

OAN RESOURCES LTD. in bankruptcy

SALE SOLICITATION PROCESS

INTRODUCTION

On October 13, 2019, OAN Resources Ltd., (“**OAN**”) was deemed to have made an assignment in bankruptcy. Hardie & Kelly Inc. was appointed as the trustee (the “**Trustee**”) of the bankrupt estate of OAN (the “**Estate**”).

The Trustee intends to conduct a sale solicitation process (the “**SSP**”) to market and sell the oil and gas interests of OAN (the “**Property**”).

The Trustee has engaged Sayer Energy Advisers as its selling agent (in such capacity, the “**Selling Agent**”) to administer and carry out the marketing steps contemplated by the SSP.

This document outlines the SSP, which is comprised principally of two stages: marketing and offer and evaluation.

OPPORTUNITY AND SSP SUMMARY

1. The SSP is intended to solicit interest in, and opportunities for a sale of all or part of the OAN’s Property (the “**Opportunity**”), which primarily consist of wells, pipelines, facilities and other oil and gas production assets located in Alberta.
2. In order to maximize the number of participants that may have an interest in the Opportunity, the SSP will provide for the solicitation of interest for the sale of OAN’s interest in the Property. In particular, interested parties may submit proposals to acquire all, substantially all or a portion of the Property (a “**Sale Proposal**”).
3. Except to the extent otherwise set forth in a definitive sale agreement with a successful bidder, any Sale Proposal will be on an “*as is, where is*” basis and without surviving representations or warranties of any kind, nature, or description by the Trustee, its operational consultants or the Selling Agent and, in the event of a sale, all of the right, title and interest of OAN in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders.
4. Solicitation of interest for Sale Proposals will be on an unpriced basis whereby no set asking price will be stipulated.
5. As described more fully in this SSP, the major stages in the SSP will be comprised of the following:
 - (a) Marketing: advertising, contacting potential buyers, responding to requests for information and disseminating marketing material to potential buyers; and

- (b) Offer Submission and Evaluation: solicitation, receipt of, evaluation and negotiation of offers from potential buyers, as described below.

PROPERTY & REGULATOR

6. OAN is the operator or has a working interest in the Property comprised of approximately 7 well licenses, 4 facility licenses and 3 pipeline licenses.
7. The Alberta Energy Regulator (“**AER**”) regulates oil and gas and related activities in Alberta, including wells, facilities, oil refineries, natural gas processing plants, pipelines and oil and gas roads, through licenses, authorizations, orders and regulations. Bidders will be required to be licensees in good standing with the AER, or to otherwise have or be in the process of obtaining eligibility to hold AER licenses, permits or approvals with respect to the Property.

TIMELINE

8. The following table sets out the key milestones under the SSP:

Milestone	Deadline
Launch Sales Process	January 7, 2020
Binding Offer Deadline	February 13, 2020
Finalize definitive agreement(s), Court approval and Closing Dates	February 14 – March 13, 2020

MARKETING STAGE

9. As soon as reasonably possible after launch date of January 7, 2020, the Selling Agent shall:
- (a) arrange for a notice of the SSP (and such other relevant information as the Selling Agent, in consultation with the Trustee, considers appropriate) (the “**Notice**”) to be published in the BOE Report and any other newspaper or journals as the Selling Agent, in consultation with the Trustee, considers appropriate, if any; and
 - (b) send a teaser letter and a non-disclosure agreement (“**NDA**”) to all potential interested parties and to any other party who responds to the Notice as soon as reasonably practicable after such identification or request, as applicable.
10. Any party who expresses a wish to participate in the SSP (a “**Potential Bidder**”) must, prior to being given any additional information such as the confidential information memorandum (“**CIM**”) and access to the data room established by the Selling Agent (the “**Data Room**”), provide to the Selling Agent an executed NDA.

11. Requests for information and access to the Data Room will be directed to the Selling Agent, to the attention of the persons listed in **Schedule “A”** hereto. All printed information shall remain the property of the Trustee and, if requested by the Selling Agent or the Trustee, shall be returned without further copies being made and/or destroyed with an acknowledgement that all such material has either been returned and/or destroyed and no electronic information has been retained.

OFFER SUBMISSION AND EVALUATION STAGE

Due Diligence

12. The Selling Agent in consultation with the Trustee, subject to competitive and other business considerations, will afford each Potential Bidder access to due diligence materials through the Data Room and information relating to the Property as it deems appropriate. Due diligence access may further include on-site inspections and other matters which a Potential Bidder may reasonably request and to which the Selling Agent, with the approval of the Trustee, in its reasonable business judgment, may agree. The Selling Agent will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Selling Agent nor the Trustee will be obligated to furnish any information relating to the Property to any person including Potential Bidders. Further and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Trustee, in consultation with the Selling Agent, determines such information to represent proprietary or sensitive competitive information.

Submission of Binding Offers

13. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property in connection with their participation in the SSP and any transaction they enter into with the Trustee.
14. Potential Bidders who advise the Selling Agent that they wish to submit an offer will be provided with a copy of a form of a purchase and sale agreement (the “**PSA**”) acceptable to the Trustee.
15. A Potential Bidder who wishes to pursue the Opportunity and make a binding offer must deliver an executed PSA, identifying each specific Property the Potential Bidder is interested in, to the Selling Agent at the addresses specified in Schedule “A” hereto (including by email or fax transmission), so as to be received by them not later than 12:00 PM (Calgary time) on or before February 13, 2020 (the “**Bid Deadline**”).
16. The PSA must comply with the following:
 - (a) it is submitted on or before the Bid Deadline by a Potential Bidder;
 - (b) it identifies or contains the following:

- (i) the purchase price, in Canadian dollars, including details of any liabilities to be assumed by the Potential Bidder and key assumptions supporting the valuation. If a Potential Bidder wishes to acquire more than one Property, a price for each Property must be stipulated;
 - (ii) a description of each Property that is expected to be subject to the transaction and any of the Property or obligations for each Property expected to be excluded; and
 - (iii) a specific indication of the financial capability, together with evidence of such capability, of the Potential Bidder and the expected structure and financing of the transaction.
- (c) it contains a statement that the Potential Bidder is a licensee in good standing with the AER, or has eligibility to obtain or hold AER licenses, permits or approvals with respect to the Property or has submitted an application to the AER for license eligibility, and will have a Liability Management Rating of 1.0 or greater should the offer be accepted and the AER approve the transfer;
 - (d) the offer must be for cash and accompanied by a 10% deposit payable to “*Hardie & Kelly Inc. in trust*” (the “**Deposit**”) by way of bank draft or certified cheque. The Deposit will be applied to the purchase price of a Successful Bid upon closing. Deposits of unsuccessful Potential Bidders will be returned;
 - (e) the PSA must not be subject to any conditions other than approval by the Court of Queen’s Bench of Alberta (the “**Court**”) and the PSA must acknowledge that it is subject to Court approval;
 - (f) the bid contemplates a schedule for closing the transaction set out therein which is on or before March 13, 2020 (the “**Closing Date**”); and
 - (g) it contains such other information as reasonably requested by the Selling Agent or Trustee from time to time.
17. The Trustee may in its sole discretion waive any of the above conditions.
 18. If the Trustee is not satisfied with the number or terms of the PSA’s submitted, the Trustee, in consultation with the Selling Agent, may extend the Bid Deadline.
 19. The Trustee may terminate further participation in the SSP by any interested party, or modify dates or procedures in this SSP as deemed appropriate or necessary in its sole discretion, or terminate the process altogether.
 20. The Trustee may aggregate separate bids from unaffiliated Potential Bidders.

Evaluation of Competing Bids

21. The Trustee will review and evaluate each PSA and may negotiate PSA's with Potential Bidders as may be deemed appropriate in the sole discretion of the Trustee.
22. The Trustee shall have no obligation to accept a PSA and enter into a Transaction and reserves the right to reject any or all PSA's.

Sale Approval Hearing

23. At the hearing of the application to approve any transaction (the "**Successful Bid**"), the Trustee shall seek, among other things, approval from the Court to consummate any Successful Bid.

Confidentiality and Access to Information

24. Participants and prospective participants in the SSP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, the details of any PSA's submitted or the details of any confidential discussions or correspondence between the Trustee and such other Potential Bidders in connection with the SSP. The Trustee may however, with the consent of the applicable participants, disclose such information to other bidders for the purpose of seeking to combine separate bids.

Supervision of the SSP

25. The Trustee will participate in the SSP in the manner set out in this SSP and is entitled to receive all information in relation to the SSP.
26. This SSP does not, and will not be interpreted to create any contractual or other legal relationship between the Selling Agent or the Trustee and any Potential Bidder, or any other party, other than as specifically set forth in a definitive agreement that may be signed with the Trustee and approved by the Court.
27. Without limiting the preceding paragraph, neither the Trustee, its operational consultants nor the Selling Agent shall have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Successful Bidder, or any other creditor or other stakeholder of OAN, for any act or omission related to the process contemplated by this SSP, except to the extent such act or omission is the result of gross negligence or willful misconduct of the Trustee, its operational consultants or Selling Agent. By submitting a PSA each Potential Bidder or Successful Bidder shall be deemed to have agreed that it has no claim against the Trustee, its operational consultants or Selling Agent for any reason whatsoever, except to the extent such claim is the result of gross negligence or willful misconduct of the Trustee, its operational consultants or Selling Agent.

28. Participants in the SSP are responsible for all costs, expenses and liabilities incurred by them in connection with due diligence activities, the submission of a PSA, and any further negotiations or other actions whether or not they lead to the consummation of a Transaction.
29. The Trustee shall have the right, in consultation with the Selling Agent, to modify the SSP and the deadlines set out herein if, in its reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SSP.

SCHEDULE "A"

Selling Agent

Sayer Energy Advisors
1620, 540 – 5th Avenue SW
Calgary, AB T2P 0M2

TPavic@sayeradvisors.com
(403) 266-6133

Attention: Tom Pavic

Trustee

Hardie & Kelly Inc.
110, 5800 2nd Street SW
Calgary, Alberta
T2H 0H2

mkelly@insolvency.net
(403) 536-8510

Attention: Marc Kelly