** **February 22, 2014 to June 6, 2014** ***($CAD - Unaudited)***	**TOTAL** **Feb.22/14 to** **June 6/14**
Receipts	
Operating Receipts	1,902,652
Sale of Alexander Property	Redacted
	1,902,652
Operating disbursements	
Operating costs	1,119,585
Payroll, benefits and contractor costs	185,717
Lease rentals and royalty costs	217,525
General and administrative costs	98,745
Interest payment on ATB loan	105,000
Capital expenditures	470,000
	2,196,572
Non-operating disbursements	
Restructuring costs	750,000
Permanent reduction in ATB loan	650,000
	1,400,000
Net change in cash flows	Redacted
Opening available cash	234,846
Net change in cash flow	Redacted
Ending available cash	Redacted

49. Based on Alston's assumptions, the Updated Forecast indicates that the Company will continue to have sufficient available cash to meet its current obligations through the Forecast Period; provided that Alston continues to have access to its revolving operating loan (maximum facility with ATB is $9 million).

ALSTON'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

50. Pursuant to the Amended Initial Order, the Company's stay period expires at midnight on March 7, 2014. The Company is seeking an extension of the Amended Initial Stay Period until, and including June 6, 2014 (the "Proposed Stay Extension").

51. The Proposed Stay Extension is necessary for Alston to finalize discussions with prospective strategic partner and/or purchasers, develop a restructuring plan or plan of arrangement, undertake a claims process and seek the required interim financing for its operational and restructuring use.

52. In the Monitor's view, Alston is acting in good faith and with due diligence during this CCAA proceeding. The Monitor is of the view that the Proposed Stay Extension is appropriate in the circumstances.

RECOMMENDATION

53. The Monitor respectfully recommends that this Honourable Court approve the:

a) Proposed Stay Extension;

b) Alexander APA;

c) proposed distribution of the sales proceeds from Alexander APA;

d) temporary sealing of the Confidential Appendices A – D; and

e) reduction to the Administration Charge and Directors Charge to $250,000;

Dated at Calgary, this 28th day of February, 2014.

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

Tim Reid, CA, CIRP
Senior Vice President

Orest Konowalchuk, CA, CIRP
Director

CONFIDENTIAL
APPENDIX A

CONFIDENTIAL
APPENDIX B

CONFIDENTIAL
APPENDIX C

CONFIDENTIAL
APPENDIX D