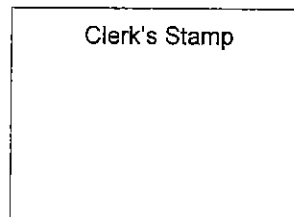


COURT FILE NUMBER 1601-03126  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF CALLIDUS CAPITAL CORPORATION  
DEFENDANTS ALKEN BASIN DRILLING LTD.  
DOCUMENT AFFIDAVIT



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
**MACDONALD HANLEY**  
2050, 736 6 Avenue SW  
Calgary, AB T2P 3T7  
Attention: James G. Hanley  
Telephone: 403-668-5428  
Facsimile: 403-230-2033  
[ghanley@macdonaldhanley.com](mailto:ghanley@macdonaldhanley.com)  
File No. 53384.002 JGH

**AFFIDAVIT OF KEVIN BAUMANN**

**Sworn July 11, 2017**

I, Kevin Baumann of the Town of Bluffton, in the Province of Alberta, make oath and say:

1. I am a 60% shareholder in Alken Basin Ltd. ("Alken Basin") the company which is the subject of this Receivership. I am also named as an individual Defendant in Action 1501-05314 (the "Foreclosure Action"), all of which arise as a result of a loan between Callidus Capital Corporation ("Callidus"), a Toronto lending company, and Alken Basin.
2. The foreclosure action is a result of the my personal guarantee of the Alken Basin debt to Callidus.

3. The commercial relationship between Alken Basin and Callidus began on 31 March 2014 when Callidus agreed to loan Alken Basin a maximum of \$28,500,000 in three facilities. Facility "A" was a revolving credit facility for 5 Million subject to security of Accounts receivable. Facility "B" was a Facility against the orderly liquidation of assets of 19 Million, and Facility "C" was a Facility against a personal guarantee from me for 4.5 Million. These facilities are more particularly set out in the Loan Agreement, **Exhibit "A"** hereto.
4. An application was filed in this action on March 21, 2016, to place Alken Basin in Receivership. At the initial application on 1 April 2016, the proposed receiver, MNP Ltd. ("MNP") and counsel for Callidus collectively sought an Order sealing the "Confidential Appendices" to the pre-filing report of MNP Ltd. In 2015, Callidus demanded on its loans, and commenced the foreclosure action described in paragraph 1 above. The Foreclosure was commenced well prior to the Receivership action.
5. Alken Basin had been in business for in excess of 30 years and was purchased by myself and my brother in February 2013. It was in the oil and gas service industry, drilling wells for the oil field and also drilling water wells throughout Western Canada.
6. When I purchased Alken Basin in 2013, we had a commercial relationship with Servus Credit Union ("Servus") in Alberta. In or about the fall and winter of 2013 (September to December), Servus indicated that Alken Basin should look for alternative lenders. As a result, I commenced discussions with Callidus intending to finance the business of Alken Basin.
7. In addition to capital requirements, Alken Basin was looking for a revolving line of credit or facility to finance day-to-day operations and cash flow fluctuations.
8. Over the course of several months, I negotiated with representatives of Callidus, and the Loan Agreement was arrived at and agreed to.
9. Almost immediately upon the closing of the transaction in March 2014, it became clear that Callidus was not prepared to provide funding in terms of the agreement for revolving credit under "Facility "A"" as contemplated. Receivables of the corporation secured facility "A". I contemplated that Callidus would use a percentage of receivables as security against which, Callidus would advance funds. Essentially, I had anticipated that this facility would operate as a revolving operating line would, in a normal banking situation. That is, the Facility contemplated 85% of fresh receivables would form the borrowing base and that Alken Basin could and would draw that amount as required.
10. Callidus knew at the time of the execution of the security documentation and the funding of the various facilities that this sort of revolving line was essential for the operation of a business such as Alken Basin. Knowing that however, Callidus frequently refused or deliberately stalled Alken Basin's entitlement to funds under facility "A" as calculated in

terms of the Loan Agreement. The effect was compounding and immediate. As one would expect when the lender withholds a revolving line of credit, unpaid obligations increase. The increase in accounts payable is exactly what happened over the period December 2014 to March 2015. The Accounts Payable increase resulted in suppliers being unwilling to provide services to Alken Basin until they were paid. This in turn affected the company's ability to service their clients, which resulted in lower sales than anticipated,

11. Throughout the period of November 2014 to March 2015 Callidus deliberately refused to advance funds from facility "A" in the ordinary day-to-day relationship as contemplated at the time we entered into this agreement. The company despite the shortage of funds continued to make payments regarding its loan commitments in respect to all facilities and was not in default of payments. Callidus demanded the loan based on the reduction of the oil price, and the perceived future ability of Alken to service the loan.
12. In November 2014, while I was the President of Alken Basin, and responsible for operations Callidus advised me that In order to smooth the process of receiving funds from Facility "A" in terms of the Loan Agreement, I should employ an individual named Scott Sinclair ("Sinclair"), with whom they had worked with in the past. They wanted Sinclair to become involved in Alken Basin to assist in the presentation of the borrowing requests in terms of Facility "A" in the Loan Agreement.
13. Sinclair operated a company called Range Advisors ("Range"), which later became Sinclair Range. I subsequently learned that he had acted in respect of at least two other liquidations of which at least one was for Callidus when he was an advisor in the Leader Energy liquidation, and that Callidus proposed Sinclair as CRO for Blueberi on 16 November 2015.
14. On or about 1 December 2014, despite my misgivings, I engaged the services of Sinclair for an initial payment of \$20,000 and a monthly payment of \$15,000. It became clear to me reasonably quickly that Sinclair was acting for and on behalf of and reporting to Callidus, and I believed taking instructions from Callidus with respect to the financing and operation of Alken Basin. At this point, Callidus had made no demand on the repayment of the facilities, other than that they wanted Sinclair "or someone like him" involved in the operation of Alken Basin.
15. I terminated Sinclair's engagement with Alken Basin on or about 31 January 2015. Callidus refused to advance any further money under Facility "A" until Sinclair or "someone like him" was reinstated effectively choking any cash flow from and out of Alken Basin. The winter months are the busiest in our industry, and we had substantial contracts and work available to us. In the ordinary course of business, in order to fulfil the contracts, we required materials and labour which placed a higher demand on our cash flow position. The cash flow would have rectified when we collected the receivables generated from this work. We required cash flow to allow payment of employees, sub-contractor work, and purchase some material and equipment to complete the operations. Callidus was aware of the position and refused to consider this funding in accordance with the formula in their Loan Agreement.

16. In February 2015 to March 2015, the operation of Alken Basin became virtually impossible. Callidus refused to advance sufficient funds in February and insisted that unless Sinclair was involved, no further funds would be released. Subsequent to the reinstatement of Sinclair Callidus continued to withhold a portion of the funds in March, and Callidus on March 18 2015 called the loan based on the nature of the Alberta economy and not due to a default on the loan.
17. Subsequent to the demand of the of the Alken Loan, Callidus did not release any funds to pay accounts payable. In order to pay outstanding creditors, I opened a new bank account at RBC, and deposited funds paid to Alken Basin into the account.
18. I attempted to keep the company functional by paying \$800,000 payables, including \$100,000 to a related company. This action resulted in a letter from Chaitons (Callidus's lawyer) stating that unless I resign as director and have no further "executive or management position with the company" and appoint Sinclair as "president with authority to run the day to day affairs of the company", Callidus would "seek the immediate appointment of a receiver over the business and assets of the company." At the time of this action, I had caused a CCAA application to be filed before this court. Ultimately, that application was not pursued.
19. I considered my obligations to other Shareholders and Directors, and on the strength of the correspondence attached as **Exhibit "B"** from counsel for Callidus, I elected to resign my position. At the same time I advised Callidus and Sinclair, who took over operation of Alken Basin, that the market value of the equipment was such that I believed there was sufficient value to repay the Callidus indebtedness in May of 2015.
20. While I continued to own shares and throughout remained the Guarantor of the Callidus indebtedness from Alken Basin, I was effectively dismissed by Sinclair and Callidus. Sinclair advised me that I was not permitted to set foot in the office, on the property or have any involvement with the operation of Alken Basin. My repeated requests for information were ignored, my suggestions dismissed, and throughout, from May 2015 through and until the Receivership April 1, 2016 and thereafter, Sinclair remained in charge of the operation.
21. In May 2015, I was contacted by several individuals interested in purchasing Alken Basin. I advised Sinclair. He ignored them. In May 2015, the amount of the obligation to Callidus by Alken Basin was \$23,366,127. At the time, Alken Basin had Accounts Receivable in excess of \$3,198,273 which would have reduced the indebtedness to approximately \$20,678,894. The assets of Alken, I believe, they had been sold in May 2015, would have retired the Callidus debt or come close to doing so. Instead, Sinclair, clearly with the concurrence of Callidus continued to operate Alken Basin, resulting in demonstrable losses of \$10,000,000 over the following 12 months.

22. Despite my demands to liquidate, Sinclair elected to continue to operate the corporation and did so until April 2016, when Callidus applied to appoint MNP as Receiver.
23. After the appointment of MNP, there was a cursory sale process, which in resulted in the Sale and Vesting Order granted by this Court on May 5, 2016. Essentially, the Receiver was appointed the first week in April, purported to run an advertising and sale of these assets and ultimately transferred the assets in accordance with the Vesting Order. Having reviewed the Receiver's first report on this matter, it is apparent that MNP relied on Sinclair's assertions that he had marketed the assets of the company to his buyer's list.
24. It subsequently became apparent that the purchaser of the assets is a company owned by Callidus and, at least initially, operated by Sinclair and Kevin Schmidt, a former Alken Basin employee.
25. In the late Fall of 2016 I engaged the firm of Forensic Restitution, and Mr. David Oswald, to assist in the forensic analysis of these events. These events include what I believe to be:
  - a. The deliberate actions of Callidus in withholding funds under the lending facilities to which they agreed in good faith to provide Alken Basin;
  - b. The further analysis relates to the advances made by Callidus in response to the requests by Alken Basin in the ordinary course of business to fund their cash flow; and
  - c. To review the sale process and the information or lack of information disclosed by Sinclair, Alken Basin Management and Callidus in relation to the sale process.
26. From May of 2015, when I was forced to resign from Alken Basin, the following events occurred:
  - a. Alken Basin continued to operate after my departure and ran up an additional \$638,965 of new creditors, and increased existing creditors by \$144,980 which at the time of the appointment of MNP as Receiver were unsecured and remain unpaid.
  - b. The indebtedness of Alken Basin to Callidus went from \$23,366,127 less receivables of \$3,198,273 in May 2015 to \$27,427,552 less \$142,919 on 4 March 2016, an increase of \$6,778,828. It would appear that Alken Basin sold fixed assets to the value of at least \$3,572,771 (possibly as high as \$4,822,711) during this period, which would increase the loss to \$10,351,539 during Sinclair's tenure. The table below reflects these increases, and relates to my commentary in the appropriate letter in the Affidavit herein.

	20/03/2015	31/12/2015	Increase/(Decrease)	Comments
Facility "A"	\$1,064,627.00	\$7,830,731.06	\$6,766,104.06	c
Facility "B"	\$17,961,500.00	\$14,103,331.10	-\$3,858,168.90	d
Facility "C"	\$4,340,000.00	\$4,890,538.83	\$550,538.83	e
Facility "C" fee	\$ -	\$265,000.00	\$265,000.00	f
<b>Total</b>	<b>\$23,366,127.00</b>	<b>\$27,089,600.99</b>	<b>\$3,723,473.99</b>	<b>B</b>
Accounts receivable	\$3,198,273.00	\$142,919.00	\$3,055,354.00	
Accounts Payable	\$1,101,272.00	\$1,256,972.00	\$155,700.00	a
<b>Total increase</b>			<b>\$6,934,527.99</b>	
Interest 21%			-\$3,844,848.19	
Gross profit on Trading			\$1,045,665.63	
Unaccounted for loss			\$4,135,345.43	

- c. The majority of that indebtedness is purported to have arisen under Facility "A" and be secured by the receivables. At the time I resigned from the corporation, those receivables were \$3,198,273, which using the Callidus calculation, would have entitled Alken to a maximum loan of \$2,277,000. According to the receiver's first report, the accounts receivable had dropped to \$142,919 which on Callidus calculation, would have entitled Alken to a maximum loan of \$128,000. The notion that Facility "A" secured by the receivables is somehow \$7 million is unsupported on the basis of the information contained in the Receiver's Reports.
- d. The amount owing in terms of facility "B" has reduced from \$17,961,500 to \$14,103,331 a decrease of \$3,858,168. Assuming the loan was continued to be repaid at \$100,000 per month, the total unaccounted for decrease would be \$2,958,168. This would indicate that fixed assets to the value of \$3,286,853. The sale of fixed assets would provide funds to reduce the debt owing to the company.
- e. Facility "C" has increased from \$4,340,000 to \$4,890,538. Interest on this facility was charged through the Facility "A" account. I have no knowledge of how this increase could occur.

- f. There is a facility fee of \$265,000. The Facility fee is 1% of the original loan of \$26,500,000.
- g. The value of the loans between 31 December 2015 and 4 March 2016 changed as follows:

Facility	2015-12-31	2016-03-04	Difference	Comment
Facility "A"	7,830,731.06	7,668,868.60	161,862.46	J
Facility "B"	14,103,331.00	14,473,381.67	-370,050.67	h
Facility "C"	4,890,538.83	5,020,484.56	-129,945.73	i
Facility Fee	265,000.00	265,000.00	-	
<b>Total</b>	<b>27,089,600.89</b>	<b>27,427,734.83</b>	<b>-338,133.94</b>	

- h. Facility "B" increased by \$370,050. As any interest on this account was charged to Facility "A", the facility should not have increased. If interest was incorrectly allocated to the account, the interest would have been \$519,311.
- i. Facility "C" increase by \$129,945. As any interest on this account was charged to Facility "A", the facility should not have increased. If interest was incorrectly allocated to the account, the interest would have been \$180,079.
- j. Facility "A" Decreased by \$161,862, which would indicate a reduction in Accounts Receivable during this period.
27. As a result of discussions with third party individuals, it is clear that in the period from April 2015 to April 2016, Sinclair and other individuals at Alken Basin were actively pursuing an international contract in Egypt. At least one individual in a competitive company in a related business attended with Sinclair to discuss water drilling contracts in Egypt clearly using the Alken Basin equipment;
28. The Receiver appointed in April 2016, states in his report that he relied upon Sinclair in his capacity as "Range Advisors" to assist the Receiver in marketing the assets of Alken Basin. I believe that Sinclair had a conflict of interest in the marketing of the sale of the assets as he was working for and on behalf of Callidus, the firm that subsequently purchased the assets, and to which Sinclair was appointed President. From a review of the Receiver's First Report, it is apparent that the Receiver was advised that a Memorandum of Understanding ("MOU") was disclosed to the Receiver apparently by Sinclair a mere week before the closing date and not during the advertising process for the assets;

29. The MOU was not publicly disclosed but was only disclosed to certain parties to whom the advertisements were made, that is those who signed confidentiality agreements;
30. The assets were purchased by a company called Altair Water and Drilling Services Inc. ("Altair"). Altair was incorporated a week before the closing of the sale by the Receiver, and the President and Chief Operating Officer is Scott Sinclair. The initial director of the company was Craig Boyer of Callidus and Callidus Capital was the shareholder.
31. In May 2016, Altair issued the press release attached as **Exhibit "C"**. It declares and discloses that it performs international contracts. I believe that these contracts relate to the MOU and that Sinclair and Callidus collectively during the period of 2015 and 2016 pursued the international agreement with Egypt. The Receiver states that when marketing the assets, he was unaware of the MOU, and subsequently did not disclose the nature of the MOU or the value of the MOU to the world as a whole to entice prospective purchasers. Most importantly, the MOU was signed at a time when Sinclair operated Alken Basin to the exclusion of myself as a guarantor and shareholder.
32. From the time that Sinclair was appointed as a director, I received no information or updates whatsoever from Alken Basin. Sinclair and Callidus ignored my calls and emails to the company as a concerned Shareholder and Guarantor were ignored. I received no financial information regarding the company. In April of 2016, immediately after the appointment of a Receiver, I forwarded correspondence to Mr. Sirius of MNP setting out my concerns with respect to the Receivership and Sinclair's involvement, attached as **Exhibit "D"**.
33. Reference to the press release is as follows:
- i. Press release from Altair dated May 2016 for Schmidt, co-signed by Sinclair stating that Altair operates internationally **Exhibit "C"**.
  - ii. Press release of Sinclair/Range dated December 22, 2016, stated that "Sinclair Range is pleased to announce its new role as project lead on a proposed multi-billion dollar drilling and reclamation project in Egypt." **Exhibit "E"**.
  - iii. Claudius Q2 2016 Earnings Call, the period 1 April 2016 to June 30 2016, dated 12 August 2016 where Glassman states "We will not tell you the size of the original loan. It is a loan that originally was troubled. We helped the company review their operations. They entered an additional and extra line of business, [ph] which makes their credit basically found. (SIC should be "sound") They came to us and asked us if we would amend and help them with our facility



to help them go in that business. It is a huge incremental increase in their business. They seemed to be executing well to extremely well.

We are very supportive of them. They are a poster child of how we can help and why we would want to help a company that first was in trouble and then figures out a way to get out of trouble. Without our help, it would not have been able to go into this additional business, which is, in terms of revenue, billions of dollars for them potentially. At least, the first part of it is a couple of billion dollars or more." **Exhibit "F"**.

iv. Callidus states that a large proportion of the business is a so-called "Yield Enhancement" This occurs when Callidus takes control of a company and is able to value the company at significantly more than the acquisition cost.

34. During the course of his investigations into this matter, Mr. Oswald discovered that in November 16, 2015, Callidus attempted to get Scott Sinclair appointed as Chief Restructuring officer of Bluberi Gaming. "Mr. Sinclair has extensive turnaround experience and also has the confidence of Callidus" and sought the following order "**ORDER** that Scott Sinclair, be and is hereby appointed as chief restructuring officer over the Petitioners (the "**CRC**") with authority to carry on, manage, operate, and supervise the management and operations of the business and affairs of the Petitioners, subject to the provisions of this Order and to the engagement letter from the CRO to the Petitioners (the "**Engagement Letter**)". The court did not appoint Mr. Sinclair to this position.
35. I have reviewed the financial analysis in relation to this process completed by Mr. Oswald. It is apparent however that on the basis of the incomplete information provided to us through the Receivership process, that substantial additional losses were incurred by Alken Basin after my departure and prior to the appointment of the Receiver. It is further apparent on the face of the documents that Mr. Sinclair and Alken Basin were pursuing a business opportunity in Egypt, were expending Alken Basin funds in pursuit of this business opportunity and that this business opportunity was ultimately transferred to Altair, not having been fully disclosed or examined by the Receiver in relation to the sale process. As a result of all of the above, I believe that Sinclair, acting for, with or on behalf of Callidus, has his hand in several decisions and operations in relation to Alken Basin. On December 1, 2014 Sinclair was appointed as a consultant. On January 31, 2015, I fired Sinclair. Callidus insisted that he be re-instituted and in February 2015 and insisted that he was appointed director in April 2015. From this time Sinclair operated Alken Basin and continued to do so throughout the entire period until the Receivership. He is a principal or an Officer of the company that purchased the assets of Alken Basin, and was involved, I believe, in the negotiation of the MOU. He participated in marketing the assets of Alken Basin with and on behalf of the Receiver, according to the Receiver's First Report but it was apparent that Alken Basin did not disclose the MOU at the start of the sales process. It is apparent that Sinclair did not disclose the MOU to the

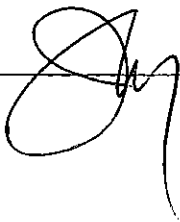
- Receiver. Further, he was the controlling or operating mind of Altair, the purchasing company.
36. Throughout this entire period of time, I have personally remained the Guarantor of the Alken Basin indebtedness. The Guarantee and the lands in support of the Guarantee were Facility "C" under the Loan Agreement. Alken Basin was alleged to have defaulted under the Loan Agreement giving rise to the Receivership. In conjunction with that alleged default, Callidus has demanded my Guarantee and has commenced foreclosure proceedings on my lands.
  37. The transfer of the assets from Callidus to Altair occurred at a value of the Callidus claim less \$4 500 000. It is this amount plus interest and costs that Callidus alleges is outstanding under the Guarantee, and for which they seek foreclosure.
  38. I believe that the non-disclosure of the MOU materially impacted the value of the assets, and that Sinclair and/or Callidus or both of them conspired to withhold knowledge related to the MOU and the potential value of that contract from the receiver. Clearly on the face of the press releases, Callidus believes this to have a marked increase to its' benefit and values it at apparently in excess of \$32 million. The yield enhancement announced in Callidus's Q2 results show an increase of \$32 million. Callidus states that "the value is actually determined in conjunction with third-parties outside of the firm and then reviewed by the auditors". I believe that Sinclair was involved in the negotiation of the MOU well in advance of the appointment of a Receiver, and the Receivership was the culmination of the MOU agreement so that Callidus and Sinclair could take the benefit of the MOU for themselves to the exclusion of Alken Basin and its shareholders, suppliers and Guarantors.
  39. Sinclair has throughout acted as an agent of Callidus in relation to all matters, including the operation of Alken after his installation as president, and for and on behalf of Callidus throughout the sale process.
  40. Further, the actions of Sinclair resulted in an increase of the Callidus debt by \$6,778,828 over the course of eleven (11) months This is not taking into account the potential sale of any fixed assets which I believe exceeded \$3,572,711. I believe that the amount of Debt increased by over of \$10,351,539 during Sinclair's tenure. Throughout that period of time, Sinclair continued to operate the company, clearly if not at the behest of Callidus, with their knowledge and consent. Sinclair was either such a bad operator that he lost an additional \$10,351,539 plus leaving another \$1,256,962 in unsecured receivables beyond the Callidus debt, that this claim be laid at my feet is beyond belief and unconscionable. This was in part facilitated by the lender, Callidus, loaning money to Alken Basin under its Facility "A", well in excess of Callidus's obligations in terms of the Credit Agreement, and to my detriment.
  41. Prior to this action being commenced to appoint a Receiver, Callidus commenced Action 1501-05314 against me as the guarantor of the Alken Indebtedness. Part of the defense to the guarantee relates to the non-disclosure by Sinclair and Alken to the Receiver of the MOU and the terms thereof, or alternatively, the failure of the Receiver and/or Range and Sinclair to disclose the existence of the MOU to potential purchasers.

In the course of that action, my counsel has sought additional information to allow me to pursue the defense and the guarantee, however I believe the MOU remains a live issue in the Receivership. Mr. Oswald has concluded that had the MOU had been fully disclosed to a knowledgeable purchaser, the value of the assets including the MOU available to Alken would and could have substantially increased the value of the Alken Basin Assets in Receivership. The MOU was only discovered by us after the vesting order, and was not disclosed to me prior to the court making the order transferring the assets to Altair. I believe that on the basis of all of the above, there is a full and complete defence of the guarantee on a number of fronts. including the fact that Sinclair was an agent for Callidus, participated in an incomplete disclosure on the sale of the assets, and is ultimately a participant in the company that purchased the assets, I believe a full equitable defence exists. Further, non-disclosure of the MOU substantially reduced the value of the assets that a bona fide third party purchaser may have paid.

42. Attempts throughout this process to obtain information and documentation which should or ought to be in the possession of the Receiver, Callidus, Sinclair, Range, or any such related party have gone largely unanswered. Attached as **Exhibit "G"** is correspondence from my counsel directed to counsel for the Receiver and Callidus, dated May 11, 2017.
43. Attached as **Exhibit "H"** is a response from counsel for the Receiver.
44. I am advised and do verily believe that no written response has been received from counsel for Callidus.
45. Attached as **Exhibit "I"** is further correspondence from my counsel to counsel for Callidus.
46. Based on all of the above information, I believe that full and complete defences are available to me in this foreclosure action. The subsequent Receivership action, which resulted in the sale and transfer of these assets to the Callidus company, was commenced as Action No. 1601-03126. I further believe that the non-disclosure of the MOU was calculated by Sinclair and Callidus in order to move that business opportunity into the Callidus owned vehicle, Altair.
47. For the purposes of the discharge of the Receiver, I believe that the Receiver as an Officer of the Court and having an obligation to all parties, including the stakeholders in Alken Basin, ought to pursue an investigation into the non-disclosure of the MOU by Callidus, the potential value of the MOU and the impact of these facts on the sale process. I believe that the Receiver, as an officer of the court, ought to have more fully pursued or marketed the MOU, and that the absence of this marketing would and did impact the bidding process.

48. When I resigned in April 2015, my email accounts were closed and shut down. There is a substantial volume of emails leading up to my resignation which I require for my defence. In addition, I believe that emails between parties at Alken Basin and Callidus are relevant to these proceedings which will allow Forensic Restitution to complete its review and provide an opinion relating to the events regarding the operation of the Callidus Facility by Callidus, the value of the MOU, and the nature, if any, of the default alleged by Callidus giving rise to the Receivership. Further, the value of the assets at the time of the transfer, which will be opined upon by Forensic Restitution are relevant and we require the following information from the Receiver and/or Callidus to pursue these lines of defence in my foreclosure action.
49. As a result of the information contained in this Affidavit, there is I believe further information and evidence which supports the allegations contained in this Affidavit. My counsel has sought additional information from the Receiver and counsel for Callidus. The business records of Alken Basin should I believe disclose the involvement of Alken, its employees and Sinclair in relation to the MOU, the sale process, and the rationale for the operating losses of in excess of \$10,000,000 which have apparently been incurred by Alken during Sinclair's tenure. I believe that the Receiver as an officer of the court has not been properly informed in relation to the sale process and the assets available for sale, and the impact directly affects the value of the assets and the pursuit by Callidus of the foreclosure action and my guarantee.
50. I make this Affidavit in support of an Order requiring the Receiver to engage in a further and better analysis of the sale process conducted by it, and review the documentation in the possession of Callidus and the Receiver, Range and Sinclair and any other related parties in relation to the MOU, its existence, its non-disclosure, and the impact of the non-disclosure on the sale process.

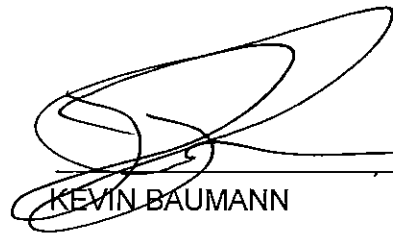
SWORN before me at the City of  
Calgary in the Province of Alberta, this  
day of July, 2017.



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**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

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KEVIN BAUMANN

THIS IS EXHIBIT "A" REFERRED  
TO IN THE AFFIDAVIT OF

Kevin Baumann

SWORN THE 11<sup>th</sup> DAY OF  
July, 2017

*[Signature]*  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

CALLIDUS CAPITAL CORPORATION

Suite 4320, Royal Trust Tower  
77 King Street West  
Toronto, Ontario  
M5K 1K2  
Fax (416) 941-9876

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

March 31, 2014

Alken Basin Drilling Ltd.  
P.O. Box 47  
Bentley, Alberta T0C 0J0

Attention: Kevin Baumann

Dear Sir / Madame:

Callidus Capital Corporation (the "Lender") hereby offers to the Borrower the following credit facilities (collectively, "Loan"), on the following terms and conditions:

1. **BORROWER AND GUARANTORS:**

Alken Basin Drilling Ltd. (the "Borrower")

1711760 Alberta Ltd., Kevin Baumann, Michael Baumann and Kevin Schmidt (collectively, the "Guarantor")

2. **FACILITIES:**

- (a) **Facility A:** Demand revolving loan in the amount of up to Five Million Canadian Dollars (\$5,000,000 Cdn.) (or United States dollar equivalent) (the "Facility A Loan").
- (b) **Facility B:** Demand non-revolving loan in the amount (the "Facility B Loan Amount") of the lesser of Nineteen Million Canadian Dollars (\$19,000,000 Cdn) (or United States dollar equivalent) and 90% of the forced liquidation value (as determined by an appraiser acceptable to the Lender) of the Borrower's unencumbered machinery and equipment and related parts inventory (the "Equipment Appraisal"), including, without limitation, those items listed in Schedule "G" attached hereto (collectively, the "Equipment") (the "Facility B Loan").
- (c) **Facility C:** Demand non-revolving loan in the amount (the "Facility C Loan Amount") of the lesser of Four Million Five Hundred Thousand Dollars (\$4,500,000) and 75% of the commercial market value (as determined by an appraiser acceptable to the Lender) of the Property from time to time (the "Realty

611  
CALL ID US Kevin Baumann  
CAPITAL CORP. Registered Party  
This is Exhibit "A" referred to in the  
Affidavit of  
Kevin Baumann  
Sworn before me this 30<sup>th</sup> day  
of January A.D. 2017  
*[Signature]*  
A Notary Public, A Commissioner for Oaths  
in and for the Province of Alberta  
*[Signature]*

**Appraisal**") less the amount of all existing prior encumbrances including, without limitation, real property taxes, all as determined by the Lender from time to time in its discretion (the "**Facility C Loan**").

**3. PURPOSE:**

The Loan shall be used by the Borrower to: (i) provide working capital; (ii) payout its existing credit facilities with Servus Credit Union, Royal Bank of Canada and 1208823 Alberta Ltd.; and (iii) reduce its indebtedness to debenture holders .

**4. DEFINITIONS:**

In addition to terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

- (a) "**Accounts Receivable Insurance**" has the meaning attributed thereto in Paragraph 4(p)(viii) of this Agreement.
- (b) "**Additional Closing Documents**" has the meaning attributed thereto in Paragraph 15 of this Agreement.
- (c) "**Affiliate**" has the meaning specified in the *Business Corporations Act* (Ontario).
- (d) "**Applicable Laws**" means, with respect to any person, property, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction.
- (e) "**Blocked Account**" has the meaning attributed thereto in Paragraph 16(a)(iii) of this Agreement.
- (f) "**Blocked Account Agreement**" has the meaning attributed thereto in Paragraph 17(b) of this Agreement.
- (g) "**Borrowing**" means each use of the Loan and all such usages outstanding at any time are "**Borrowings**".
- (h) "**Business Day**" means any day other than a Saturday or a Sunday or any other day on which banks are closed for business in Toronto.
- (i) "**Collateral**" means all of the Borrower's real and personal property, assets and undertaking.
- (j) "**Credit Documents**" means this Agreement, the Security Agreements and all other documents to be executed and delivered to the Lender by the Borrower or any other person, as the case may be, as the same have been or may at any time

and from time to time hereafter be amended, restated, supplemented, otherwise modified or replaced.

- (k) **"Default"** means an event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.
- (l) **"Disbursement Account"** means the account specified in Schedule "A" attached hereto from which the Borrower shall make all of its payments and disbursements.
- (m) **"Disclosure Schedule"** means Schedule "B" attached hereto as amended from time to time with the written consent of the Lender.
- (n) **"Distribution"** means, in respect of any person, the amount of (i) any dividend or other distribution on issued shares or other equity interests of such person; (ii) the purchase, redemption or retirement amount of any issued shares, warrants or any other options or rights to acquire shares of the person redeemed, retired or purchased by such person; (iii) the payment of any management fees; and (iv) any payment made on, under or in respect of any debt of such person.
- (o) **"Eligible Accounts Receivable"** means accounts receivable of the Borrower from arm's length third parties that are unrelated to and unaffiliated with the Borrower and the Guarantors and that:
  - (i) arise from actual and *bona fide* sales and delivery of goods or services by the Borrower in the ordinary course of its business;
  - (ii) in respect of any individual invoice, are less than ninety days (90) days old from the date of the original invoice;
  - (iii) do not have more than fifty percent (50%) of the aggregate amount owing outstanding for longer than ninety (90) days from the date of the original invoice;
  - (iv) are not subject to any disputes, contra's, set-offs, hold-backs, right of return or customer deposits;
  - (v) are net of any reserves as determined by the Lender, in its sole discretion;
  - (vi) are owing by account debtors located in Canada or the United States of America;
  - (vii) do not arise from individual consumers other than active farms as approved and determined by the Lender from time to time in its sole discretion;

- (viii) are complete in all respects and exclude any invoices in respect of goods or services that have not been provided to or received by the customer; and
  - (ix) are and continue to be acceptable to the Lender, in its sole discretion, for margining purposes.
- (p) **“Eligible Insured Accounts Receivable”** means accounts receivable of the Borrower from arm’s length third parties that are unrelated to and unaffiliated with the Borrower and the Guarantors and that:
- (i) arise from actual and *bona fide* sales and delivery of goods or services by the Borrower in the ordinary course of its business;
  - (ii) in respect of any individual invoice, are less than one hundred and twenty days (120) days old from the date of the original invoice;
  - (iii) do not have more than fifty percent (50%) of the aggregate amount owing outstanding for longer than one hundred and twenty (120) days from the date of the original invoice;
  - (iv) are not subject to any disputes, contras, set-offs, hold-backs, right of return or customer deposits;
  - (v) are net of any reserves as determined by the Lender, in its sole discretion;
  - (vi) are owing by account debtors located in Canada or the United States of America;
  - (vii) are complete in all respects and exclude any invoices in respect of goods or services that have not been provided to or received by the customer;
  - (viii) are insured by an insurer satisfactory to the Lender and on terms satisfactory to the Lender in its sole discretion from time to time (the **“Accounts Receivable Insurance”**); and
  - (ix) are and continue to be acceptable to the Lender, in its sole discretion, for margining purposes.
- (q) **“Eligible Investment Grade Accounts Receivable”** means accounts receivable of the Borrower from arm’s length third parties that are unrelated to and unaffiliated with the Borrower and the Guarantors and that:
- (i) are rated “BBB” or higher by a rating service satisfactory to the Lender, in its sole discretion from time to time;
  - (ii) arise from actual and *bona fide* sales and delivery of goods or services by the Borrower in the ordinary course of its business;



- (iii) in respect of any individual invoice, are less than one hundred and twenty days (120) days old from the date of the original invoice;
  - (iv) do not have more than fifty percent (50%) of the aggregate amount owing outstanding for longer than one hundred and twenty (120) days from the date of the original invoice;
  - (v) are not subject to any disputes, contras, set-offs, hold-backs, right of return or customer deposits;
  - (vi) are net of any reserves as determined by the Lender, in its sole discretion;
  - (vii) are owing by account debtors located in Canada or in the United States of America;
  - (viii) are complete in all respects and exclude any invoices in respect of goods that have not been shipped or received by the customer; and
  - (ix) are and continue to be acceptable to the Lender, in its sole discretion, for margining purposes.
- (r) “**Encumbrances**” means any mortgage, lien, pledge, assignment, charge, security interest, title retention agreement, hypothec, levy, execution, seizure, attachment, garnishment, right of distress or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes arrangements known as sale and lease-back, sale and buy-back and sale with option to buy-back or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the PPSA or Uniform Commercial Code (or equivalent statutes) of any jurisdiction.
- (s) “**Equipment**” has the meaning attributed thereto in Paragraph 2(b) of this Agreement.
- (t) “**Equipment Appraisal**” has the meaning attributed thereto in Paragraph 2(b) of this Agreement.
- (u) “**ET**” means eastern daylight savings or standard time, as the case may be.
- (v) “**Event of Default**” has the meaning attributed thereto in Paragraph 24 of this Agreement.
- (w) “**Facility A Loan**” has the meaning attributed thereto in Paragraph 2(a) of this Agreement.
- (x) “**Facility B Loan**” has the meaning attributed thereto in Paragraph 2(b) of this Agreement.

- (y) **"Facility C Loan"** has the meaning attributed thereto in Paragraph 2(c) of this Agreement.
- (z) **"Facility A Loan Availability"** has the meaning attributed thereto in Paragraph 5(a) of this Agreement.
- (aa) **"GAAP"** means generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period.
- (bb) **"Governmental Entity"** means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any crown corporation incorporated by the foregoing; (iii) any subdivision or authority of any of the foregoing; or (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
- (cc) **"Guarantor"** means collectively, 1711760 Alberta Ltd., Kevin Baumann, Michael Baumann and Kevin Schmidt and any other person who, from time to time, guarantees to the Lender the payment or performance of any of the Borrower's obligations to the Lender and **"Guarantor"** means any one of them;
- (dd) **"Governmental Entity"** means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any crown corporation incorporated by the foregoing; (iii) any subdivision or authority of any of the foregoing; or (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
- (ee) **"Indemnified Person"** has the meaning attributed thereto in Paragraph 23(b) of this Agreement.
- (ff) **"Lien"** means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation.
- (gg) **"Material Adverse Change"** means any change, condition or event which, when considered individually or together with other changes, conditions, events or occurrences could reasonably be expected to have a Material Adverse Effect.
- (hh) **"Material Adverse Effect"** means a material adverse effect on (i) the business, revenues, operations, assets, liabilities (contingent or otherwise), financial condition or prospects of the Borrower; (ii) on the rights and remedies of the Lender under the Credit Documents; (iii) on the ability of the Borrower to

perform its obligations under the Credit Documents; or (iv) on the Liens created by the Security Agreements.

- (ii) "Material Contracts" has the meaning attributed thereto in Paragraph 18(j) of this Agreement.
- (j) "Permitted Encumbrances" means, without Lender having or being deemed to have acknowledged, acquiesced or agreed to the quantum secured by such Encumbrances or to the priority, enforceability, or validity of such Encumbrances:
  - (i) any "purchase money security interests" in respect of equipment (as defined in the PPSA) used by the Borrower in the operation of its business and which is not for resale, lease or rental to its customers which is assumed, created or reserved to secure the unpaid purchase price of such equipment after the date hereof provided that any such Encumbrance is limited to the equipment so acquired;
  - (ii) PPSA registrations listed in Schedule "C" attached hereto;
  - (iii) any Statutory Encumbrances;
  - (iv) undetermined or inchoate Liens arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with Applicable Laws or of which written notice has not been duly given in accordance with Applicable Law or which, although filed or registered, relate to obligations not due or delinquent;
  - (v) restrictions, easements, rights-of-way, restrictive covenants, licenses, servitudes, watercourse, right of way, right of access or user or other similar rights in land (including, without restriction, 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 by other Persons and rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit to terminate or to require annual payments as a condition to the continuance thereof, which do not, either individually or in the aggregate, materially impair the value, use, development, management, ownership or operation of the property subject thereto and do not materially adversely affect the marketability of such property;
  - (vi) the rights reserved to or vested in municipalities or governmental or other public authorities or agencies by statutory provisions or by the terms of leases, licenses, franchises, grants or permits, to terminate the leases, licenses, franchises, grants or permits or to require annual or other periodic payments as a condition of the continuance thereof, but only to the extent that same does not in the aggregate materially impair the value, use, development, management, ownership or operation of the property

subject thereto and do not materially adversely affect the marketability of the such property;

- (vii) reservations in any original grants from the Crown of any land or interest therein, statutory exceptions to title, and reservations of minerals right (including coal, oil and natural gas) in any grants from the Crown or from any other predecessors in title;
  - (viii) securities given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the development, management, ownership and operation of property;
  - (ix) Liens on deposits in connection with bids, tenders and contracts (excluding those relating to the borrowing of money or the repayment of borrowed money) or to secure workers' compensation, unemployment insurance or other similar statutory assessments, or to secure costs of litigation when required by law, and surety or appeal bonds or deposits;
  - (x) zoning, use and building by laws and ordinances, federal, provincial or municipal by-laws and regulations and other governmental restrictions as to the use of property;
  - (xi) subdivision agreements, subdivision applications, site plan control agreements, servicing agreements and other similar agreements with municipalities affecting the development or use of the real property which do not, either individually or in the aggregate, materially impair the value, use, development, management, ownership or operation of the property subject thereto and do not materially adversely affect the marketability of such property;
  - (xii) title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the value, use or marketability of the property for the purposes for which it is held;
  - (xiii) Liens that are contractual rights of set-off relating to the establishment of depository relations with banks not given in connection with the issuance of indebtedness and
  - (xiv) any other Lien permitted under the terms of the Loan Documents or otherwise consented to, in writing, by the Lender.
- (kk) "person" includes a natural person, a partnership, a joint venture, a trust, a fund, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof, and any other incorporated or unincorporated entity.

- (ll) "PPSA" means the *Personal Property Security Act* as in effect from time to time in the Province of Alberta or equivalent legislation as it may apply to the Borrower.
- (mm) "Priority Claims" means the aggregate of any amounts accrued or payable by the Borrower which under any law may rank prior to or *pari passu* with any of the Security Agreements or otherwise in priority to any claim by the Lender for payment or repayment of any amounts owing under this Agreement, including: (i) wages, salaries, commissions, vacation pay or other remuneration; (ii) pension plan contributions; (iii) amounts required to be withheld from payments to employees or other persons for federal and provincial income taxes, employee Canadian Pension Plan contributions and employee Employment Insurance premiums, additional amounts payable on account of employer Canada Pension Plan contributions and employer Employment Insurance premiums; (iv) harmonized sales tax; (v) provincial sales or other consumption taxes; (vi) rent and other amounts payable in respect of the use of real property; (vii) amounts payable for repair, storage, transportation or construction or other services which may give rise to a possessory or registerable lien; (viii) Workers' Compensation Board and Workplace Safety and Insurance Board and occupational health and safety plan premiums or similar premiums; (ix) claims which suppliers could assert pursuant to Section 81.1 or Section 81.2 of the *Bankruptcy and Insolvency Act* (Canada); and (x) WEPPA Claims.
- (nn) "Property" means the property municipally known as Part NE ¼ 30-37-27 W4 and Part SE ¼ 30-37-27 W4, Red Deer County, Alberta.
- (oo) "Realty Appraisal" has the meaning attributed thereto in Paragraph 2(c) of this Agreement.
- (pp) "related person" has the meaning attributed thereto in Paragraph 17(c) of this Agreement.
- (qq) "Repayment Date" has the meaning attributed thereto in Paragraph 9 of this Agreement.
- (rr) "Report Day" has the meaning attributed thereto in Paragraph 5 of this Agreement.
- (ss) "Security Agreements" means, collectively, the agreements referred to in Paragraph 15 (a) to (i) and any other security granted to the Lender, as security for the obligations of the Borrower under this Agreement and the other Credit Documents, as the same have been or may at any time and from time to time hereafter be amended, restated, supplemented, otherwise modified or replaced.
- (tt) "Statutory Encumbrances" means any Encumbrances arising by operation of Applicable Laws, including, without limitation, for carriers, warehousemen, repairers', taxes, assessments, statutory obligations and government charges and levies for amounts not yet due and payable or which may be past due but which

are being contested in good faith by appropriate proceedings (and as to which there are no other enforcement proceedings or they shall have been effectively stayed).

- (uu) "TD" means The Toronto-Dominion Bank.
- (vv) "Term of this Agreement" means the period from and including the date on which this Agreement is executed to and including the date on which all amounts owing by the Borrower to the Lender hereunder have been paid in full and the Lender has no further obligations hereunder.
- (ww) "Weekly Borrowing Base Report" has the meaning attributed thereto in Paragraph 5 of this Agreement.
- (xx) "WEPPA Claims" means any claims made against the Borrower pursuant to the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1, as the same may be amended, restated or replaced from time to time.

Words importing the singular include the plural thereof and vice versa and words importing gender include the masculine, feminine and neuter genders.

#### 5. FACILITY A LOAN AVAILABILITY:

The maximum amount that shall be available under the Facility A Loan at any time and from time to time will, subject to the maximum amount contemplated in Paragraph 6(c) of this Agreement, be determined by the Lender once each week (or more frequently as determined by the Lender) and will be limited during such week (or other period as aforesaid) in accordance with the following formula (the "Facility A Loan Availability"):

the aggregate of:

- (a) ninety percent (90%) of the net amount of Eligible Insured Accounts Receivable as reflected in its then current Weekly Borrowing Base Report;

PLUS

- (b) ninety percent (90%) of the net amount of Eligible Investment Grade Accounts Receivable as reflected in its then current Weekly Borrowing Base Report;

PLUS

- (c) eighty-five percent (85%) of the net amount of Eligible Accounts Receivable as reflected in its then current Weekly Borrowing Base Report;

LESS the aggregate of:

- (d) the amount of the Facility A Loan then outstanding, together with all other amounts owing by the Borrower to the Lender under this Agreement but excluding any principal amount outstanding but not yet payable in respect of the Facility B Loan and the Facility C Loan (including, without limitation, interest due and owing on the amount of the Loan then outstanding);
- (e) reserves, determined by the Lender in its sole discretion, in respect of actual and/or potential Priority Claims and/or Statutory Encumbrances; and
- (f) any other reserves, determined by the Lender in its sole discretion.

On a Business Day in each week as determined by the Lender (the "Report Day"), prior to 1:00 p.m. ET, the Borrower will provide a report (a "Weekly Borrowing Base Report") to the Lender (in such form as the Lender shall reasonably require) providing, as at the end of the preceding week, a trial balance, a listing of all of the Borrower's accounts receivable, accounts payable, details of any then existing or potential Priority Claims, the amount of the requested Facility A Loan advance to be made hereunder for the week, a proposed list of disbursements and any other information that may be reasonably required by the Lender. The Lender shall, upon receipt of such report, calculate the then existing Facility A Loan Availability and advise the Borrower accordingly.

6. **ADVANCES OF FACILITY A LOAN:**

- (a) Facility A Loan advances to be made hereunder shall be the lesser of the Borrower's requested advance in its Weekly Borrowing Base Report and the then Facility A Loan Availability and will, less any amounts to be deducted therefrom as provided for hereunder, be deposited into the Borrower's Disbursement Account.
- (b) Provided that no Default or Event of Default has occurred and is continuing, and that at the time the advance is to be made the conditions contained in Paragraph 16 of this Agreement have been satisfied, Facility A Loan advances to be made hereunder shall, provided that the request is contained in a Weekly Borrowing Base Report and that such Weekly Borrowing Base Report is received by the Lender prior to 1:00 p.m. ET on the Report Day, be made no later than the close of business on the next Business Day.
- (c) Notwithstanding anything to the contrary contained in this Agreement, Facility A Loan advances shall be made by the Lender only to the extent of the then Facility A Loan Availability as calculated by the Lender, in its sole discretion, and, further, subject to an aggregate maximum to be advanced under this Paragraph 6 by the Lender of Five Million Dollars (\$5,000,000) (including accrued and unpaid interest owing on the amount of the Loan then outstanding, unpaid fees and expenses and all other amounts owing by the Borrower to the Lender under this

Agreement but excluding any principal amount outstanding but not yet payable in respect of the Facility B Loan and the Facility C Loan.

**7. FACILITY B LOAN AVAILABILITY AND FACILITY C LOAN AVAILABILITY:**

- (a) The maximum amount that shall be available under the Facility B Loan shall be an amount equal to the lesser of:
  - (i) Nineteen Million Dollars (\$19,000,000); and
  - (ii) Ninety percent (90%) of the Equipment Appraisal from time to time.
- (b) The maximum amount that shall be available under the Facility C Loan shall be an amount equal to the lesser of:
  - (i) Four Million Five Hundred Thousand Dollars (\$4,500,000); and
  - (ii) 75% of the Realty Appraisal less the amount of all existing prior encumbrances including, without limitation, real property taxes, all as determined by the Lender from time to time in its discretion.

**8. ADVANCES OF FACILITY B LOAN AND FACILITY C LOAN**

- (a) Provided that no Default or Event of Default has occurred and is continuing, and that at the time the advance is to be made the conditions contained in Paragraph 16 of this Agreement have been satisfied, the Lender shall, upon the execution of this Agreement and receipt of the Equipment Appraisal, satisfactory to the Lender in its sole discretion, advance to the Borrower as a Facility B Loan advance by way of one advance in the aggregate amount of the Facility B Loan amount.
- (b) Provided that no Default or Event of Default has occurred and is continuing, and that at the time the advance is to be made the conditions contained in Paragraph 16 of this Agreement have been satisfied, the Lender shall, upon the execution of this Agreement, advance to the Borrower as a Facility C Loan advance by way of one advance in the aggregate amount of the Facility C Loan amount.

**9. TERM:**

The Loan (together with all accrued interest and all other amounts payable hereunder) shall be repaid in full (and any obligation of the Lender to make advances hereunder shall be permanently cancelled) on demand. If demand has not previously been made by the Lender, the Loan (together with all accrued interest and all other amounts payable hereunder) shall be repaid (and any obligation of the Lender to make advances hereunder shall be permanently cancelled) in full upon the earlier of:



- (a) Twelve (12) months following the date on which the first Loan advance is made hereunder (the "**Repayment Date**"); or
- (b) The occurrence of an Event of Default.

**10. INTEREST RATE:**

- (a) The Borrower shall pay to the Lender interest on the outstanding principal amount of the Loan at the applicable interest rate set out in this Paragraph 10.
- (b) Interest on the principal amount of the Loan, outstanding from time to time shall be calculated at a rate of eighteen percent (18%) per annum, payable on the last day of each month, which interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Loan not in advance, and shall be payable both before and after default and/or judgment as well after as before maturity. Interest calculated as aforesaid shall be payable monthly, on the last Business Day of each month until the full amount outstanding hereunder on account of the Loan have been paid. The first payment of interest hereunder shall be payable on the last Business Day of the month in which the first advance of the Loan occurs computed from the date of such advance.
- (c) Interest on overdue interest payable in respect of the Loan shall be calculated at the rate of twenty-one percent (21%) per annum, shall be compounded monthly and shall be payable on demand.
- (d) Any unpaid costs and expenses and other fees and charges contemplated herein which are not paid when due hereunder shall bear interest calculated at the rate of twenty-one percent (21%) per annum, which interest shall be payable on demand.
- (e) All rates of interest accruing hereunder on all amounts outstanding from and after the first to occur of an Event of Default, the Repayment Date, or demand being made by the Lender, shall be increased by three percent (3%) per annum calculated as aforesaid.
- (f) A certificate of an authorized signing officer of the Lender as to each amount and/or each rate of interest payable hereunder from time to time shall be conclusive evidence of such amount and of such rate, absent manifest error.
- (g) For the purposes of disclosure under the *Interest Act* (Canada), where in this Agreement or in any Security Agreement an annual rate of interest is to be calculated during a leap year, the yearly rate of interest to which such rate is equivalent is such rate multiplied by 366 and divided by 365.
- (h) For greater certainty, whenever any amount is payable under any Credit Document as interest or as a fee which requires the calculation of an amount using a percentage per annum, each party to this Agreement acknowledges and agrees that such amount shall be calculated as of the date payment is due without

application of the "deemed reinvestment principle" or the "effective yield method".

- (i) Notwithstanding any provision to the contrary contained in this Agreement, in no event will the aggregate "interest" (as defined in section 347 of the Criminal Code (Canada)) payable hereunder exceed the effective annual rate of interest on the "credit advanced" (as defined in that section) under this Agreement lawfully permitted under that section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand will be deemed to have been made by mutual mistake of the Borrower and the Lender and the amount of such payment or collection will be refunded to the Borrower; for the purposes of this Agreement, the effective annual rate of interest will be determined in accordance with generally accepted actuarial practices and principles over the term of the Loan on the basis of monthly compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Lender will be conclusive for the purposes of such determination.

**11. PRINCIPAL PAYMENTS ON ACCOUNT OF THE FACILITY B LOAN AND THE FACILITY C LOAN:**

- (a) Until the earliest of: (a) demand; (b) an Event of Default; and (c) the Repayment Date, the Facility B Loan shall be repayable by way of consecutive equal monthly payments of principal in the amount of One Hundred Thousand Dollars (\$100,000) commencing the last Business Day of the fourth month from the date of this Agreement with a final balloon payment on the Repayment Date.
- (b) At any time and from time to time, upon notice from the Lender on or after receipt by the Lender of any updated Equipment Appraisal, the Borrower shall also make a payment of principal in an amount equal to the difference, if any, by which ninety percent (90%) of the updated Equipment Appraisal is less than the Facility B Loan amount then outstanding (principal and accrued and unpaid interest) to be applied against the Facility B Loan.
- (c) Upon the sale of any Equipment, if permitted by the Lender in its sole discretion, included in the Equipment Appraisal, the Borrower shall also make a payment of principal equal to ninety percent (90%) of the amount of the Equipment Appraisal attributable to such Equipment to be applied against the Facility B Loan.
- (d) Until the earliest of: (a) demand; (b) an Event of Default; and (c) the Repayment Date, the Facility C Loan shall be repayable by way of consecutive equal monthly payments of principal in the amount of Twenty Thousand Dollars (\$20,000) commencing the last Business Day of the fourth month from the date of this Agreement with a final balloon payment on the Repayment Date.

- (e) In the event of a decrease in the fair market value of the Property as determined by the Lender in its sole discretion, the Borrower shall also make a payment of principal in an amount equal to the difference, if any, by which seventy-five percent (75%) of the Realty Appraisal is less than the Facility C Loan amount then outstanding (principal and accrued and unpaid interest) to be applied against the Facility C Loan.

**12. PREPAYMENT:**

Prepayment of the Loan in full (together with all accrued interest and other amounts payable hereunder) is permitted at any time upon payment of a fee of 2% of the authorized amount of the Loan during the period up to and including six months from the date hereof reducing to 1.5% of the authorized amount of the Loan thereafter to and including nine months from the date hereof reducing to 1.25% of the authorized amount of the Loan thereafter. Notwithstanding voluntary prepayment of the Loan in full, the Borrower may thereafter (but only during the Term of this Agreement) request additional Facility A Loan advances hereunder provided that no Default or Event of Default has occurred which is then continuing and that no demand for repayment of the Loan shall have been made by the Lender.

**13. FACILITY FEE:**

The Borrower shall pay a non-refundable facility fee in the amount 1% of the authorized amount of the Loan which fee shall be fully earned at the time of the execution of this Agreement and shall be payable on the earlier of demand, the Repayment Date or the repayment of the Loan.

**14. MAINTENANCE AND MONITORING FEE AND UNUSED LINE FEE:**

- (a) The Borrower shall pay a maintenance and monitoring fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) for each month, or pro-rated for any partial month, until the Loan is repaid in full and any obligation of the Lender to make advances hereunder is permanently cancelled. The aforesaid fee shall be paid monthly on the last Business Day of each month during which such fee is payable, as provided for herein, and upon repayment of the Loan and permanent cancellation of any obligation of the Lender to make advances hereunder in respect of the final month in question.
- (b) The Borrower shall pay an unused line fee for each day of the term in an amount equal to the authorized amount of the Facility A Loan less the amount outstanding for such day in respect of the Facility A Loan multiplied by 1.0% and divided by 365 or 366, as applicable, depending on the actual number of days in the year in respect of the period for which the unused line fee is payable. The unused line fee for each month (except for the month in which the Repayment Date occurs) is payable in arrears on the last day of each calendar month following the initial advance of the Facility A Loan; the final monthly installment of the unused line fee is payable on the Repayment Date. Notwithstanding the foregoing, any unpaid

unused line fee is immediately due and payable on the date that the Facility A Loan is indefeasibly repaid in full.

15. **SECURITY:**

The Loan shall be evidenced or secured by the following documents, made by the Borrower, which shall be provided contemporaneously with the execution of this Agreement, shall be in form and substance satisfactory to the Lender and shall be supported by all necessary resolutions and opinions (each in form and substance satisfactory to the Lender and the Lender's counsel):

- (a) a demand grid promissory note made by the Borrower to evidence each of the Facility A Loan, Facility B Loan and the Facility C Loan;
- (b) a first ranking, subject to Permitted Encumbrances, security interest in all the assets of the Borrower including machinery and equipment, existing and future, of the Borrower, including intellectual property, trademarks, registered in all appropriate jurisdictions;
- (c) an assignment of insurance from the Borrower covering fire and such other risks (including without limitation public liability insurance) and in such form and amount as the Lender may require in respect of all of the Collateral and in respect of which the Lender is shown as first loss payee;
- (d) an unconditional guarantee from 1711760 Alberta Ltd. secured by a first ranking, subject to Permitted Encumbrances, security interest in all the assets of 1711760 Alberta Ltd. together with a share pledge agreement for all the shares of the Borrower, together with resolutions, powers of attorney and original share certificates;
- (e) an unconditional personal guarantee from Kevin Baumann limited to the principal amount of \$6,000,000 secured by a first charge/mortgage of land over the Property supported by title insurance;
- (f) an unconditional personal guarantee from each of Michael Baumann and Kevin Schmidt limited in the principal amount of \$250,000 each for the liabilities, obligations and indebtedness of the Borrower to the Lender;
- (g) a share pledge agreement from each of Kevin Baumann, Michael Baumann and Kevin Schmidt for all the shares of 1711760 Alberta Ltd., together with resolutions, powers of attorney and original share certificates;
- (h) a subordination, assignment, postponement and standstill of all loans, advances and claims from all shareholders and/or related and affiliated parties of the Borrower in respect of any and all amounts owing to any of them from the Borrower and any security held by them in respect thereof; and

- (i) if applicable, an assignment of the Accounts Receivable Insurance from the Borrower in favour of the Lender.

In addition, the Borrower shall provide the Lender with the following (the "Additional Closing Documents"), in form and substance satisfactory to the Lender:

- (a) such officer's certificates with respect to the Borrower and such legal opinions and other supporting documents as the Lender shall require;
- (b) acknowledgements by such of the landlords of the Borrower and their mortgagees as may be designated by the Lender from time to time of the Lender's security interest in the assets of the Borrower, waivers by such landlords and their mortgagees of any Lien or other claims by such persons to the Borrower's assets and agreements permitting the Lender access to, and a right to remain on, the premises in question to exercise its rights and remedies and otherwise deal with the Borrower's assets; and
- (c) acknowledgements by such of the third party warehousemen, if any, of the Borrower as may be designated by the Lender from time to time of the Lender's security interest in the assets of the Borrower, waivers by such warehousemen of any Liens or other claims by such persons to the Borrower's assets and agreements permitting the Lender access to, and a right to remain on, the premises in question to exercise its rights and remedies and otherwise deal with the Borrower's assets.

The Borrower will from time to time at its expense duly authorize, execute and deliver to the Lender such further instruments and documents and take such further action as the Lender may reasonably request for the purpose of obtaining or preserving the full benefits granted or intended to be granted to the Lender by the Security Agreements and of the rights and remedies therein granted to the Lender, including without limitation, the filing of financing statements or other documents under any Applicable Law with respect to the Liens created thereby. Unless prohibited by Applicable Law, the Borrower authorizes the Lender to file any such financing statement or similar documents without the signature of the Borrower.

The Borrower acknowledges that changes to Applicable Law may require the execution and delivery of different forms of documentation, and accordingly the Lender shall have the right to require that the Security Agreements be amended, supplemented or replaced (and the Borrower shall duly authorize, execute and deliver to the Lender on request any such amendment, supplement or replacement with respect to any of the Security Agreements to which the Borrower is a party): (i) to reflect any change in Applicable Law, whether arising as a result of statutory amendments, court decisions or otherwise; or (ii) to facilitate the creation and registration of appropriate forms of security in all applicable jurisdictions.

16. **CONDITIONS:**

- (a) Each of the following is a condition precedent to the initial Borrowing hereunder:
- (i) The Lender shall have received from all of the secured creditors who have registered against the Borrower pursuant to the PPSA or equivalent legislation, as applicable, and who are listed in Schedule "D" hereto, full and final releases and discharges of such security and such registrations;
  - (ii) The Lender shall have received from all of the secured creditors who have registered against the Borrower pursuant to the PPSA and who are listed in Schedule "E" hereto, acknowledgements in favour of the Lender and its successors and assigns, in a form acceptable to the Lender, specifying the collateral which is the subject matter of such registration in its favour, and confirming that such secured creditor will not take any new security which ranks or purports to rank ahead of the Security Agreements pursuant to such registration;
  - (iii) The Borrower shall have opened a CDN\$ blocked account (the "**Blocked Account**") at TD and shall have entered into a blocked account agreement in accordance with Paragraph 17 of this Agreement with respect to such account;
  - (iv) The Security Agreements shall have been duly executed and delivered and, where required, registered;
  - (v) The Lender shall have received the Additional Closing Documents;
  - (vi) At or prior to the time the advance in question is to be made, no Default or Event of Default shall have occurred and be continuing;
  - (vii) The Lender shall have completed all of its due diligence investigations and shall, in its sole discretion, be satisfied with the results of same;
  - (viii) The Lender shall have received evidence satisfactory to it that all insurance coverage contemplated in this Agreement is then in place;
  - (ix) The Lender shall have received payment of all fees (including all legal fees of the Lender), expenses and other amounts then payable under the Credit Documents;
  - (x) The Lender shall have received and shall, in its sole discretion, be satisfied with the Borrower's internally prepared financial statements as at January 31, 2014;
  - (xi) There shall not have occurred or become known any Material Adverse Change or any condition or event that could reasonably be expected to

result in a Material Adverse Change, in each case, since September 30, 2012;

- (xii) No other event shall have occurred that, in the Lender's sole discretion, materially adversely affects or could materially adversely affect either: (i) the business, assets, liabilities, prospects, financial condition or operations of the Borrower, or (ii) the value of the Collateral which is the subject matter of the Security Agreements;
  - (xiii) The Lender shall have received and shall, in its sole discretion, be satisfied with the Equipment Appraisal and the Realty Appraisal; and
  - (xiv) With respect to the above of the Facilities, the Lender shall have received and shall, in its sole discretion, be satisfied with the Borrower's financial projections
- (b) Each of the following is a condition precedent to any subsequent advance to be made hereunder:
- (i) All of the conditions contained in Paragraph 16(a) shall have been satisfied and shall as at the time of the making of the subsequent advance in question continue to be satisfied;
  - (ii) All of the representations and warranties of the Borrower herein are true and correct on and as of such date as though made on and as of such date other than those representations and warranties which relate to a specific date which shall continue to be true as of such date;
  - (iii) No event or condition has occurred and is continuing, or would result from such Borrowing, which constitutes or which, with notice, lapse of time, or both, would constitute, a breach of any covenant or other term or condition of this Agreement or of any Credit Document;
  - (iv) Such Borrowing will not violate any Applicable Law then in effect;
  - (v) No Default or Event of Default shall have occurred and be continuing; and
  - (vi) No other event shall have occurred that, in the Lender's sole discretion, acting reasonably, materially adversely affects or could materially adversely affect either: (i) the business, assets, liabilities, prospects, financial condition or operations of the Borrower, or (ii) the value of the Collateral.
- (c) The making of Borrowings hereunder, without the fulfillment of one or more conditions set forth in Paragraphs 16(a) or 16(b), shall not constitute a waiver of any such condition, and the Lender reserves the right to require fulfillment of such condition in connection with any subsequent Borrowing.

17. CASH MANAGEMENT SYSTEMS:

- (a) The Borrower shall establish and shall continue to maintain, at its expense, the Blocked Account at TD into which the Borrower shall promptly deposit all funds received from all sources including, without limitation, all account receivable payments, cash sales receipts, credit card payments, any and all refunds received from any source whatsoever and any proceeds of any advances or other loans made to it and shall direct its account debtors that remit payments by electronic funds transfers to directly remit all payments into the Blocked Account.
- (b) TD and the Borrower shall enter into an agreement ("**Blocked Account Agreement**"), in form and substance satisfactory to the Lender, acting reasonably, providing that all items received or deposited in the Blocked Account are the property of the Lender, that TD has no Lien upon, or right to setoff against, the Blocked Account, the items received for deposit therein, or the funds from time to time on deposit therein and that TD will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into the Blocked Account to the Lender's account, as the Lender may from time to time designate for such purpose. The Borrower agrees that all payments made to the Blocked Account or other funds received and collected by the Lender, shall be property of the Lender.
- (c) The Borrower and all of its affiliates, subsidiaries, officers, employees, agents, directors or other persons (a "**related person**") shall, acting as trustee for the Lender, receive, as the property of the Lender, any monies, cheques, notes, drafts or any other payment which comes into the possession or under the control of the Borrower or, in the case of any related person, comes into its possession or under its control and is rightfully that of the Borrower, and immediately upon receipt thereof where received by the Borrower or upon becoming aware of the receipt thereof where received by a related person, the Borrower shall deposit or shall cause the same to be deposited in the Blocked Account, or remit the same or cause the same to be remitted, in kind, to the Lender. In no event shall the same be commingled with any of the Borrower's own funds. The Borrower agrees to reimburse the Lender on demand for any amounts owed or paid to TD regarding the Blocked Account or any other bank or person involved in the transfer of funds to or from such Blocked Account arising out of the Lender's payments to or indemnification of such bank or person.
- (d) The Lender shall apply amounts received from the Blocked Account to the Loan.
- (e) The Borrower shall make all of its payments and disbursements only from its Disbursement Account.



**18. BORROWER'S REPRESENTATIONS:**

The Borrower represents and warrants, which representations and warranties are deemed to be repeated at the time of each advance hereunder as though made at such time, as follows:

- (a) The Borrower is a corporation existing under the laws of Alberta and has all necessary corporate power and authority to own or lease its property and assets and to carry on its business as now being conducted by it, and to authorize, create, execute, deliver and perform all of its obligations under the Credit Documents in accordance with its respective terms;
- (b) The Credit Documents have been duly authorized, executed and delivered by the Borrower and constitute legal, valid and binding obligations of it enforceable against it in accordance with their respective terms;
- (c) The financing transactions hereunder (i) do not require any material consent or approval of, registration or filing with, or any other action by, any Governmental Entity, except such as have been obtained or made and are in full force and effect, (ii) will not violate in any material respect any Applicable Law and will not violate the charter, by-laws or other organizational or constitutional documents of Borrower or any order of any Governmental Entity, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower, and (iv) will not result in the creation or imposition of any lien on any asset of the Borrower (other than Permitted Encumbrances);
- (d) The Borrower owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower does not infringe upon the rights of any other person;
- (e) The Borrower maintains, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar business operating in the same or similar locations;
- (f) The Borrower is not in default under any of their respective obligations and there are no actions, suits or proceedings, pending or threatened, against or affecting it;
- (g) The Borrower is in compliance with all laws, regulations and orders of any Governmental Entity applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property;
- (h) The Borrower has good title to its property, free and clear of all Encumbrances other than Permitted Encumbrances;
- (i) The Borrower possesses all licenses and permits necessary to properly conduct its business. Each such license and permit is (i) in full force and effect; and (ii) not

subject to any dispute. No event has occurred which, with the giving of notice, lapse of time or both, would constitute a default under, or in respect of, any such license or permit;

- (j) The Disclosure Schedule sets forth the commitments of any lender (other than the Lender) for debt for borrowed money, all debt for borrowed money outstanding, of the Borrower and all contracts which are material to the Borrower (the "Material Contracts");
- (k) The Borrower is not aware of any facts or circumstances which would have an adverse impact on the value of the Collateral. The provisions of this Agreement and the other Credit Documents create legal and valid Liens on all the Collateral in favor of the Lender, and such Liens constitute perfected and continuing Liens on the Collateral and have priority over all other Liens on the Collateral except for Permitted Encumbrances;
- (l) As of the date hereof, both before and after giving effect to (a) the financing transactions to be consummated on the date hereof and (b) the payment and accrual of all fees, costs and expenses in connection therewith, the Borrower is and will be solvent;
- (m) As of the date hereof, adequate provision has been made for the payment of all Priority Claims and potential Priority Claims, whether or not payable and whether or not disputed; and
- (n) All information furnished by or on behalf of the Borrower in writing to the Lender in connection with this Agreement or any transaction contemplated hereby, is true and correct and does not omit any fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of the Borrower, which has not been fully and accurately disclosed to the Lender in writing.

The representations and warranties in this Agreement and in any certificates or documents delivered to the Lender shall not merge in or be prejudiced by and shall survive any Borrowing and shall continue in full force and effect for the Term of this Agreement.

**19. LENDER REPRESENTATIONS:**

The Lender represents and warrants as follows:

- (a) The Lender is a corporation existing under the laws of the Province of Ontario and has all necessary corporate power and authority to carry on its business as now being conducted by it, and to authorize, create, execute, deliver and perform all of its obligations under this Agreement; and

- (b) This Agreement and each of the documents executed by the Lender in connection with this Agreement has been duly executed and delivered by the Lender and constitutes a legal, valid and binding obligation of the Lender enforceable against it in accordance with its respective terms.

**20. COVENANTS:**

- (a) The Borrower covenants and agrees with the Lender that:
  - (i) it will (a) keep and maintain all property material to the conduct of its business in good working order and condition (ordinary wear and tear and casualty events excepted), and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, all of which shall show the Lender as a loss payee;
  - (ii) it will comply with all Applicable Laws;
  - (iii) it shall provide the Lender with online view access to all bank accounts of the Borrower;
  - (iv) it shall pay or cause to be paid, when due (i) all taxes, assessments and governmental charges or levies (including interest and penalties) imposed upon such person or upon such person's income, sales, capital or profit or any other property belonging to such person, and (ii) Priority Claims;
  - (v) it shall keep proper books of record and account, in which full and correct entries shall be made of all of its financial transactions and its assets and business in accordance with GAAP;
  - (vi) it shall retain a full time Chief Financial Officer satisfactory to the Lender on or before April 30, 2014;
  - (vii) it shall promptly cure or cause to be cured any defects in the execution and delivery of any of the Credit Documents or any defects in the validity or enforceability of any of the Security Agreements and at its expense, execute and deliver or cause to be executed and delivered, all such agreements, instruments and other documents as the Lender may consider necessary or desirable for the foregoing purposes; and
  - (viii) at the Borrower's cost and expense, upon reasonable request of the Lender, the Borrower shall execute and deliver to the Lender such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Lender to carry out more effectually the provisions and purposes of the Credit Documents;

- (b) The Borrower covenants and agrees that the Borrower shall not, at any time without the prior written consent of the Lender:
- (i) permit any change of control or any material change in its business or operations;
  - (ii) create, grant, assume or permit to exist any Encumbrance (including Priority Claims) on any of their property other than Permitted Encumbrances;
  - (iii) sell, assign, lease, transfer or otherwise dispose of any of their assets, other than in the ordinary course of business;
  - (iv) dispose of, acquire or establish any subsidiary;
  - (v) redeem or repurchase any securities issued by them;
  - (vi) declare, make or pay any Distributions;
  - (vii) make, directly or indirectly, any payments of management, consulting or other fees for management or similar services, to any of their directors, officers, shareholders or anyone not at arms-length with any of them, except reasonable compensation for services rendered to the Borrower in the ordinary course of business;
  - (viii) reimburse any expenses paid or otherwise incurred by anyone, except to the extent that those expenses were incurred in the ordinary course of business and are reasonable in amount;
  - (ix) have any place of business or keep or store any material tangible personal property (other than goods that are of a type that are normally used in more than one jurisdiction, if the goods are equipment or inventory leased or held for lease by an obligor to others) outside of those jurisdictions (or registration districts within such jurisdictions) set forth in the Disclosure Schedule (i) except upon 30 days' written notice to the Lender; and (ii) unless the Borrower has done or caused to be done all such acts and things and executed and delivered or caused to be executed and delivered all such deeds, transfers, assignments and instruments (including opinions of counsel to the Borrower) as the Lender may reasonably require such that the Lender, shall continue to have a first priority perfected security interest (whether by way of registration or otherwise and subject only to Permitted Encumbrances) over all of the personal property of such person except where the Lender, acting reasonably, determines that the cost of obtaining such perfected security interest over an asset exceeds the benefit to it of obtaining such security interest;

- (x) enter into or amend or terminate any contract otherwise than in the ordinary course of business or, in respect of those not in the ordinary course of business, having a value over \$100,000;
  - (xi) make any payments or transfer any of their undertaking, properties, rights or assets to any person without due consideration which in any manner diverts, or results or could result in the diversion of, assets and/or opportunities of the Borrower to such other person;
  - (xii) change its name, or the location of its place of business, if it has only one place of business, or its chief executive office without giving the Lender 30 days prior written notice;
  - (xiii) enter into any transaction (whether by way of amalgamation, merger, winding-up, consolidation, reorganization, transfer, sale, lease or otherwise) whereby all or substantially all of their undertaking, properties, rights or assets would become the property of any other person or entity, or in the case of amalgamation, of the continuing corporation resulting therefrom;
  - (xiv) permit the Borrower's insurance coverage, as required in this Agreement, to lapse at any time;
  - (xv) make a payment to any shareholder in respect of any shareholder loan owing to such shareholder or make a payment to any Affiliate in respect of any intercompany loan owing to such Affiliate;
  - (xvi) open or maintain any bank accounts other than the Disbursement Account and the Blocked Account;
  - (xvii) make a loan to or investments in any person, or give guarantees on behalf of any person; or
  - (xviii) incur or repay any indebtedness, other than pursuant to or as otherwise expressly permitted under this Agreement, except for arm's length trade debts, obligations or other liabilities incurred in the ordinary course of business.
- (c) On request by the Lender from time to time, the Borrower shall give Canada Revenue Agency and other Governmental Entities written authorization to disclose to the Lender the status of any Priority Claims. The Borrower hereby grants its consent (such grant to remain in force as long as this Agreement is in effect or any Borrowings are outstanding) to any person having information relating to any potential Priority Claim to release such information to the Lender at any time upon its written request for the purpose of assisting the Lender to evaluate the financial condition of the Borrower.

Notwithstanding the provisions of this Section 20, the Lender hereby consents to the amalgamation of the Borrower and 1711760 Alberta Ltd. within 30 days of the date hereof, provided that the Lender is provided with prior written notice and has received such security and other confirmations as it may require in its sole discretion.

**21. REPORTS:**

The Borrower shall, in a form and manner prescribed by the Lender (which may include by fax and/or e-mail), deliver to the Lender the following, signed by a senior officer of the Borrower:

- (a) Daily, a list of sales, credit notes and cash receipts received by the Borrower from its customers during the preceding day;
- (b) Weekly, a list of total invoiced sales completed during the preceding week, an aged accounts receivable schedule, aged accounts payable schedule, parts inventory schedule, Priority Claims listing and summary trial balance;
- (c) Monthly, by the thirtieth (30<sup>th</sup>) of each calendar month, a monthly compliance certificate in a form satisfactory to the Lender;
- (d) Monthly, by the thirtieth (30<sup>th</sup>) of each calendar month in respect of the preceding month, an aged accounts receivable schedule, aged accounts payable schedule, Priority Claims listing and summary trial balance;
- (e) Monthly, by the thirtieth (30<sup>th</sup>) of each calendar month in respect of the preceding month, internally prepared financial statements for the preceding month and internally prepared financial statements for the year to date with comparisons to the prior year and projections;
- (f) Monthly, by the thirtieth (30<sup>th</sup>) of each calendar month copies of all bank statements for the prior month;
- (g) Monthly, by the thirtieth (30<sup>th</sup>) of each calendar month a copy of most recent realty tax bill in respect of the Property together with proof of payment of installments billed to date;
- (h) Annually, no later than thirty (30) days prior to the end of the Borrower's financial year, financial and business projections for the following financial year;
- (i) Annually, within one hundred and twenty (120) days of the Borrower's financial year end in respect of the preceding financial year, audited financial statements for the Borrower that were prepared by external auditors;
- (j) Such additional financial information with respect to Borrower as and when requested by the Lender; and

- (k) Forthwith, particulars of any occurrence which constitutes an Event of Default hereunder or of any action, suit or proceeding, pending or to the Borrower's knowledge threatened against the Borrower.

**22. FIELD EXAMINATIONS/APPRAISALS:**

- (a) The Borrower acknowledges that the Lender and its examiners shall be permitted to conduct periodic field examinations of the Collateral and operations of the Borrower (not to exceed four (4) in any calendar year prior to a Default or Event of Default which is continuing and more frequently as the Lender may determine in its sole discretion thereafter).
- (b) The Borrower further acknowledges that the Lender shall be permitted to obtain equipment valuations (not to exceed two (2) in any calendar year prior to a Default or Event of Default which is continuing and more frequently as the Lender may determine in its sole discretion thereafter). For greater certainty, such equipment valuations shall be completed by any of Hilco, Assets Services, Corporate Assets or Gordon Brothers as determined by the Lender in its sole discretion provided that after a Default or Event of Default, the Lender shall be at liberty to use the appraiser of its choosing.
- (c) The Borrower and the Guarantors acknowledge that the Lender shall be permitted to obtain real property valuations (not to exceed one (1) in any calendar year prior to a Default or Event of Default which is continuing and more frequently as the Lender may determine in its sole discretion thereafter) in respect of the Property.

**23. EXPENSES:**

- (a) The Borrower agrees to pay on demand all legal and other professional fees and disbursements and all expenses in respect of the Loan, the preparation and issuance of the Credit Documents, the conduct by the Lender of its due diligence, ongoing monitoring by the Lender of the Loan, the enforcement and preservation of the Lender's rights and remedies, discharge of the Security Agreements, all appraisals and field examinations contemplated in Paragraph 22, insurance consultation and similar fees and all other fees and disbursements of the Lender, whether or not any funds are advanced under the Loan.
- (b) The Borrower shall indemnify and hold the Lender and each of its officers, directors, employees and agents (each an "Indemnified Person") harmless from, and shall pay to such Indemnified Person on demand any reasonable amounts required to compensate the Indemnified Person for, any claim or loss suffered by, imposed on, or asserted against, the Indemnified Person as a result of, connected with or arising out of (i) conducting a due diligence investigation of the operations and undertakings of the Borrower, (ii) the preparation, execution and delivery of, preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of, the Credit Documents and any related amendment, waiver or consent; (iii) any advice of counsel as to the rights and

duties of the Lender with respect to the administration of the Loan, the Credit Documents or any transaction contemplated under the Credit Documents; (iv) a default by the Borrower hereunder and any enforcement proceedings relating to any of the Credit Documents; (v) any proceedings brought against the Indemnified Person due to the Lender entering into any of the Credit Documents, performing its obligations under the Credit Documents, providing any Borrowing or any use of any Borrowing by the Borrower; provided that the Borrower shall have no obligation to indemnify any Indemnified Person for any of the foregoing to the extent determined by a judgment of a court of competent jurisdiction to have arisen from such Indemnified Person's gross negligence, willful misconduct or fraud or default by the Lender or such other Indemnified Person under any of the Credit Documents or breach of Applicable Law by the Lender or such other Indemnified Person.

- (c) The provisions of this Paragraph 23 shall survive the termination of this Agreement, the repayment of all amounts owing hereunder and the cancellation of the Loan.

#### 24. EVENTS OF DEFAULT:

Without limiting any other rights of the Lender under this Agreement, if any one or more of the following events (herein an "Event of Default") has occurred and is continuing:

- (a) the Borrower fails to pay when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Lender;
- (b) there is a breach by the Borrower or any other person of any term or condition contained in any Credit Document or in any other agreement with the Lender to which any of them is a party and such breach continues for ten (10) days after the Borrower shall have received written notice of same;
- (c) any default occurs under any other credit, loan or security agreement to which the Borrower is a party and such breach continues for ten (10) days after the Borrower shall have received written notice of same;
- (d) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against the Borrower or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or the Borrower shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;



- (e) the Borrower does not deposit funds from any source into the Blocked Account or deposits any funds from any source into an account other than the Blocked Account;
- (f) any judgment for the payment of money is rendered against the Borrower in excess of \$250,000 and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed;
- (g) a Material Adverse Change shall have occurred since the date of this Agreement;
- (h) any audited financial statements of the Borrower are qualified in any respect by the Borrower's independent auditors;
- (i) a receiver is appointed over any property of the Borrower or any judgment or order or process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;
- (j) the Borrower makes a payment to any Affiliate in respect of any loan owing to such Affiliate, except as otherwise permitted hereunder;
- (k) any course of action is undertaken by the Borrower which would result in its reorganization, amalgamation or merger with another entity or the transfer of all or substantially all of its assets;
- (l) any Security Agreement is or becomes illegal, invalid, prohibited or unenforceable and/or ceases to rank in the priority contemplated herein against the property charged thereunder;
- (m) any Material Contract terminates, expires or ceases to be legal, valid, binding and enforceable or if the Borrower breaches a Material Contract;
- (n) any representation or warranty made by the Borrower in any Credit Document or in any certificate or other document delivered to the Lender in connection herewith is false or misleading in any material respect; or
- (o) in the opinion of the Lender, any adverse change has occurred in the financial condition or business of the Borrower which may impair its ability or willingness to perform any of its obligations to the Lender or the Lender considers the security held to secure the Loan to be in jeopardy or the Lender considers itself insecure;

then, in such event, the ability of the Borrower to make further Borrowings under this Agreement shall immediately terminate and the Lender may, by written notice to the Borrower, declare the Borrowings outstanding hereunder to be immediately due and payable. Upon receipt of such written notice, the Borrower shall immediately pay to the Lender all Borrowings outstanding under this Agreement and all other obligations of the Borrower to the Lender in connection therewith.

Upon a declaration that the Borrowings outstanding hereunder are immediately due and payable pursuant to this Paragraph 24, the Lender may commence such legal action and proceedings as the Lender in its sole discretion deems expedient, including the commencement of enforcement proceedings under the Credit Documents, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Borrower.

The rights and remedies of the Lender under the Credit Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies.

**25. GENERAL:**

- (a) The Security Agreements contain covenants, representations, warranties and events of default to which the Borrower shall be bound, in addition to any covenants, representations, warranties and events of default herein contained.
- (b) The terms and conditions of this Agreement shall not be merged in, and shall survive, the execution of the Credit Documents. In the event of any conflict or inconsistency between any provision of this Agreement and any of the other Credit Documents, the provisions of this Agreement shall govern and prevail.
- (c) All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing by personal delivery or by facsimile transmission addressed to such other party or delivered to such other party as follows:

- (i) to the Borrower at:

P.O. Box 47  
Bentley, AB T0C 0J0

Attention: Kevin Baumann

Facsimile: 403.264.5455

- (ii) to the Lender at:

Suite 4320, Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 1K2

Attention: COO

Facsimile: 416.941.9876

or at such other address or facsimile number as may be given by any of them to the others in writing from time to time and such notices, requests, demands or

other communications shall be deemed to have been received when delivered, or, if sent by facsimile transmission, on the date of transmission unless sent on a day which is not a Business Day or after 5:00 p.m. (local time of the recipient) on a Business Day, in which case it shall be deemed to have been received on the next Business Day following the day of such transmission.

- (d) The benefit of this Agreement may not be assigned by the Borrower.
  - (i) The Lender may in its sole discretion and at its expense arrange for the funding or assignment of all or part of the Loan (whether directly or indirectly), either at the time of the initial advance hereunder or from time to time thereafter, to one or more other persons (which may or may not be affiliated with the Lender). Without limiting the foregoing, the Lender may, at any time and without the consent of the Borrower, assign the whole or any part of its rights and obligations pursuant to this Agreement or any of the Security Agreements or other Credit Documents to any person. The Borrower agrees, at the expense of the Lender (other than the Borrower's reasonable legal fees and expenses) to enter into all such documents and assurances as may be necessary to facilitate same.
  - (ii) The Lender may disclose to potential or actual assignees confidential information regarding the Borrower (including, any such information provided by the Borrower to the Lender); provided that such potential or actual assignee agrees to keep such confidential information confidential and use it solely for evaluation of an assignment or the administration of this Agreement and the other Credit Documents. The Lender shall not be liable for any disclosure of confidential information made pursuant to this Paragraph 25(d).
- (e) Any and all payments made at any time in respect of the Loan or any other obligation hereunder and the proceeds realized from any security held therefor may be applied (and reapplied from time to time notwithstanding any previous application) to such part or parts of the indebtedness of the Borrower as the Lender sees fit.
- (f) Time shall be in all respects of the essence hereof.
- (g) Any provision of this Agreement which is invalid or unenforceable under the laws of any jurisdiction in which this Agreement is sought to be enforced shall, as to such jurisdiction and to the extent such provision is invalid or unenforceable, be deemed severable and shall not affect any other provision of this Agreement.
- (h) In no event shall the interest and all other charges provided for hereunder exceed the maximum aggregate amount that the Lender may collect in compliance with Applicable Law. Notwithstanding anything to the contrary herein contained, if at any time implementation of any provision hereof results in a payment in

contravention of the preceding sentence, the amount of the excess shall be applied as a partial prepayment of principal.

- (i) The Lender will not be considered to have waived compliance with or amended any part of this Agreement or any obligations of the Borrower hereunder or under any other document unless such waiver or amendment is specifically set out in writing. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given. The Lender shall not be deemed to have waived compliance with any obligation of the Borrower simply because it does not exercise any of its rights or remedies immediately upon the occurrence of a breach thereof.
- (j) No representation or warranty or other statement made by the Lender concerning the Loan shall be binding on the Lender unless made by it herein or in writing as a specific amendment to this Agreement.
- (k) The Lender's records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Lender.
- (l) All financial or accounting determinations, reports and statements provided for in this Agreement shall be made or prepared in accordance with GAAP applied in a consistent manner.
- (m) The Borrower consents to the obtaining from any credit reporting agency or from any person or entity of such information as the Lender may require at any time, and consent to the disclosure at any time of any information concerning the Borrower to any credit grantor with whom the Borrower has financial relations or to any credit reporting agency.
- (n) This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery by facsimile or by electronic transmission in portable document format (PDF) of an executed counterpart of this Agreement is as effective as delivery of an originally executed counterpart of this Agreement.
- (o) This Agreement shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein.
- (p) The Borrower and the Lender irrevocably consent and submit to the exclusive jurisdiction of the Ontario Superior Court of Justice and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Security Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Security Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts

described above (except that Lender shall have the right to bring any action or proceeding against the Borrower or its property in the courts of any other jurisdiction which Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against the Borrower or its property).

- (q) Except as otherwise expressly provided herein, all dollar amounts herein are in Canadian Dollars.
- (r) This Agreement together with any schedules, encompasses the entire agreement among the parties hereto and supersedes all previous understandings and agreements among the parties hereto, whether oral or written, including, but not limited to, the term sheet dated January 7, 2014, among the parties hereto.
- (s) The parties hereto confirm that this Agreement and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande*

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

If the arrangements set out in this Agreement are acceptable to you, please sign the enclosed copy of this Agreement in the space indicated below and return the letter to us.

Yours very truly,

**CALLIDUS CAPITAL CORPORATION**

Per: *D. Reese*  
Name: David Reese  
Title: Chief Operating Officer

Per: *James Riley*  
Name: James Riley  
Title: Director and Secretary

We have authority to bind the Corporation.

The arrangements set out above are hereby acknowledged and accepted as of this 31<sup>st</sup> day of March, 2014.

**ALKEN BASIN DRILLING LTD.**

Per: \_\_\_\_\_  
Name: Kevin Baumann  
Title: President

I have authority to bind the Corporation.

**1711760 ALBERTA LTD.**

Per: \_\_\_\_\_  
Name:  
Title: President

I have authority to bind the Corporation.

If the arrangements set out in this Agreement are acceptable to you, please sign the enclosed copy of this Agreement in the space indicated below and return the letter to us.

Yours very truly,

**CALLIDUS CAPITAL CORPORATION**

Per: \_\_\_\_\_  
Name: David Reese  
Title: Chief Operating Officer

Per: \_\_\_\_\_  
Name: James Riley  
Title: Director and Secretary

We have authority to bind the Corporation.

The arrangements set out above are hereby acknowledged and accepted as of this 31<sup>st</sup> day of March, 2014.

**ALKEN BASIN DRILLING LTD.**

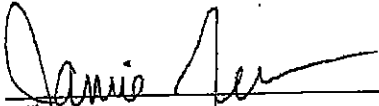
Per: \_\_\_\_\_  
Name: Kevin Baumann  
Title: President

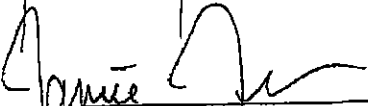
I have authority to bind the Corporation.


**1711760 ALBERTA LTD.**

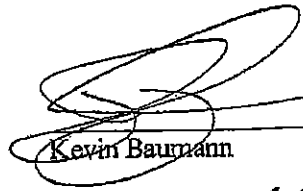
Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: President

I have authority to bind the Corporation.

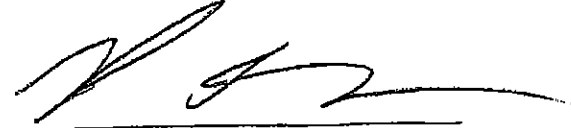
  
Witness

  
Witness

  
Witness

  
Kevin Baumann

  
Michael Baumann

  
Kevin Schmidt



**SCHEDULE A - DISBURSEMENT ACCOUNTS**

Cdn\$ Account #10252-004-0680-5274703 (disbursement)  
#10252-004-0680-5274711 (blocked)

With - Bank Transit #10252 (Branch) 004 (Institution)  
TD Canada Trust  
Commercial Banking Centre  
55 King ST. W & Bay ST.  
Toronto, ON. M5K 1A2

**SCHEDULE B - DISCLOSURE SCHEDULE**

*(A) BORROWED MONEY*

Nancy Hoover (\$400,000)

Hilda Bakuska (\$200,000)

Bradley Bakuska (\$200,000)

*(B) COLLATERAL LOCATIONS*

Part NE ¼ 30-37-27 W4 and Part SE ¼ 30-37-27 W4, Red Deer County, Alberta

**SCHEDULE C - PERMITTED ENCUMBRANCES**

*(A) BORROWER*

Serial Number	Company	Amount	Per	Payment Type
1FTW1ET8CKD71885	FORD CREDIT	853.55	month	auto
1FTFW1ET8CKD86547	FORD CREDIT	765.51	month	auto
1FTFW1ETXCKD86551	FORD CREDIT	765.51	month	auto
1FTFW1ET2CKD71879	FORD CREDIT	765.51	month	auto
1FTFW1R66CFB15077	FORD CREDIT	1413.45	month	auto
S4PSE4516BL056723	GE CAPITAL	636.84	month	auto
2P9LB22D4Y1061151				
1XKCDBOX87R992716				
06030533PN				
07020793	GE CAPITAL	4129.01	month	auto
1JJF533W53K837548	CAMEX EQUIPMENT	2047.5	month	Check
			Bi-	
1D7RV1CT2AS201494	MICHAEL M BAUMANN	318.86	weekly	Check
4WYS48N2781715164	MICHAEL M BAUMANN	259.82	month	Check
Phones	FIRST CAPITAL LEASING	373.94	MONTH	auto

Base Reg. Number	Reg. Date	Secured Party(ies)	Debtor(s)	Summary of Collateral Description
13030137309	March 1, 2013	Ford Credit Canada Limited	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 1FTFW1ETXCKD86551 2012 FORD F150  <u>General Collateral:</u> n/a
13030137322	March 1, 2013	Ford Credit Canada Limited	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 1FTFW1ET8CKD86547 2012 FORD 150  <u>General Collateral:</u> n/a
13030137615	March 1, 2013	Ford Credit Canada Limited	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 1FTFW1ET2CKD71879 2012 FORD F150  <u>General Collateral:</u> n/a
13031901158 (as amended by reg. no. 13032219584)	March 19, 2013	GE Canada Equipment Financing G.P.	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 2P9LB22D4Y1061151 2000 Utility Custom Trailer  1XKCDB0X87R992716 2007 Kenworth Sleeper  2006 Frost Fighter 0VH350LP NG 06030533PN  2007 Frost Fighter 0HV35011 07020793  <u>General Collateral:</u> The goods described herein, wherever situate, and all present and after-acquired intellectual property, intangibles, attachments, accessories and accessions thereto and spare parts, replacements, substitutions, exchanges and trade-ins therefor, and all rights, receivables, and chattel paper derived from or evidencing the lease or rental thereof by the debtor to third parties.  All proceeds.

13112538290	November 25, 2013	Camex Equipment Sales & Rentals Inc.	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 1JFF533W53K837548 2003 Wabash 53' Tridem StepDec Trailer <u>General Collateral:</u> n/a
14031410838	March 14, 2014	GE Canada Equipment Financing G.P.	Alken Basin Drilling Ltd.	<u>Vehicle Collateral:</u> 54PSE4516BL056723 2011 DRAGON GRIZZLY 500 BBL <u>General Collateral:</u> MV 2011, 54PSE4516BL506723, DRAGON GRIZZLY 500 BBL S/A FRAC TANK
14031817843	March 18, 2014	Gregg Distributors	Alken Basin Drilling Ltd.	<u>General Collateral:</u> AER 13801155, S/N 04-0289 (1) AER FT138024 (1) AER FT1330XL
13121019755	December 10, 2013	Nancy Hoover Hilda Bakuska Bradley Bakuska	Alken Basin Drilling Ltd.	All present and after acquired personal property of the debtor

(B) 1711760 ALBERTA LTD.

Base Reg. Number	Reg. Date	Secured Party(ies)	Debtor(s)	Summary of Collateral Description
13020101588	February 1, 2013	Ford Credit Canada Limited	1711760 Alberta Ltd. Kevin Lyle Baumann	<u>Vehicle Collateral:</u> 1FTFW1ET8CKD71885 2012 FORD F150 <u>General Collateral:</u> n/a
13020509204	February 5, 2013	Ford Credit Canada Limited	1711760 Alberta Ltd. Kevin Lyle Baumann	<u>Vehicle Collateral:</u> 1FTFW1R66CFB15077 2012 FORD F150 <u>General Collateral:</u> n/a

**SCHEDULE D – CREDITORS PROVIDING DISCHARGES**

Servus Credit Union Ltd.

1208823 Alberta Ltd.

Royal Bank of Canada

Nancy Hoover (as to \$1,500,000 debenture)

**SCHEDULE E – PRIOR CREDITOR ACKNOWLEDGMENTS**

Nil

**SCHEDULE F – MATERIAL CONTRACTS**

Conocophillips Canada Resources Corp. – November 21, 2013

MacKay Operating Corp. – August 23, 2013

Shell Canada Energy – January 31, 2014

Vermilion Resources Partnership – November 12, 2013

Lease Agreement for Bentley, Alberta – February 1, 2013

Lease Agreement for Calgary Office – June 26, 2013

**SCHEDULE G – EQUIPMENT – also add HICO**

**SERIAL NUMBERED GOODS**

	<b>MODEL/MANUFACTURER/EQUIPMENT</b>	<b>VEHICLE IDENTIFICATION NO./ SERIAL NO.</b>
1.	2006 PETERBILT 379 TANDEM AXLE	VIN: INPAL40X57D661602
2.	1994 MACK ED688S TANEM AXLE TRUCK CHASSIS	VIN: IM2P270Y7RW016902 WR10
3.	2004 TANDEM AXLE WESTERN STAR TRUCK CHASSIS	VIN: 5KKHALCK65PU01483
4.	2002 STERLING TANDEM AXLE TRUCK	VIN:

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
		2FZHAZC692AK12757
5.	1993 MACK CL653 ELITE TANDEM AXLE TRUCK	VIN: 1M2AD27Y1PW001063
6.	RIG 708 DRILL CARRIER - SCHRAMM T130XD DRILLING RIG MOUNTED ON CARRIER	VIN: 1CYDGV6897T047574
7.	8'W X 48'L DRILL TRAILER	S/N: CV2716763
8.	2004 INTERNATIONAL MODEL 5600I8X6, SINGLE STEER X TRI-DRIVE TRUCK	VIN: 1HTXSAPT44J094479 R308
9.	2000 INTERNATIONAL MODEL 50006X4, SINGLE STEER X TAN DRIVE TRUCK	VIN: 1HTTGADR8YJ065940 R401
10.	2005 INTERNATIONAL MODEL 5600I6X8, TANDEM STEER X TRI-DRIVE	VIN: 1HTXSAPT85J153082 R 402
11.	INTERNATIONAL MODEL 5600I6X8, TANDEM STEER X TRI-DRIVE TRUCK	S/N: 1HTXSAPT96J22304 R403
12.	CAPACITY INTERNATIONAL MODEL 5600I6X8, TANDEM STEER X TRI-DRIVE TRUCK	S/N: 1HTXSAST94J092640 R517
13.	PETERBILT MODEL 357, TANDEM STEER X TANDEM DRIVE TRUCK	VIN: 1NPALB0X3XD510505 R508
14.	VOLVO SINGLE STEER X TANDEM DRIVE TRUCK	VIN: 4V1WDBRH7LN624065 BTM101
15.	INTERNATIONAL MODEL 5600I6X8, SINGLE STEER X TRI-DRIVE TRUCK	S/N: 1HTXSAST23J073829 R515
16.	INTERNATIONAL MODEL 5600I8X6, SINGLE STEER X TRI-DRIVE TRUCK	S/N: 1HTXTAPT96J223302 R516

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
17.	INTERNATIONAL MODEL 5600I8X6, TANDEM STEER X TRI-DRIVE TRUCK	S/N: 1HTXSAPT55J035183 R501
18.	[CRANE MODEL RD20-R3, TANDEM STEER X TRI-DRIVE CARRIER, POWERED BY CAT C13 DIESEL ENGINE RATED AT 475-HP UNITIZED WITH 5-SPEED MANUAL TRANSMISSION, TRUCK IS MOUNTED ON (1) 37,103-LB. FRONT AXLES AND (3) 81,103-LB REARS] [PLEASE PROVIDE DESCRIPTION OF TRUCK IN ITEM 18 OF THE APPRAISAL.]	VIN: 1CYDGV5894T046597 R701
19.	MACK MODEL CV713, SINGLE STEER X TRI-DRIVE TRUCK	VIN: 1M2AG10C15M016591 R703
20.	INTERNATIONAL MODEL 500006X4, SINGLE STEER X TANDEM DRIVE TRUCK	VIN: 1HTTGAET5WJ033163 R705
21.	FREIGHTLINER MODEL STERLING, SINGLE STEER X TANDEM DRIVE TRUCK	VIN: 2FZHAZCG92AK12757 R707
22.	INTERNATIONAL MODEL 5900I8X6, SINGLE STEER X TRI-DRIVE TRUCK	VIN: 1HTXTAPT46J254389 R709
23.	2009 RAJA 52' TRI-AXLE STEP DECK TRAILER	VIN: 2R9CS43389D144640
24.	2006 RAJA 50' STEP DECK TRAILER	VIN: 2R9CS42256D144132
25.	1985 HOMEMADE TRI-AXLE STEP DECK TRAILER	VIN: HMPL5ONTS284842
26.	2002 DOEPKER 42' TRI-AXLE DROP DECK TRAILER	VIN: 2DEDDFZ342I014012
27.	2006 MANAC 53' TRI-AXLE DROP DECK TRAILER	VIN: 2M513161X61108574
28.	2006 STEP DECK TRAILER	VIN: 10198TC1

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
29.	2001 TRAILTECH FLAT DECK TANDEM AXLE DUAL WHEEL TRAILER	VIN: 2CU3BAXL512009063
30.	2006 RAJA STEP DECK TRI-AXLE DUAL WHEELED APPROX. 40'L TRAILER	VIN: 2R9CS43326D144130
31.	2006 MANAC 53' TRI-AXLE STEP DECK TRAILER	VIN: 2M513161461108571
32.	2005 MANAC 53' TRI-AXLE STEP DECK TRAILER	VIN: 2M512146851100277
33.	1996 MANAC 53' TRI-AXLE STEP DECK TRAILER	VIN: 2M5131611T1040516
34.	2003 MACK MODEL CV713, SINGLE STEER TANDEM DRIVE REAR AXLE TRUCK	VIN: AG11Y03M006075
35.	1985 KENWORTH MODEL T801, SINGLE STEER TANDEM DRIVE REAR AXLE TRUCK	VIN: HS11439
36.	2008 STERLING MODEL LT9500, SINGLE STEER TANDEM DRIVE REAR AXEL TRUCK	VIN: 2FZHAZDE98AZ69390
37.	2008 STERLING MODEL LT9500, SINGLE STEER TANDEM DRIVE REAR AXEL TRUCK	VIN: 2FZHAZDEX8AZ83105
38.	1997 KENWORTH MODEL T800, SINGLE STEER TANDEM DRIVE REAR AXLE TRUCK	VIN: 1XKDP90X3VR947443
39.	2008 STERLING MODEL LT9500, SINGLE STEER TANDEM DRIVE REAR AXEL TRUCK	VIN: 2FZHAZDE88AZ83104
40.	2008 STERLING MODEL LT9500, SINGLE STEER TANDEM DRIVE REAR AXEL TRUCK	VIN: 2FZHAZDE68AZ83103
41.	2008 STERLING MODEL LT9500, SINGLE STEER TANDEM DRIVE REAR AXEL TRUCK	VIN: 2FZHAZDE48AZ83102
42.	2006 MASTCO TRI AXLE DUAL WHEEL TRAILER	S/N: VAC-08472-2792
43.	2004 GREAT DANE STEM DECK DUAL WHEEL TANDEM AXLE TRAILER	S/N: 1GRDM06264M700463
44.	1994 DORSEY TRI AXLE TRAILER	VIN: 1DTE16236RP032935
45.	2000 FALCON MODEL TD210, DUAL WHEEL TRI AXLE TRAILER	S/N: 2F9T340H5Y6056622

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
46.	LOCKING STORAGE ROOM AND RUFFNECK WASHROOM	SIN: 124010005ARR0W5
47.	2001 QA INC. STRUCTURES WELLSITE 12'W X 56'L TOOL PUSHER/CREW QUARTERS	S/N: SW12561100024
48.	1994 ROADWAY WELLSITE 12'W X 48'L TOOL PUSHER/CREW QUARTERS	S/N: 402896
49.	1997 QA INC. WELLSITE 12'W X 56'L TOOL PUSHER/CREW QUARTERS	S/N: LSW12410897131
50.	2006 ROUGHNECK TRAVEL TRAILER	VIN: 2TTNT30046R060638
51.	1997 TRAVEL AIR KOACH ROUGHNECK TANDEM AXLE FIFTH WHEEL TRAVEL TRAILER	VIN: 2TTNW2801WR980166
52.	1999 TRAVEL AIR ROUGHNECK TANDEM AXLE TRAVEL TRAILER	VIN: 2TTNT300XXR990996
53.	2007 DODGE MODEL R VISION TYPE D-291, TANDEM AXLE TRAVEL TRAILER	S/N: RWYS48N276175164
54.	2006 RAJA TRI-AXLE STEP DECK TRAILER	VIN: 2R9CS43346D144131
55.	2007 VICTORY RIG FLAT DECK TRAILER	S/N: 2E9DPZ2J57R073033
56.	1989 ITB MODEL ITB896196, 35' DUAL WHEEL TANDEM AXLE TRAILER	S/N: 2C9DE44D3K2044013
57.	MANUFACTURER UNKNOWN SINGLE WHEEL TANDEM AXLE TRAILER	S/N: SK401001547
58.	1999 TRAVEL AIR TRAILER	S/N: 2TTNOVAT2XR990729
59.	1982 HOMEMADE DOGHOUSE TRAILER	S/N: R19866 DT047
60.	2007 FALCON MODEL TD 215, FLAT DECK TRAILER.	S/N: 2F9T332H476056620
61.	2007 FALCON MODEL TD 215, FLAT DECK TRAILER	S/N: 2F9T332H676056621
62.	2007 FALCON MODEL TD 215, FLAT DECK	S/N:



	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
	TRAILER	2F9T332H876056622
63.	2007 FALCON MODEL TD 215, FLAT DECK TRAILER	S/N: 2F9T332H176056623
64.	2007 VICTORY RIG FLAT DECK TRAILER	S/N: 2E9DPZ2J07R073030
65.	2007 VICTORY RIG FLAT DECK TRAILER	S/N: 2E9DPZ2J17R073031
66.	2007 VICTORY RIG FLAT DECK TRAILER	S/N: 2E9DPZ2J37R073032
67.	VICTORY RIG FLAT DECK TRAILER	S/N: 2E9DPZ2J77R073034
68.	1998 MACK MODEL CH613, SINGLE STEER TANDEM TRUCK	VIN: 1M1AA18Y8WW091462
69.	TRAILTECH FLAT DECK TRAILER	S/N: 2CU2BE8L642015069 FD256
70.	1975 LINDEN TANDEM AXLE TRAILER	S/N: W7915/3
71.	2001 CENTR 20' X 8' TRAILER	S/N: 5CNHF20201C00129
72.	DUAL WHEEL TRI AXLE FLAT DECK TRAILER	N/A - DO NOT INCLUDE IN REGISTRATION
73.	1995 MACK MODEL 4964F, TANDEM AXLE TRUCK	VIN: 2WKPDCCH5SK938682
74.	TANDEM AXLE TRAILER CHASSIS WITH 6-HAND CRANK JACK STANDS, WITH 150-KW DIESEL GENERATOR	S/N: 13N145207M1552772 FD226
75.	1990 GMC TANDEM AXLE TRUCK BOILER GENERATOR	VIN: 4V1WDBRH7LN624065
76.	1986 WESTERN STAR TANDEM AXLE TRUCK BOILER GENERATOR	VIN: 2WKPDCVGIGK915699
77.	1990 MACK MODEL 6964F, TANDEM TRUCK BOILER GENERATOR	VIN: 2WLTCCCH9MK928575

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
78.	1994 MACK MODEL R600, DUAL AXLE TANDEM TRUCK BOILER GENERATOR	VIN: 1M2AA13Y7RW040445
79.	1994 MACK MODEL R600, DUAL AXLE TANDEM DRIVE TRUCK	VIN: 1M2P267C3RM020532
80.	1998 FORD MODEL 9000, TANDEM AXLE TRUCK	VIN: 1FDZS86F7WVA24640
81.	1998 WESTERN STAR MODEL 4864FX, TANDEM AXLE TRUCK	VIN: 2WKNDDXH7WK951646
82.	1993 WESTERN STAR MODEL 4964F, TANDEM AXLE TRUCK	VIN: 2WLPDCXH8PK2931500
83.	1980 PACIFIC MODEL P510S, HIGH CLEARANCE BED TRUCK	VIN: T7960139
84.	1999 WESTERN STAR MODEL 4964SX, TANDEM AXEL WINCH TRUCK	VIN: 2WKPDCCJ5XK956258
85.	2006 INTERNATIONAL MODEL 75006X4 WATER TRUCK	VIN: 1HTWPAZT76J347162
86.	2006 INTERNATIONAL MODEL 75006X4 WATER TRUCK	VIN: 1HTWNAZR16J229635
87.	2005 INTERNATIONAL MODEL 9900I6X4, TANDEM AXLE TRUCK	VIN: 2HSCHARP55C048696
88.	INTERNATIONAL MODEL 9900I6X4, TANDEM AXLE TRUCK	VIN: 2HSCHAPR55C213243
89.	2005 INTERNATIONAL MODEL 9900I6X4, TANDEM AXLE TRUCK	VIN: 2HSCHAPR85C080638
90.	2005 INTERNATIONAL MODEL 9900I6X4, TANDEM AXLE TRUCK	VIN: 2HSCHAPR75C213244
91.	2006 INTERNATIONAL MODEL 9900I6X4, TANDEM AXLE TRUCK	VIN: 2HSCHAPR16C328671
92.	2005 INTERNATIONAL MODEL 4400, SINGLE AXLE PUMP SERVICE TRUCK	VIN: 1HSMKAAN55H115849
93.	2006 GMC MODEL C5500, SINGLE AXLE PUMP SERVICE TRUCK	VIN: 1GDE5C3226F417966
94.	1998 MACK MODEL RD688S, TANDEM AXLE RIG TENDER TRUCK	VIN: 1M2P267C4WM037450

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
95.	1998 INTERNATIONAL PAYSTAR MODEL 5000, TANDEM AXLE RIG TENDER TRUCK	VIN: 1HTTGAET1WJ000077
96.	1998 MACK MODEL RD688S, TANDEM AXLE CRANE TRUCK	VIN: 1M2P270C4WM037366
97.	1991 KENWORTH MODEL C500-B, TANDEM AXLE WINCH TRUCK	VIN: 2XKCDB0X8MM927223
98.	1998 MACK MODEL RD688S, TANDEM AXLE RIG TENDER TRUCK	VIN: 1M2P267C6WM034419
99.	2008 PETERBILT MODEL PB340, TANDEM AXLE CRANE TRUCK	VIN: 2NPRLN9X58M746883
100.	1989 INTERNATIONAL MODEL 4700, SINGLE AXLE FLATBED TRUCK	VIN: 1HTSECFM0LH238824
101.	1982 MACK MODEL RD688S, TANDEM AXLE RIG TENDER TRUCK	VIN: 2M2P141Y7CC001632
102.	1988 MACK MODEL RD688S, TANDEM AXLE RIG TENDER TRUCK	VIN: 2M2P141C7JC006816
103.	1979 INTERNATIONAL MODEL F-5070, TANDEM AXLE CAB AND CHASSIS TRUCK	VIN: D3117KG10717
104.	2006 KENWORTH MODEL C500-B, TANDEM AXLE WINCH TRUCK	VIN: 1XKCDBOX87R992716
105.	2004 TRAILTECH FLAT DECK TRAILER	VIN: 2CU2BE8L64201569
106.	2005 MANUFACTURER UNKNOWN FLAT DECK PINTEL HITCH TRAILER	VIN: 2H9CH140050085187
107.	1997 BOW RIDGE FLAT DECK PINTEL HITCH TRAILER	VIN: 2B9411829V1048268
108.	TRAILMOBILE TANDEM AXLE VAN TRAILER	S/N: 5NHUBL6288T415466
109.	1993 PEERLESS MODEL LB50-SDLRSS-W-12A, TRI AXLE SCISSOR GOOSENECK OILFIELD TRAILER	VIN: 2PLG04030PBJ64860
110.	2008 FOREST RIVER TANDEM AXLE ENCLOSED TAG TRAILER	VIN: 5NHUBL6238T415357
111.	2007 RAFAB TRI AXLE FIELD SUPPORT TRAILER	VIN: 2R9CS93457P672038

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
112.	1996 SATURN 8 X 52 TRI AXLE GOOSENECK TRAILER	VIN: 2S912R541TW010108
113.	1972 TRAILMOBILE TANDEM AXLE VAN TRAILER	S/N: 1231.6794.003
114.	1997 ALCO TRI AXLE OILFIELD FLOAT TRAILER	VIN: 2N9F35E30V1042245
115.	MANUFACTURER UNKNOWN 12' X 8' TANDEM AXLE TAG TRAILER	S/N: 1002
116.	1984 FRUEHAUF MODEL FBXX128102, SINGLE AXLE BULL NOSE VAN TRAILER	VIN: 2H8V02815FS013104
117.	2011 ABU TRAILERS INC. TRI AXLE TAG TRAILER	VIN: 4UGFP3037CD20930
118.	1997 BOW RIDGE FLAT DECK PINTEL HITCH 24'L TRAILER	VIN: 2B9411827V1048267
119.	1984 SUPERIOR FLAT DECK TRAILER	VIN: 055152SD10M1B7414
120.	2001 TRAILTECH FLAT DECK 30' PINTEL HITCH TRAILER	VIN: 2CU138RAX12009035
121.	1992 STEWART 45' TRAILER	VIN: 2S9F45031NV013017
122.	1992 STEWART 45'L FLAT DECK 10,000-LB. TRAILER	VIN: 2S9F45037NV013006
123.	1986 HOBBS 48'L TA-DW FLAT DECK TRAILER	VIN: 1H5P048Z6EN013304
124.	1990 UTILITY 46'L TA-DW FLAT DECK TRAILER	VIN: 1UYV54388LT300410
125.	1987 CHIEFTAIN 40'L TRAILER	VIN: 2C9PF4826HC034050
126.	1998 WILSON 48'L HIGHBOY TRAILER	VIN: 4WWBDB6B6WN600985
127.	1991 FRUEHAUF 45'L FLAT DECK TRI-AXLE TRAILER	VIN: 2FEP04530MS007814
128.	1998 GERRYS TRI-AXLE OILFIELD FLOAT TRAILER	VIN: 2A9PF4534WN125360

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
129.	2010 HEFTY TANDEM AXLE GOOSENECK TRAILER	VIN: 5NKGU2622AP005191
130.	2001 TRAILTECH TANDEM AXLE TAG TRAILER	VIN: 2CUI38RA112009036
131.	2005 STERLING TRI AXLE CEMENT MIXER	VIN: 2FZHAZDL35AU08743
132.	2006 STERLING TRI AXLE CEMENT MIXER	VIN: 2FZPAZDE26AU51486
133.	2005 CONTINENTAL 16' TRI AXLE CARGO TRAILER	VIN: 5NUHCC6255N045056
134.	1994 INTERNATIONAL MODEL 2574, TANDEM AXLE CEMENT MIXER	VIN: 1HTGAET3SH613269
135.	SHOP BUILT TANDEM AXLE TRAILER	S/N: 1998025
136.	2009 MANUFACTURER UNKNOWN TANDEM AXLE GROUT/CEMENT TRAILER	VIN: 2DAEC42664T003803
137.	2011 FORD MODEL F-350, 4X4 CREW CAB, KING RANCH LIGHT PICKUP TRUCK	VIN: 1FT8W3BT2BEC59587
138.	2009 FORD MODEL F-350, 4X4 CREW CAB, LARIAT SD PICKUP TRUCK	VIN: FT8W38T9BEA92595
139.	2009 FORD MODEL F-350, 4X4 CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R09EA05299
140.	2009 FORD MODEL F-350, CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R89EA04160
141.	2008 FORD MODEL F-350, 4X 4 CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R38EC91390
142.	2012 FORD MODEL F-150, 4X4 CREW CAB, RAPTOR PICKUP TRUCK	VIN: 1FTFW1R66CFB15077
143.	2008 FORD MODEL F-350, 4X 4 CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R59EA02740
144.	2005 CHEVY MODEL 2500HD, 4X 4 CLUB CAB, SD PICKUP TRUCK	VIN: 1GCHK2955E170670
145.	2009 FORD MODEL F-350, 4X4 CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R99EA05298
146.	2012 FORD MODEL F-150, CREW CAB, PLATINUM	VIN:

	MODEL/MANUFACTURER/EQUIPMENT	VEHICLE IDENTIFICATION NO./ SERIAL NO.
	PICKUP TRUCK	1FTFW1ET5CFBS7248
147.	2012 FORD MODEL F-150 XLT, 4X4 CREW CAB PICKUP TRUCK	VIN: 1FTFW1ET8CKD86547
148.	2012 FORD MODEL F-150 XLT, 4X4 CREW CAB PICKUP TRUCK	VIN: 1FTFW1ETXCKD86551
149.	2006 CHEVY MODEL 2500HD, 4X4 CLUB CAB PICKUP TRUCK	VIN: 1GCHK29D07E112809
150.	2008 FORD MODEL F-350, 4X4 CREW CAB, SD PICKUP TRUCK	VIN: 1FTWW31R78EC69988
151.	2005 CHEVY MODEL 2500HD, 4X4 CLUB CAB PICKUP TRUCK	VIN: 1GCHK29205E206765
152.	2006 GMC MODEL 1500, 4X4 CLUB CAB, SIERRA PICKUP TRUCK	VIN: 1GTEK19C67Z165416
153.	2010 GMC MODEL 2500HD, 4X4 CREW CAB PICKUP TRUCK	VIN: 1GT423C88BF153319
154.	2012 FORD MODEL F-150 XLT, 4X4 CREW CAB PICKUP TRUCK	VIN: 1FTFW1ET2CKD71879
155.	2012 FORD MODEL F-150 XLT, 4X4 CREW CAB PICKUP TRUCK	VIN: 1FTFW1ET8CKD71885
156.	2007 GMC MODEL 1500, 4X4 CLUB CAB, SIERRA PICKUP TRUCK	VIN: 1GTEK19V67Z165416
157.	2005 GMC MODEL 2500HD, 4X4 CLUB CAB PICKUP TRUCK	VIN: 1GTHK29215E131039
158.	2011 FORD MODEL EXPEDITION, 4 X 4 SPORT UTILITY VEHICLE	VIN: 1FMJV1650BEF19129
159.	1996 CHEVY MODEL 2500HD, 4X4 STANDARD CAB PICKUP TRUCK	VIN: 1GCGC24R8TZ120414
160.	2007 YAMAHA RHINO 660 4 X 4 UTILITY VEHICLE	VIN: 5Y4AM08W37A300824



THIS IS EXHIBIT "B" REFERRED  
TO IN THE AFFIDAVIT OF

Kevin Baumann  
SWORN THE 1<sup>st</sup> DAY OF  
July, 2017

[Signature]  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

April 20, 2015

VIA EMAIL

Miller Thomson LLP  
Scotia Plaza  
40 King Street West, Suite 5800  
Toronto, ON  
M5H 3S1

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

Attention: Mr. Jeffrey Carhart and Mr. Rick Reeson

**Re: Callidus Capital Corporation ("Callidus") credit facilities with  
Alken Basin Drilling Ltd. (the "Company") pursuant to  
a Credit Agreement dated March 31, 2014 (the "Credit Agreement")**

Dear Sirs:

This letter is further to our telephone conversation at approximately 4pm today. During our conversation you advised that you have been recently retained by the Company and had spoken with Kevin Bauman, David Heighington, and Don MacLean of PricewaterhouseCoopers ("PWC"). You also advised that the Company is prepared to enter into a short-term forbearance agreement (2-3 weeks) during which time PWC would review, inter alia, the Company's operations and the Callidus security position, and prepare a 13 week cash flow that could be used for a variety of purposes. Based on the review and cash flow, the Company would then enter into a longer term forbearance agreement with Callidus. You also advised that in recent days the Company had been under increasing pressure from suppliers and other creditors to pay outstanding amounts owing, including approximately \$100,000 to a related company. Kevin Bauman succumbed to that pressure by depositing collected accounts receivable totalling approximately \$800,000 into a Royal Bank account instead of the blocked account as required by the Credit Agreement. Finally, you advised that Kevin Bauman is prepared to immediately resign as an officer and director of the Company and have no further involvement in the management of the Company.

As mentioned, the Company's failure to deposit collected receivables into the blocked account is a breach of trust that will not be tolerated by Callidus and for which Kevin Bauman and anyone else that participated or acquiesced in the breach of trust will be held personally responsible. We urge you to advise the Company and Kevin Bauman to immediately stop payment on all cheques issued against the Royal Bank account into which the receivables were deposited, repay the misappropriated funds, and transfer the balance of the funds from the Royal Bank account to the blocked account. Please also immediately provide us with the Royal Bank branch address, transit number and account number so that Callidus can take prompt steps to advise Royal Bank that the funds on deposit in the account are trust funds for the benefit of Callidus and are to be immediately paid over to Callidus.

REPLY TO: HARVEY G. CHAITON  
FILE NO.: 54818  
DIRECT: 416-218-1129  
FAX: 416-218-1849  
EMAIL: harvey@chaitons.com

~~CALLIDUS  
CAPITAL  
CORP. KEVIN BAUMANN  
PEKISKO RANCH LTD  
has a contract "21A" referred to in the  
Affidavit of  
KEVIN BAUMANN  
before me this 30<sup>th</sup> day  
of JANUARY 2017  
[Signature]  
A Notary Public, A Commissioner for Oaths  
in and for the Province of Alberta  
ART TRALENBERG~~



In the circumstances, Callidus is not prepared to enter into any forbearance agreement so long as Kevin Bauman has any executive or management position with the Company. Unless Kevin Bauman immediately resigns and Scott Sinclair or another person acceptable to Callidus is appointed president with authority to run the day to day affairs of the Company, Callidus intends to seek the immediate appointment of a receiver over the business and assets of the Company. On the other hand, if Kevin Bauman does immediately resign and a person acceptable to Callidus is in charge of the day to day affairs of the Company, Callidus may be prepared to work with the Company for their mutual benefit.

Yours truly,  
CHAITONS LLP

A handwritten signature in black ink, appearing to read "Harvey Chaiton". The signature is fluid and cursive, with the first name "Harvey" and last name "Chaiton" clearly distinguishable.

Harvey G. Chaiton  
PARTNER  
Encl.

cc. C. Boyer - Callidus Capital Corporation (via email)



# Altair Water and Drilling Services Inc. Buys Alken Basin Drilling Ltd.

By Range Advisors On May 11, 2016 · Add Comment

## FOR IMMEDIATE RELEASE

Red Deer, Alberta; May 11, 2016 – Altair Water and Drilling Services announces today it has bought the business of Alken Basin Drilling in Red Deer, Alberta.

"We are very pleased to complete this transaction despite the difficult Alberta economy" said Kevin Schmidt, Vice President of Altair. "The business of Alken Basin Drilling includes the drilling, installing and servicing of domestic water wells in Red Deer and its surrounding communities, industrial and oilfields water wells in Alberta, neighbouring Provinces and internationally and exploratory coring. This acquisition is an investment in the Red Deer community, saving and creating local jobs and preserving the nearly 35 year proud history of Alken Basin Drilling".

### About Altair Water and Drilling Services:

Altair Water and Drilling Services Inc. is a Red Deer, Alberta company that provides water well and exploratory coring services to domestic, industrial and oilfields customers. Our mission is to create an exceptional customer experience in terms of performance and timeliness by employing the best personnel, maintaining the best equipment and being a leader in new technologies.

Altair provides domestic and industrial water wells; source wells; disposal wells; geothermal wells; pile pre-sets; cathodic protection and well deepening services; exploratory coring services; well cleanouts; water well shock chlorination treatments; and, complete pump and pressure systems installations and maintenance.

### Contacts:

Kevin Schmidt  
Vice President  
Altair Water and Drilling Services Inc.  
Red Deer, Alberta  
1 (403) 348-0189

Scott Sinclair  
President  
Altair Water and Drilling Services Inc.  
Red Deer, Alberta  
1 (403) 348-0189

THIS IS EXHIBIT "C" REFERRED  
TO IN THE AFFIDAVIT OF  
Kevin Baumann  
SWORN THE 1<sup>st</sup> DAY OF  
July, 2017

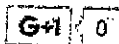
A Commissioner for Oaths/Notary Public  
in and for the Province of Alberta

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

CALLIDDS CAPITAL CORP  
KEVIN BAUMANN  
REKISKO RA  
This is Exhibit "27C" referred to in Affidavit of

Sworn before me this 30<sup>th</sup> of JANUARY A.D. 20  
Art Traenberg  
A Notary Public, A Commissioner for Oaths  
in and for the Province of Alberta  
**ART TRALENBERG**

SHARE →



**Eric Sirrs, CIRP, LIT**  
SENIOR VICE PRESIDENT

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[mnpdebt.ca](http://mnpdebt.ca)



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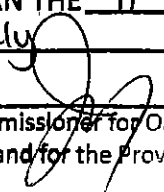


**From:** Kevin Baumann [<mailto:kevin.baumann@whiteswanltd.com>]  
**Sent:** April 6, 2016 7:08 PM  
**To:** Eric Sirrs <[Eric.Sirrs@mnp.ca](mailto:Eric.Sirrs@mnp.ca)>  
**Subject:** FW: Alken Basin / Callidus

THIS IS EXHIBIT "D" REFERRED  
TO IN THE AFFIDAVIT OF  
Kevin Baumann  
SWORN THE 11<sup>th</sup> DAY OF  
July, 2017

Eric

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

  
Commissioner for Oaths/Notary Public  
in and for the Province of Alberta

My name is Kevin Baumann the past president and potential guarantor of certain Alken Basin debt. I was in Calgary court on April 1<sup>st</sup> observing the Alken proceedings and have the following comments .

- Counsel commented that they envision that the process would be considered straightforward and typical. I wanted to share my opinion which is Alken will not be a typical receivership and may set precedent .Alken has been operated by Callidus basically from the advance of funds although officially from the date that they enacted their power under a share hypothecation and power of attorney . When Callidus exercised their rights they were put on notice by Alken shareholders that the shareholders would not consent to any agreements entered into or liabilities incurred without the consent of the shareholders . Considering Callidus and their placement Scott Sinclair have a lengthy record of abusing others it was our concern that Callidus the debtor in possession would

abuse all stakeholders , pay few payables , accept all receivables and place Alken in receivership which appears to be their MO as I have yet to find a borrower who has survived Callidus . This is exactly what is presently unfolding with Alken

- Callidus was the lender of Leader Energy Services Ltd . The exact situation was created with Leader whereby Callidus operated the business via their placement Scott Sinclair from 2014 directly into bankruptcy in September of 2015 which MNP represented whereby approximately Eleven Million Dollars worth of suppliers were harmed , although the Leader president remained with the company. In Alken's situation the shareholders resigned and requested since the spring of 2015 that the company be sold while there was a market , unfortunately Callidus refused . Just a heads up as I expect several Alken suppliers will be requesting that they rank equal with Callidus considering the debtor in possession incurred the liability knowing full well they would never pay them . which is nothing but unfortunate abuse which I would hope MNP has no part of
- During the time the debtor in possession Callidus operated and destroyed the value and reputation of the business Alken shareholders have been requesting that Alken / Callidus complete and file books and records . To date the 2014-2015 yearend which was due March 2015 has not been filed , this puts Callidus offside with their own loan agreement. I would hope at the least that MNP request an independent accounting
- I have included a copy of an invoice for interest which was within Alken's records of accounting . I'm sure this will not be paid although I would hope it is still within Alken's accounting and has not been removed by the Callidus placement Sinclair

- I have included a filed copy of an affidavit regarding the challenges to date relating to Callidus to give you an understanding of the position of shareholders
- A debtor in possession in the province of Alberta carries strong obligations to all stakeholders . I would hope that Callidus and MNP respect the rights of others
- I will not obstruct the process , although I will be supporting the rights of Alken suppliers whom did not deserve to be intentionally harmed

***Kevin Baumann***

***Cell: 403-505-7784***

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OUR PASSION IS TO SUPPORT BUSINESS OWNERS IN PURSUIT OF THEIR DREAMS

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Sinclair Range Announces Oshawa Development Project

# Sinclair Range Selected as Project Lead on Public Private Partnership

By Range Advisors On December 22, 2016 · Add Comment

Sinclair Range is pleased to announce its new role as Project Lead on a proposed multi billion dollar drilling and reclamation project in Egypt. More detailed information will be released at a future date.

~~CALLIDUS CAPITAL CORP. KEVIN BAUMANN PEKISKI RANCH~~  
 The to Exhibit "2TD" referred to in the Affidavit of  
 Affiant of  
 0 KEVIN BAUMANN  
 Sworn before me this 30<sup>th</sup> day  
 of JANUARY A.D. 2017  
 Art Traenberg  
 A Notary Public, A Commissioner for Oaths  
 in and for the Province of Alberta  
 ART TRALENBERG

## Leave a Reply

Your email address will not be published. Required fields are marked \*

Comment

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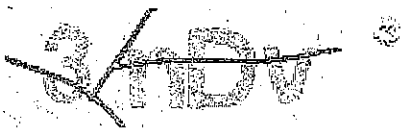
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\_\_\_\_\_

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 Kevin Baumann  
 SWORN THE 1<sup>st</sup> DAY OF July, 2017

A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

JAMES G. HANLEY  
 Barrister & Solicitor  
 A Commissioner for Oaths  
 in and for Alberta



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Kevin Baumann

SWORN THE 1<sup>st</sup> DAY OF  
July, 2017

A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

JAMES G. HANLEY  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

CALLIDUS  
CAPITAL  
CORP

KEVIN BAUMANN  
PEKISKO RANCH LTE

93 Affidavit

KEVIN BAUMANN

30<sup>th</sup>

JANUARY 2017

*Art Traenberg*

ART TRALENBERG

12-Aug-2016

Callidus Capital Corp. (CBL.CA)

Q2 2016 Earnings Call

David?

David M. Reese

*President and Chief Operating Officer, Callidus Capital Corp.*

A

Thanks, Newton. I don't recall the date of the loan offhand. Even if I did, I don't think we would probably disclose it. I don't really have anything to add to your comments, unless Jaeme has a follow-on question on Gray.

Jaeme Gloyn

*Analyst, National Bank Financial, Inc. (Broker)*

Q

No. But I will follow on just some other loan disclosures, specifically related to oil and gas loans. I noticed that the collateral coverage ratio declined from [ph] 172% to 118% (23:27) from Q1 to Q2. Can you just describe what happened or what drove that decline?

Newton G. Z. Glassman

*Executive Chairman & Chief Executive Officer, Callidus Capital Corp.*

A

The decline in – first of all, I don't know about you, but having collateral of 118% makes me pretty happy in something that's been beat up [ph] in a sector, (23:47) I suspect that most lenders, especially the Canadian banks [ph] that blends with the sector, (23:51) would be beyond ecstatic to have 118% coverage on their loan.

That being said, again, both under IFRS and under internal policy, we revalue the collateral on an ongoing basis. When we see the collateral changing, we change the value of the collateral. And at times, if we're worried about it, we will change the requirements under the borrowing base. So, if we saw – as an example, if we saw a loan in oil and gas or anywhere else that didn't have sufficient collateral, we would consider changing the borrowing base and advancing less. If we see any of these loans approaching something that concerns us, we'll either advance less or change the borrowing base, as these are right.

Jaeme Gloyn

*Analyst, National Bank Financial, Inc. (Broker)*

Q

Okay. Great. Fair enough. Shifting gears to the yield enhancements and the CAD 32 million gain, can you just sort of elaborate on the size of the [ph] potential can, (24:52) the size of the original loan that those warrants are associated with? What's the value of shareholders' equity or percentage that that CAD 32 million would represent of the company? And then, maybe just some commentary on the industry or sector that those warrants are attached to.

Newton G. Z. Glassman

*Executive Chairman & Chief Executive Officer, Callidus Capital Corp.*

A

Some of that, I could answer. Some of it, we're not legally allowed to answer for a bunch of reasons. We will not tell you the size of the original loan. It is a loan that originally was troubled. We helped the company review their operations. They entered an additional and extra line of business, [ph] which makes their credit basically sound. (25:46) They came to us and asked us if we would amend and help them with our facility to help them go in that business. It is a huge incremental increase in their business. They seemed to be executing well to extremely well.

We are very supportive of them. They are a poster child of how we can help and why we would want to help a company that first was in trouble and then figures out a way to get out of trouble. Without our help, it would not have been able to go into this additional business, which is, in terms of revenue, billions of dollars for them potentially. At least, the first part of it is a couple of billion dollars or more.

# MacDONALD HANLEY

2050, 736 - 6th Avenue S.W. Calgary, Alberta T2P 3T7

James G. Hanley  
(403) 688-5432 (Phone)  
(403) 233-2033 (Fax)

[ihanley@macdonaldhanley.com](mailto:ihanley@macdonaldhanley.com)

Legal Assistant

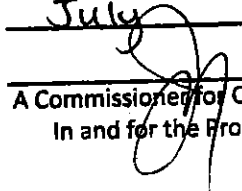
Jamie Macphee

(403) 688-5428 (Phone)

[jmacphee@macdonaldhanley.com](mailto:jmacphee@macdonaldhanley.com)

THIS IS EXHIBIT "6" REFERRED  
TO IN THE AFFIDAVIT OF  
Kevin Baumann  
SWORN THE 11<sup>th</sup> DAY OF  
July, 2017

May 11, 2017

  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

JAMES G. HANLEY

Barrister & Solicitor

A Commissioner for Oaths  
in and for Alberta

VIA EMAIL

Our File: 53384.003JGH

Lawson Lundell LLP  
Suite 1600 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia V6C 3L

Gowling WLG (Canada) LLP  
1600, 421 7<sup>th</sup> Avenue SW  
Calgary, AB T2P 4K9

Attention: Tom Cumming/Frank Lamie

Attention: William L. Roberts

Dear Sirs:

**Re: Callidus Capital Corporation v. Alken Basin Drilling Ltd.**

You may be aware that we act for Kevin Baumann with respect to the foreclosure matter being pursued by Callidus, and as a result have an interest in the receivership matter. I am advised that you are applying on May 19 for a discharge of the Receiver. Please include me on the Service List on behalf of Kevin Baumann. You may remove me for counsel for Bakuskas and Hoover.

I am also advised that on May 4 that Justice Nixon granted a Sealing Order. Please provide me with copies of that Order and describe the nature of the documents that the Receiver sought sealed.

Given what I understand to be the current state of this matter I am surprised that sealing orders would still be sought. I am going to bring an Application to release the documents that were sealed in the Receivership and grant me access to those documents.

We request the following documentation from the Receiver and Callidus, to the extent they are in the possession of these respective documents.

### **Financial Documentation**

- 1) Detailed trial balance from 01 March 2014 to 31 March 2016;
- 2) Monthly income statements and balance sheets;
- 3) A copy of all revenue invoices submitted by Alken for 01 March 2014 to 31 March 2016;

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- 4) All borrowing requests made in terms of Facility A;
- 5) Detailed statements of Callidus loans from date of inception to 31 March 2016;
- 6) Bank statements for the TD Blocked account from date of opening to 31 March 2016;
- 7) Any other bank statements including the disbursement account owned by Alken from 01 March 2014 to 31 March 2016;
- 8) List of all payments made to Sinclair and Range advisers from 01 December 2014 to 31 March 2016; and
- 9) Cash flows forecasts presented to Callidus.

### ***Emails***

- 1) All emails for the following individuals at Alken:
  - a. Kevin Baumann [allaboutwater@alkenbasindrilling.com](mailto:allaboutwater@alkenbasindrilling.com);
  - b. Mike Baumann [mike@alkenbasindrilling.com](mailto:mike@alkenbasindrilling.com);
  - c. Kevin Schmidt [kevins@alkenbasindrilling.com](mailto:kevins@alkenbasindrilling.com);
  - d. Scott Sinclair;
  - e. Janice Jensen [janice@alkenbasindrilling.com](mailto:janice@alkenbasindrilling.com);
  - f. Aram Babasyan [aram@alkenbasindrilling.com](mailto:aram@alkenbasindrilling.com); and
  - g. Bob Gill [bobgill@alkenbasindrilling.com](mailto:bobgill@alkenbasindrilling.com).
- 2) All emails for Scott Sinclair from and relating to at Range Advisors pertaining to the Callidus/Alken Basin relationship, and any action taken by, for and on behalf of Range by, for and on behalf of Alken in relation to the sale process;
- 3) All emails not protected by privilege for the following individuals:
  - a. Newton Glassman;
  - b. Craig Boyer;
  - c. D. Resse;
  - d. Jim Hall; and
  - e. Nhan Tri Vu.

### ***Telephone line***

Correspondence transferring the Alken 30 yr old toll free number to Altai

### ***Memorandum of Understanding (MOU, referenced in the Receiver's First Report)***

- 1) A description of the work completed by Alken prior to the MOU being signed, expenses, including travelling expenses including internal costs (salary, consulting, other related matters) incurred by Alken to obtain the MOU;
- 2) Projected value of this business;
- 3) When the MOU was signed;
- 4) Why the receiver was only notified of the MOU during the sales process; and
- 5) Details of the MOU that were advised to the receiver.

To Mr. Roberts, I anticipate amending the Defence to the foreclosure to include an unequivocal claim of mortgagee in possession.

You are aware of my intention to revise the February 2<sup>nd</sup> Affidavit. Over the course of collecting information from Mr. Baumann, and his forensic accountant, we have determined that the information requested in this letter is necessary to allow us to further plead and prepare the responding evidence. Certainly some of the matters sworn to in Mr. Baumann's Affidavit are potentially inappropriate but at the same time there is other information of which he is aware that we want to put before the Court in full defence of your guarantee claim.

I intend to file an affidavit on behalf of Mr. Baumann in respect of the Receiver's Application for Discharge. I am going to seek an adjournment of this discharge application and ask that the Receiver provide further and better information with respect to the MOU. The discussion in the Receiver's report does not address a number of issues, including:

- 1) When did Alken become aware of the MOU and when was it disclosed to the Receiver;
- 2) Why did the Receiver not disclose this matter to all prospective purchasers, as opposed to only those that signed CAs. Given Mr. Sinclair's subsequent press releases and Mr. Glassman's conference call information, it appears that the value of this MOU may have resulted in substantial increase in value to the Alken assets. Certainly, Callidus thinks so. If Callidus and Alken were aware of the value of the MOU and the increase of the potential value for the utilization of the Alken assets at the time the sale process was being advanced, it is unclear why the Receiver would not be more aggressive in advertising the nature of this potential increase in value to all of the potential bidders;
- 3) Why did Scott Sinclair, an agent of Callidus, take responsibility for the "distribution of the information summary". Certainly, this is the function of the Receiver, and it is apparent that the Receiver relied upon Mr. Sinclair to fulfill some of what would ordinarily be the duties of the Receiver.

Having said all of that, I think it incumbent upon the Receiver to provide a report to the Court relating to the MOU and the sales process in a more fulsome form.

In any event, I will await your response with respect to the information requested.

Yours very truly,

MacDONALD HANLEY



JAMES G. HANLEY

JGH\*jgm



May 30, 2017

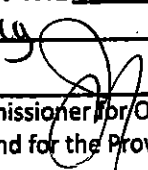
Delivered by Email

MacDonald Hanley  
2050, 736-6th Avenue SW  
Calgary, AB T2P 3T7

Attention: James G. Hanley

Dear Sirs:

**Re: MNP Ltd., as Receiver of Alken Basin Drilling Ltd.**

THIS IS EXHIBIT "H" REFERRED  
TO IN THE AFFIDAVIT OF  
Kevin Baumann  
SWORN THE 1<sup>th</sup> DAY OF  
July, 2017  
  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

Thomas Cumming  
Direct +1 403 298 1938  
Direct Fax +1 403 695 3538  
tom.cumming@gowlingwlg.com  
File no. A152711

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
In and for Alberta

We acknowledge receipt of your letter dated May 11, 2017 addressed to us and to Lawson Lundell LLP. We act for MNP Ltd. ("MNP") in its capacity as receiver of the assets, undertakings and properties of Alken Basin Drilling Ltd. ("Alken", and MNP, in such capacity, the "Receiver"). We note that Lawson Lundell LLP represents Callidus Capital Corporation ("Callidus") in the receivership proceedings in respect of Alken (the "Receivership Proceedings") and therefore will not address matters that relate to Callidus rather than the Receiver. I am copying Mr. Roberts of Lawson Lundell LLP in this response as you addressed your letter to him also.

I confirm that you have been included on the Service List for the Receivership Proceedings as counsel for Mr. Baumann.

The materials sealed pursuant to the Order of the Honourable Justice D.B. Nixon of the Court of Queen's Bench of Alberta (the "Court") pronounced on May 4, 2016 consist of the Confidential Addendum to the Receiver's First Report to the Court dated April 26, 2016. The Addendum reviewed the bids submitted in the sale process. You express surprise that they were sealed but we can assure you that such materials are invariably subject to a sealing order in insolvency proceedings until the subject sale transactions are completed. The transaction was in fact completed, and the Receiver filed a certificate confirming the same with the Court. Therefore the addendum should be publicly available. In any event, we attach a copy of the addendum.

The Receiver was appointed pursuant to an Order of the Honourable Justice D.B. Nixon on April 1, 2016 (the "Receivership Order"). The Receiver's powers were expressly limited under paragraph 3 of the Receivership Order to marketing and selling Alken's property and applying to the Court for an approval and vesting order. Paragraph 3 of the Receivership Order further stipulated that the Receiver was not appointed as manager and was not to take possession or control of Alken's property, operate Alken's business, or employ any of Alken's employees. Rather, that paragraph expressly stated that Alken remained in possession and control of its property until the property was sold.

As a result of its limited mandate, the Receiver only obtained such information relating to Alken so as to permit it to perform its duties under the Receivership Order. The Receiver does not have, and never has had, possession of much of the information you requested. Further, much of the information you

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have requested is confidential information formerly belonging to Alken but which has been conveyed to Altair Water and Drilling Services Ltd. ("Altair") pursuant to the agreement of purchase and sale between the Receiver and Callidus and the approval and vesting order pronounced by the Honourable Justice D.B. Nixon on May 4, 2016 (the "Approval and Vesting Order"). However, referring specifically to your headings, we confirm the following:

1. **Financial Documentation** – The Receiver is not in possession of the information listed in items 1 to 9 under this heading. However, for your reference, we attach the Notice and Statement of Receiver issued April 8, 2016. We believe your client was previously provided with a copy of this document.
2. **Emails** – Given the limited scope of the Receiver's mandate, and Receiver never took possession of or copied the computer drives of Alken, and therefore was never in possession of any of the emails listed as items 1 to 3 under this heading.
3. **Telephone line** – The Receiver has no information with respect to the transfer of the telephone line. It would appear that this was handled directly by Alken and/or Altair.
4. **Memorandum of Understanding**
  - (a) The information you have requested in items 1 and 2 is confidential to Altair, and could only be released to you with the consent of Altair.
  - (b) With respect to items 3 and 4 under this heading, we note that an initial memorandum (the "IM") was signed by Alken on March 23, 2016 and by its counter-party on March 18, 2016. A memorandum of agreement (the "MOA") was signed by Alken on March 23, 2016 and by the counterparty on April 10, 2016, which is subsequent to the Receiver's appointment. We assume that the reason why the Receiver only learned about the IM and the MOA after its appointment is that the MOA was not signed by the counterparty until after the appointment. We note that because the Receiver was not managing the business of Alken, its prior consent was not required with respect to the MOA.
  - (c) With respect to item 5, the Receiver was provided with copies of the IM and MOA. As these documents are confidential to Altair, the Receiver is not in a position to release them to you.
5. **Questions on the Third Page of Your Letter**
  - (a) With respect to question (1), this was answered in paragraph 4(b) above.
  - (b) With respect to question (2), a Receiver would be acting improperly if it disclosed confidential information to parties participating in a sale process who have not signed a confidentiality agreement. It is entirely appropriate that the Receiver only discloses the IM and MOA to potential bidders who have signed confidentiality agreements. The Receiver has no information with respect to the perceived value of Alken's property other than the bids that were actually submitted. Further, the business and property of Alken was appropriately and broadly marketed by the Receiver and the sale to Altair was approved by the Court in the Approval and Vesting Order. Your client, Mr. Bauman, was



given an opportunity by Justice Nixon to make submissions at the application for the Approval and Vesting Order. Notwithstanding Mr. Bauman's submissions, the Approval and Vesting Order was issued by the Court.

- (c) Range Corporate Advisors was permitted by the Receiver to distribute marketing materials to its data base. However, the Receiver also conducted its own fulsome marketing, including by way of distribution to its lists of participants in the industry, through advertising and publication in relevant conventional and electronic media. As indicated in the First Report of the Receiver, an information summary was sent to all MNP partners for distribution to their contacts and clients, and to auction companies and networks of distressed asset purchasers. The highest bidder was Callidus, which assigned its bid to Altair.

As previously indicated to you by email, the Receiver will be applying for a discharge order on Thursday July 13, 2017 at 2 pm. The application will be before the Honourable Madam Justice Horner.

Sincerely,

**Gowling WLG (Canada) LLP**

A handwritten signature in cursive script that reads "Thomas Cumming".

Thomas Cumming

TSC

**Enclosures:**

1. Confidential Addendum to the Receiver's First Report to the Court dated April 26, 2016
2. Notice and Statement of Receiver issued April 8, 2016

# MacDONALD HANLEY

2050, 736 - 6th Avenue S.W. Calgary, Alberta T2P 3T7

THIS IS EXHIBIT "I" REFERRED  
TO IN THE AFFIDAVIT OF

Kevin Baumann

SWORN THE 11<sup>th</sup> DAY OF  
July, 2017

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

June 16, 2017

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

VIA EMAIL

Our File:53320.001JGH

Lawson Lundell LLP  
Suite 1600 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia V6C 3L

Attention: William L. Roberts

Dear Sir:

**Re: *Callidus Capital Corporation v. Kevin Baumann/Pekisko Ranch***

I have your letter of June 9. I advised Ms. Nelligan in early March that I was not available August 22 and 23 so if this matter has been booked in the face of that advice you are going to have to explain to the Master when I do not appear (I am out of town) that I advised you prior to booking that I was not available. In fact, I have reviewed my email correspondence as has my assistant and we have never been advised as to the new hearing date for this Application. If it is your position that you intend to proceed on August 22 and 23 in the absence of my consent and availability, please let me know that as soon as possible as we will have to attend the Master's office to advise them of this situation.

As I had discussed with you, Mr. Baumann has engaged the services of a forensic accountant who requires further information in order to arrive at his opinion with respect to the various for which he is engaged. Generally speaking, the issues which we expect to raise in response include:

1. Mr. Sinclair's involvement on all sides of this transaction – previous consultant to Callidus, installed Officer/Interim Director of Alken Basin (at the requirement of Callidus, consultant (apparently) on the sale process, and Officer of the purchasing company;
2. The calculation of the amounts allegedly owed on the various loan facilities;
3. The communication between Callidus, Baumann, Sinclair and other Officers and representatives of Alken Basin from the period of time, March 2015 through to the Receivership, particularly as it relates to the MOU which was apparently only incidentally referred to the Receiver at the last minute;

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4. The Receiver in his response indicates that they are not in possession of much of the information requested and that it is either proprietary to Altair or Callidus. We require the following financial information from the Callidus, the Receiver or Altair, or any party that has it in its possession. I am assuming that Callidus has much of this information in their documents;
- a. Detailed trial balance from 01 March 2014 to 31 March 2016;
  - b. Monthly income statements and balance sheets;
  - c. A copy of all revenue invoices submitted by Alken for 01 March 2014 to 31 March 2016;
  - d. All borrowing requests made by Alken for, and the amounts advanced in response to those regards to Facility A;
  - e. Detailed statements of Callidus loans from date of inception to 31 March 2016;
  - f. Bank statements for the TD Blocked account from date of opening to 31 March 2016;
  - g. Any other bank statements including the disbursement account owned by Alken from 01 March 2014 to 31 March 2016;
  - h. List of all payments made to Sinclair and Range advisers from 01 December 2014 to 31 March 2016; and
  - i. Cash flows forecasts presented to Callidus.

The documents are relevant. These documents will assist the forensic analysis of the outstanding loan balances. On the face of what is currently available, it appears that Facility A, which is secured by the receivables of the company has gone from \$1.06 million on March 20, 2015 (at or about the time Baumann was asked to leave) to \$7.8 million as at the end of December 2015. Callidus would not and did not advance monies to Alken Basin without security for the receivables, we know that the receivables did not increase by that amount and we need an explanation as to how and why that facility increased to that amount.

Similarly, Facility B, which is secured by virtue of a capital loan on equipment reduced by in excess of \$3.8 million over the same period of time. This presumably is as a result of Mr. Sinclair selling off some equipment at a time when he was neither the Receiver, nor authorized by the company to act (notwithstanding your allegation regarding the share pledge). If equipment was sold, we require details of those transactions, or alternatively an explanation as to the reduction of the amounts allegedly owing on Facility B.

Facility C, same question. How does this facility increase in that period of time?

If one then examines the period December 2015 to March 2016, the appointment of the Receiver, there is further fluctuations in these facilities. All of this occurred prior to any Receiver being involved and we require an explanation from Mr. Sinclair as to what happened, why it happened, and on whose authority.

In addition, we want copies of emails for the following individuals from January 1, 2015 to September 1 2016:

- i. Kevin Baumann [allaboutwater@alkenbasindrilling.com](mailto:allaboutwater@alkenbasindrilling.com);
- ii. Mike Baumann [mike@alkenbasindrilling.com](mailto:mike@alkenbasindrilling.com);
- iii. Kevin Schmidt [kevins@alkenbasindrilling.com](mailto:kevins@alkenbasindrilling.com);
  - i. K.Schmidt@stridemsi.com
  - ii. Scott Sinclair; [scott@alkenbasindrilling.com](mailto:scott@alkenbasindrilling.com)
  - iii. Aram Babasyan [aram@alkenbasindrilling.com](mailto:aram@alkenbasindrilling.com); and
  - iv. Bob Gill [bobgill@alkenbasindrilling.com](mailto:bobgill@alkenbasindrilling.com).
- b. All emails to and from Scott Sinclair pertaining to the Callidus/Alken Basin relationship, and any action taken by, for and on behalf of Range by, for and on behalf of Alken in relation to the sale process and the MOU;
  - i. [ssinclair@sinclairerange.com](mailto:ssinclair@sinclairerange.com)
  - ii. [Ssinclair@rangeadvisors.com](mailto:Ssinclair@rangeadvisors.com)
- c. All emails not protected by privilege for the following individuals that relate to Alken Basin, in any capacity:
  - i. Newton Glassman; and
  - ii. Craig Boyer.

We are not looking for blanket disclosure at this time but any information on emails from Alken Basin email accounts to and from any party at Callidus relating to Alken Basin, it's loan, it's security, the realization on the security and any instructions from Callidus to Sinclair relating to operations relating to Alken Basin. Further, any forbearance agreement or any documentation entered into between Alken Basin and Callidus.

When you examine the treatment of the sale transaction in the Callidus financial statements, it is apparent that Callidus, Altair and Sinclair believe the MOU is relevant. We don't have a copy of it. We need the MOU and any email or other correspondence between Alken Basin, Callidus, Schmidt, Sinclair, Altair or any other parties relating to the MOU before and after the Receivership. It is apparent that this MOU was being worked on well prior to its execution. As we understand the nature of the memorandum (and this is anecdotal only) the MOU is clearly relevant to Callidus given its post-receivership disclosures relating to the "yield enhancement". Further the press releases from Altair touting the proposed agreement indicate that the Alken Basin assets are in the view of both Altair and Callidus were substantially more than the amount Callidus bid for these assets. If that is because the MOU is a contract which would put these assets to use and thus increase their value, the disclosure of this MOU to the buying public at large could and should have been made. Thus all correspondence including working papers relating to the MOU we think is relevant.



At the end of the day, it will be our position that Sinclair is and has been a representative of Callidus, that Callidus has been a mortgagee in possession, that Callidus has failed to properly disclose to the Court the assets that were or ought to have been for sale to satisfy its debt, that these assets have been substantially under-valued in the Callidus bid given their knowledge and their non-disclosure and that the calculation of the amounts outstanding on the various facilities are wrong and are not outstanding at all. Further, it is apparent on the face of the documents that the forensic accountant has been able to review, that from March 2015 to April 2016, Alken Basin was operated by Sinclair at a loss of \$1 million per month on average. If this is even partially borne out, Callidus is not entitled to benefit from this Receivership then pursue the Guarantee.

Although you are instructed to pursue this matter on the basis of a strict foreclosure, all of these matters are relevant to the defence on the Guarantee and the Counterclaim filed in the Receivership action. While you may be instructed to get this matter moving, until I have this documentation available to my forensic expert, I am not going to respond to the hearing and if we need to get before the Court to explain both my document requests and get directions on the pursuit of this foreclosure, that's what we will do. Let me have your position on these documents at your convenience.

Yours very truly,

MacDONALD HANLEY

A handwritten signature in black ink, appearing to be 'JGH', written over a printed name.

JAMES G. HANLEY

JGH\*jgm