Court File No.: CV-14-10700-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANASEA PETROGAS GROUP HOLDINGS LIMITED, CANASEA OIL AND GAS GROUP PTE. LTD., CANASEA INTERNATIONAL PTE. LTD., CANASEA PETROGAS INVESTMENT INC. and CANASEA OIL AND GAS LTD.

Applicants

FIRST REPORT OF DELOITTE RESTRUCTURING INC., IN ITS CAPACITY AS MONITOR OF THE APPLICANTS.

Dated as of September 29, 2014

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I. INTRODUCTION

1. On September 19, 2014 (the "**Filing Date**"), Justice Penny of the Ontario Superior Court of Justice (Commercial List) issued an order (the "**Initial Order**") granting CanaSea PetroGas Group Holdings Limited ("**CPGHL**"), CanaSea Oil and Gas Group Pte. Ltd. ("**COGG**", formerly CanaSea Energy Pte. Ltd.), CanaSea International Pte. Ltd. ("**CIPL**"), CanaSea PetroGas Investment Inc. ("**CPII**") and CanaSea Oil and Gas Ltd. ("**COGL**") (collectively, "**CanaSea Group**" or the "**Companies**") protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Deloitte Restructuring Inc. was appointed Monitor of the Companies (the "**Monitor**"). The Initial Order provided the Companies with, inter alia, a stay of proceedings until October 18, 2014 or such later date that the Court may order (the "**Stay Period**"). The proceedings commenced by the Companies under the CCAA are herein referred to as the "**CCAA Proceedings**". A copy of the Initial Order is attached hereto as **Appendix "A"**.

2. The principal purposes of the CCAA Proceedings are to: (i) ensure the ongoing operations of the Companies including the necessary capital to fund operations and restructuring costs incurred as part of the CCAA Proceedings; and (ii) institute a sale and investment solicitation process (the "**SISP**") to identify one or more financiers or purchasers of and/or investors in the Companies' business with a projected completion date of a transaction or transactions by February 27, 2015. To this end, the Companies have brought a motion returnable October 2, 2014 seeking approval of the SISP and an extension of the Stay Period in order to implement the SISP.

II. PURPOSE OF REPORT

3. The purpose of this first report to the Court of the Monitor (the "**First Report**") is to provide information to the Court in respect of the following:

(a) the activities of the Monitor in accordance with the provisions of the Initial Order and the statutory obligations under the CCAA;

(b) the operations of the Companies since the Filing Date;

(c) the status of the Companies' debtor-in-possession ("**DIP**") financing ("**DIP Financing**") and their borrowings to date;

(d) the outline of the SISP the Companies intend to implement and the Monitor's comments thereon;

(e) the Companies' request for an extension of the Stay Period to December 31, 2014; and

(f) the Monitor's conclusions and recommendations.

III. TERMS OF REFERENCE

4. Capitalized terms not otherwise defined herein are as defined in the Companies' motion materials, including the affidavit of Zhenyu (Jerry) Fang sworn September 26, 2014 (the "**Fang SISP Affidavit**") filed in support of the Companies' motion for approval of the SISP and stay extension, and/or the Pre-Filing Report of the Proposed Monitor dated September 19, 2014 (the "**Pre-Filing Report**"). A copy of the Pre-Filing Report (without appendices) is attached hereto as **Appendix "B"**.

5. The information contained in this First Report is based on unaudited financial information as well as discussions with representatives of the Companies and its advisors. The Monitor has reviewed the information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* ("**CPA Canada Handbook**") and accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the information

6. Some of the information referred to in this First Report consists of forecasts. An examination or review of the financial forecasts, as outlined in the CPA Canada Handbook, has not been performed.

7. Future oriented financial information referred to in this Report was prepared based on management's estimates and assumptions. Readers are cautioned that since forecasts are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the forecasts, even if the assumptions materialize, and the variations could be significant.

8. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. MONITOR'S ACTIVITIES AND COMPLIANCE WITH STATUTORY OBLIGATIONS

9. Since the Filing Date, the Monitor's activities have included:

i. filing with the Superintendent of Bankruptcy Forms 1 and 2 as prescribed under the CCAA;

ii. arranging for the notice of the CCAA Proceedings to be published in the September 26, 2014 edition of the Globe & Mail (National Edition), as required pursuant to the Initial Order;

iii. arranging for the Initial Order to be publicly available by establishing a website at http://www.deloitte.com/ca/CanaSea where other materials in the CCAA Proceedings are also available in electronic form;

iv. sending a notice of the CCAA Proceedings, within 5 days of the Filing Date, to every known creditor who has a claim against the Companies of more than $1,000 advising that the Initial Order is publicly available on the website established by the Monitor;

v. implementing procedures for the monitoring of the Companies' actual cash flow and for ongoing reporting of variances to the Cash Flow Forecast filed with the Court as part of the Companies' Initial Application Record and attached as Appendix "C" to the Pre-Filing Report (the "**Cash Flow Forecast**");

vi. attending meetings and corresponding extensively with representatives of the Companies and their advisors to discuss the Companies' on-going operations, the development of the SISP and the CCAA Proceedings; and

vii. preparing this First Report.

V. THE COMPANIES' OPERATIONS SINCE THE FILING DATE

10. With respect to operations, management has advised the Monitor that:

    i. operations have continued uninterrupted at the Companies' two operating wells in Saskatchewan; and

    ii. there has been no change in the status of employees.

11. Senior Management has been engaged in discussions with potential investors in China and Canada. To date, one party has signed a Confidentiality Agreement ("**CA**").

VI. THE STATUS OF DIP FINANCING

12. The Initial Order authorized the Companies to borrow under a credit facility from Yu Zhang or his nominee in order to finance the Companies' working capital requirements and other general corporate purposes, provided that borrowing under such credit facility does not exceed $750,000 unless permitted by further Order of the Court. Attached hereto as **Appendix "C"** is the executed Commitment Letter (the "**DIP Credit Facility**") between the Companies and East Shaunavon Oil Inc., a company controlled by Yu Zhang, a shareholder of CPGH.

VII. THE PROPOSED SALE AND INVESTMENT SOLICITATION PROCESS

13. The purpose of the SISP is to achieve one or more of the following:

    i. identify one or more purchasers of the business and assets of the Companies;

    ii. refinance the Companies' existing debt; and/or

    iii. obtain new investment in the Companies to fund a Plan of Arrangement to the Companies' creditors.

14. The objective of the SISP is to complete a transaction by February 27, 2015, which is consistent with the Maturity Date of the DIP Credit Facility. The Monitor has worked with management in the development of the SISP. A detailed protocol with respect to the SISP is attached hereto as **Appendix "D"** and will form Schedule "A" to the proposed order seeking approval of the SISP.

15. The SISP is summarized as follows:

i. The Monitor, with the assistance of the Companies (collectively, the "**SISP Team**"), will assemble a list of potential interested parties, including parties which the Companies have previously conducted discussions with concerning an investment or financing opportunity ("**Interested Parties**");

ii. The SISP Team will prepare an interest solicitation letter that briefly outlines the opportunity (the "**Teaser**"), which will be sent by the Monitor to Interested Parties. Those Interested Parties who contact the Monitor seeking further information will be provided with a CA, which they must execute and return to the Monitor prior to receiving any further details on the opportunity;

iii. The SISP Team will establish a secure on-line data room that will contain pertinent information for Interested Parties to evaluate the opportunity. Only those Interested Parties who have executed a CA will be permitted access to the on-line data room;

iv. By October 17, 2014, if so determined by the SISP Team to be appropriate, advertisements will be placed in selected media to attract further Interested Parties;

v. Interested Parties will have until December 11, 2014 to conduct their due diligence on the business and assets, including holding meetings with management and conducting any on-site tours of the well sites and lands subject to PNG Leases;

vi. Interested Parties will be required to submit offers to the Monitor on or before 12:00 p.m. noon (Eastern Standard Time) on December 11, 2014 (in a template form to be provided by the SISP Team or in form as close to the template form as possible in the case of offers to purchase);

vii. The SISP Team, or just the Monitor if a Related Party Offer is submitted (as discussed below), will have until January 2, 2015 to seek clarification of any Offers and or require re-bidding by any Offeror, if applicable;

viii. The Successful Offer will be selected by January 2, 2015. The parties will then have until January 16, 2015 to enter into a binding agreement or agreements;

ix. The Monitor or Companies (if not an Offeror) will seek approval Court approval of the transaction by January 30, 2015; and

x. The transaction will close by February 27, 2015.

16. The key target dates in the SISP are as follows:

Process Milestone	Target Date
Court approval of SISP	October 2, 2014
Publish advertisement, if applicable	By October 16, 2014
Marketing to Interested Parties	October 2 to December 10, 2014
Access to on-line data room and site visits	Immediately upon executing a CA
Offer deadline	December 11, 2014
Clarification of offers and re-bidding, if applicable	Between December 11, 2014 and January 2, 2015
Execution of binding agreement (financing agreement, APA, etc.)	By January 16, 2015
Court approval of transaction(s)	By January 30, 2015
Closing(s)	By February 27, 2015

17. Management has advised the Monitor that members of the management team, shareholders or other parties related to the Companies (a "**Related Party**") may submit an Offer and participate in the SISP. The SISP Procedures provide that in the event a Related Party submits an Offer, the Companies shall not participate any further in the administration of the SISP including reviewing, assessing, clarifying or selecting any offers unless and until the Related Party can be considered by the Monitor to be a Non-Offering Applicant (as defined in the SISP).

18. The SISP provides that the Companies shall have the ability to apply to Court at any time to modify the timelines set out in the SISP, or terminate the SISP, if the Companies, in consultation with the Monitor, consider it appropriate in the circumstances including if the

Companies are of the view that a commercially reasonable transaction involving a refinancing or investment can be concluded on an expedited timeline, is commercially reasonable, and, in the opinion of the Companies and the Monitor, is beneficial to the Companies' stakeholders.

19. The Monitor supports the Companies' request for approval of the proposed SISP.

VIII. EXTENSION OF THE STAY PERIOD

20. The current Stay Period expires on October 18, 2014. The Companies are seeking an extension of the Stay Period to December 31, 2014. The Monitor is of the view the extension to the Stay Period is appropriate in the circumstances and supports the Companies' request for an extension of the Stay Period for the following reasons:

i. The Companies have acted and are acting in good faith and with due diligence;

ii. The granting of the extension should not prejudice any creditor as the Companies are projecting to have sufficient funds to fund operations and the CCAA Proceedings through the proposed extension of the Stay Period; and

iii. It would allow for the SISP to be implemented with the goal of maximizing realizations for stakeholders.

21. The Monitor notes that on or about September 26, 2014, proceedings were been commenced against COGG for winding up orders in the Singapore Court, which are attached to the Fang SISP Affidavit. The Monitor will work with the Companies to determine what steps, if any, should be taken to address these proceedings.

IX. MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

22. Based on the foregoing, the Monitor recommends that the Court approve the SISP and the extension of the Stay Period to December 31, 2014.

All of which is respectfully submitted this 29th day of September, 2014.

Deloitte Restructuring Inc.
In its capacity as Monitor of
CanaSea PetroGas Group Holdings Limited,
CanaSea Oil and Gas Group Pte. Ltd.,
CanaSea International Pte. Ltd.,
CanaSea PetroGas Investment Inc. and
CanaSea Oil and Gas Ltd.,
and not in its personal capacity

Per: P. Casey

Paul M. Casey, CPA, CA, CIRP
Senior Vice-President

APPENDIX "A"

Court File No. CV-14-10700-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	FRIDAY, THE 19th
JUSTICE PENNY	)	DAY OF SEPTEMBER, 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANASEA PETROGAS GROUP HOLDINGS LIMITED, CANASEA OIL AND GAS GROUP PTE. LTD., CANASEA INTERNATIONAL PTE. LTD., CANASEA PETROGAS INVESTMENT INC. and CANASEA OIL AND GAS LTD. (collectively, the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Zhenyu (Jerry) Fang sworn September 18, 2014 (the "**Fang Affidavit**") and the Exhibits thereto, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants and counsel for Deloitte Restructuring Inc., no one appearing for Equity Ventures International Holdings Limited, Lead Mind Holdings Limited, Blue Energy Holdings Limited or Luminor Pacific Fund 1 Ltd. although duly served as appears from the affidavit of service of Chloe Eng sworn September 19, 2014 and on reading the consent of Deloitte Restructuring Inc. to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Fang Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any

transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business, provided that the Applicants are authorized (but not required) to pay critical suppliers in respect of pre-filing liabilities subject to the approval of the Monitor.

RESTRUCTURING

11. THIS COURT ORDERS that each of the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $25,000 in any one transaction or $200,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days' notice to such landlord and any such

secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

14. THIS COURT ORDERS that until and including October 18, 2014, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and

suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor

shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $150,000, as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 through 40 herein.

22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that Deloitte Restructuring Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise the Applicant in its development of the Plan and any amendments to the Plan;

(d) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(g) perform such other duties as are required by this Order or by this Court from time to time.

25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save

and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amounts of $25,000, $20,000 and $30,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

30. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $400,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

32. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Yu Zhang or his nominee (in either case, the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $750,000 unless permitted by further Order of this Court.

33. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of September 18, 2014 (the "**Commitment Letter**"), filed.

34. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 through 40 hereof.

36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon three (3) business days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of $400,000);

Second – Directors' Charge (to the maximum amount of $150,000); and

Third – DIP Lender's Charge.

39. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

41. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the

Administration Charge or the DIP Lender's Charge, unless the Applicants also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

42. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by an Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from an Applicant entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

SERVICE AND NOTICE

44. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Toronto Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

45. THIS COURT ORDERS that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

46. THIS COURT ORDERS that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.deloitte.com/ca/canasea

GENERAL

47. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

48. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

49. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or the Republic of Singapore, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

50. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order, for assistance in carrying out the terms of this Order and for such other relief as the Applicants and the Monitor consider necessary or advisable, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

51. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

52. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 19 2014

NO

J.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANASEA PETROGAS GROUP HOLDINGS LIMITED, CANASEA OIL AND GAS GROUP PTE. LTD., CANASEA INTERNATIONAL PTE. LTD., CANASEA PETROGAS INVESTMENT INC. and CANASEA OIL AND GAS LTD.

Applicants

Court File No.: CV-14-10700-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

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APPENDIX "B"

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANASEA PETROGAS GROUP HOLDINGS LIMITED, CANASEA OIL AND GAS GROUP PTE. LTD., CANASEA INTERNATIONAL PTE. LTD., CANASEA PETROGAS INVESTMENT INC. and CANASEA OIL AND GAS LTD.

Applicants

REPORT OF DELOITTE RESTRUCTURING INC., IN ITS CAPACITY AS PROPOSED MONITOR OF THE APPLICANTS.

Dated as of September 19, 2014

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I. INTRODUCTION

1. Deloitte Restructuring Inc. ("**Deloitte**") understands that CanaSea PetroGas Group Holdings Limited ("**CPGHL**"), CanaSea Oil and Gas Group Pte. Ltd. ("**COGG**", formerly CanaSea Energy Pte. Ltd.), CanaSea International Pte. Ltd. ("**CIPL**"), CanaSea PetroGas Investment Inc. ("**CPII**") and CanaSea Oil and Gas Ltd. ("**COGL**") (collectively, "**CanaSea Group**" or the "**Applicants**") intends to make an application to the Court for an order (the "**Initial Order**") granting a stay of proceedings in favour of the Applicants until October 19, 2014 pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**")

2. On the application for the Initial Order, the Applicants will be seeking an order that Deloitte be appointed as the CCAA monitor (the "**Proposed Monitor**" and if appointed, the "**Monitor**") of the Applicants in the CCAA proceedings.

3. Deloitte, in its capacity as Proposed Monitor, has reviewed the Court materials to be filed by the Applicants in support of its application. The purpose of this limited scope report of the Proposed Monitor is to provide information to this Honourable Court regarding the following:

(a) Deloitte's qualifications to act as Monitor (if appointed);

(b) A limited summary of certain background information about the Applicants and the CCAA proceedings;

(c) The objectives of the CCAA proceedings;

(d) The Applicants' 13-week Cash Flow Forecast for the period from September 22, 2014 to December 21, 2014;

(e) The Applicants' request that it be authorized and empowered to obtain and borrow interim financing, including the terms of the debtor-in-possession ("**DIP**") facility;

(f) The charges proposed in the Initial Order; and

(g) The Proposed Monitor's conclusions and recommendations.

II. TERMS OF REFERENCE

4. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

5. Capitalized terms not otherwise defined herein are as defined in the Applicants' application materials, including the affidavit of Zhenyu (Jerry) Fang sworn September 18, 2014 (the "**Fang Affidavit**") filed in support of the Applicants' application for relief under the CCAA. This report should be read in conjunction with the Fang Affidavit, as certain information contained in the Fang Affidavit has not been included herein in order to avoid unnecessary duplication.

6. The information contained in this report is based on unaudited financial information as well as discussions with representatives of the Applicants. The Proposed Monitor has not conducted an audit or other verification of such information and, accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained herein.

7. Forward looking financial information included in this Report is based on the Applicants' assumptions regarding future events, and actual results achieved will vary from this information and the variations may be material. The Proposed Monitor has not performed an examination or review of financial forecasts, projections or procedures in accordance with standards set by the Canadian Institute of Chartered Accountants.

III. DELOITTE'S QUALIFICATIONS TO ACT AS MONITOR

8. Deloitte is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. The senior Deloitte professional personnel with carriage of this matter have acquired knowledge of the Applicants and its business through discussions held with management and the Applicants' legal counsel. Deloitte is, therefore, in a position to immediately assist the Applicants in its CCAA proceedings.

9. Neither Deloitte nor any of its representatives or affiliates have been at any time in the two preceding years the auditor, a director, an officer or an employee of the Applicants or otherwise related to the Applicants or to any director or officer of the Applicants or a trustee (or related to any such trustee) under a trust indenture issued by any of the Applicants or any person related to the Applicants. Therefore, in the Proposed Monitor's view, Deloitte is qualified to act as Monitor in this CCAA proceeding and subsection 11.7(2) of the CCAA does not apply.

10. Deloitte has consented to act as Monitor, should the Court grant the Applicants' request to commence the CCAA proceedings. A copy of the executed consent is attached as **Appendix "A"**.

IV. GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

11. The Applicants are engaged in the exploration, development, production and marketing of oil and gas in Saskatchewan, Canada. A copy of the organization chart of the CanaSea Group is attached hereto as **Appendix "B"**. The only significant asset of the Applicants are COGL's rights under 34 Petroleum and Natural Gas Leases with the Province of Saskatchewan's Ministry of Energy and Resources ("**PNG Leases**"). The PNG Leases grant COGL the right to explore for, work, recover, remove and dispose of, the petroleum and natural gas on the lands specified in the PNG Leases. At this time, only two wells are in production with nominal output and due to financial constraints, there are currently no exploration or development activities being undertaken. The total acreage covered by the PNG Leases is approximately 38,000 acres.

12. Commencing in 2013 and continuing into 2014, the CanaSea Group initiated an initial public offering ("**IPO**") process for the potential sale and listing of a portion of the shares of COGG on the Singapore Exchange Securities Trading Limited Stock Exchange. In mid-2014, the underwriter and joint placement agent in Singapore assigned a lower valuation than was initially anticipated by the stakeholders, resulting in discontent amongst the holders of the Convertible Loans (as defined below) and an eventual suspension of the IPO process.

13. The Applicants' business, affairs, financial performance and position, as well as the causes of its insolvency, are detailed extensively in the Fang Affidavit and are, therefore, not repeated herein. The Proposed Monitor has reviewed the Fang Affidavit and discussed the business and affairs of the Applicants and the causes of insolvency with senior management personnel of the Applicants and is of the view that the Fang Affidavit provides a fair summary thereof.

V. OBJECTIVES OF CCAA PROCEEDINGS

14. The primary objectives of the Applicants' CCAA proceedings are to: (i) preserve, maximize and realize upon the enterprise value of the Applicants for the benefit of all of their stakeholders; and (ii) provide the Applicants with time to secure sufficient funds to continue operations, undertake additional exploration and development and fund a plan of arrangement to its stakeholders. As particularized in the Fang Affidavit, the Applicants intend to implement a sale and investment solicitation process (the "**SISP**") with the intent of identifying financers/investors that will provide sufficient funds to fund a plan of arrangement. The Monitor will work with the Applicants to determine the SISP. The Applicants intend to seek approval of the SISP within the next three weeks likely contemporaneously with their motion to seek an extension of the initial stay period.

15. A stay of proceedings is essential to the continued operation of the Applicants' business. Such a stay would provide the Applicants with the necessary time to undertake the SISP and continue discussions with its stakeholders with respect to a potential plan of arrangement. Accordingly, the Applicants believe it is necessary to file for CCAA protection.

VI. CREDITORS

16. The following chart sets out the holders of the Convertible Loans and the rounds in which the loans were made:

i) First Round Convertible Loans Issued granted to COGG in March, 2013:

First Round Investors	First Round Convertible Loan (CAD)
Petroleum Technology Limited	135,012
Yihe Holdings Limited	225,019
Shine Leader Global Limited	45,004
Grand Wave Group Limited	30,003
Total	**435,037**

The proceeds from the First Round Convertible Loans were used to purchase PNG Leases and for general corporate purposes. The outstanding balance of the First Round Convertible Loans as of September 18, 2014 is $266,273. The reason for the change in the balance is described further below.

ii) Second Round Convertible Loans Issued to COGG in Spring, 2013:

Second Round Investors	Second Round Convertible Loan (USD)
Smart Index Investment Limited	1,500,000
Equity Ventures International Holdings Limited	3,500,000
Lead Mines Holdings Limited	500,000
Blue Energy Holdings Limited	2,500,000
Total	**8,000,000**

The proceeds from the Second Round Convertible Loans were also used to purchase PNG Leases and for general corporate purposes.

iii) Third Round Convertible Loans Issued granted to COGG on November 21, 2013 and December 5, 2013:

Third Round Investors	Third Round Convertible Loan (USD)
Hillview Capital Holdings Limited	500,000
Blue Energy Holdings Limited	7,000,000
Total	7,500,000

The proceeds from the Third Round Convertible Loans were principally used to purchase twelve (12) PNG Leases in the Leon Lake area of Saskatchewan from Grizzly Resources Inc. Collectively, the First Round Convertible Loans, the Second Round Convertible Loan and the Third Round Convertible Loans are referred to herein as the "**Convertible Loans**".

17. In addition to the Convertible Loans set out above, CIPL and Luminor Pacific Fund 1 Ltd. ("**Luminor**") entered into an Exchangeable Bond Agreement dated April 24, 2014 (the "**Exchangeable Bond Agreement**"). The Exchangeable Bond Agreement provided for CIPL to issue exchangeable bonds (the "**Exchangeable Bonds**") to Luminor in the aggregate amount of US$12.0 million in late April and early May 2014. CIPL's liabilities under the Exchangeable Bonds are guaranteed by CPGHL.

18. The proceeds from the Exchangeable Bonds were to be used to take steps in furtherance of the planned IPO. In particular, under the terms of the Exchangeable Bond Agreement, CIPL was to use the proceeds from the subscription of the bonds as follows:

> **2.3 Use of Proceeds of the Bonds:** Save as otherwise agreed between the Parties, the Company shall use the proceeds from the subscription of the Bonds in furtherance of the restructuring of the ownership and shareholding of the entities with the Group resulting in the Listing Entity becoming the legal and beneficial owner of all of the Group's petroleum assets which includes the following:
>
> (a) restructuring of the Group's petroleum assets;

(b) repayment of any intercompany and/or shareholder loans (if any); and/or

(c) to discharge, reduce or retire any indebtedness of any Group Company incurred in connection with the IPO.

19. Management has advised that the proceeds from the Exchangeable Bonds were used as follows:

(a) Approximately US$9.0 million to purchase back equity rights from two of the original first round investors. By separate Deeds of Assignment both dated May 2, 2014, $37,503 of the Convertible Loan from Yihe Holdings Limited ("**Yihe**") and $131,262 of the Convertible Loan from Petroleum Technology Limited ("**Petroleum**") were assigned to CPGHL along with a portion of their conversion rights under the First Round Convertible Loans for payments of US$2.0 million, in the case of Yihe, and US$7.0 million, in the case of Petroleum. The amount of consideration for the assignments was based on a share valuation of US$1.0 million for every 1.25% of shares of COGG. These transactions resulted in a balance owing on the First Round Convertible Loans of $266,273;

(b) Approximately US$2.0 million was used to pay commissions/advisor fees associated with the exchangeable bond issue; and

(c) Approximately US$1.0 million was transferred to CPGHL and used for working capital / restructuring purposes.

20. The Monitor notes that less than six months has elapsed since the issuance of the Exchangeable Bonds to Luminor. Since the IPO did not occur as was anticipated by the

Applicants and only $1.0 million of the proceeds from the Exchangeable Bonds were retained within the CanaSea Group for working capital purposes, the Applicants are now insolvent.

21. As described in the Fang Affidavit, on August 1, 2014, Smart Index Investment Limited ("**Smart Index**") demanded redemption of its Second Round Convertible Loan of US$1,500,000 plus interest of US$276,149 for an aggregate amount of US$1,776,149.

22. On August 4, 2014, Equity Ventures International Holdings Limited ("**Equity Ventures**"), Blue Energy Holdings Limited ("**Blue Energy**") and Lead Mind Holdings Limited ("**Lead Mind**") (collectively, the "**Redeeming Noteholders**") also demanded redemption of their Second Round Convertible Loans with a combined principal amount of US$6,500,000.

23. On or about August 12, 2014, the Convertible Loan owing to Smart Index was redeemed by payment of US$576,149 from COGL and a US$1,200,000 payment from CPGHL.

24. Management has advised the Proposed Monitor that Smart Index was repaid their Convertible Loan as it was the last day of the demand period and they anticipated further financing in the near term to satisfy the other demands.

25. However, after the payment was made to Smart Index, further funding was not received and there was not sufficient funds available to satisfy the remaining demands, thereby rendering the Applicants insolvent. The Proposed Monitor notes that the payment to Smart Index was made within three months of the date of proposed CCAA filing date and may be reviewed as potentially being preferential.

26. In addition to the demands described above, on September 12, 2014, Blue Energy issued a demand to have its Third Round Convertible Loan for US$7,000,000 repaid.

27. The Proposed Monitor has noted certain discrepancies between the amount of the convertible loans demanded by Equity Ventures and Lead Mind as disclosed in the Fang Affidavit and the actual amount of the Convertible Loans provided by those parties. For example, Lead Mind provided a Convertible Loan of US$500,000 on June 6, 2013; however, the amount of Lead Mind's demand is reported in the Fang Affidavit to be US$2,500,000. The Proposed Monitor will work further to clarify the amounts of the outstanding Convertible Notes and the amounts demanded should it be appointed by the Court.

28. As of September 16, 2014, the aggregate amount owed by COGL to creditors that are not the holders of Convertible Loans or Exchangeable Bonds is less than $275,000, of which approximately $223,000 is in respect of professional services and engineering services.

29. The Proposed Monitor understands that Luminor, the largest single creditor of the Applicants, is supportive of the CanaSea Group undertaking restructuring efforts including a Court supervised process.

VII. THE APPLICANTS' CASH FLOW STATEMENT

30. In order to fulfill the requirements of section 10.2(2)(a) of the CCAA, the Applicants, with the assistance of the Proposed Monitor, have prepared a cash flow forecast of COGL's receipts and disbursements on a weekly basis for the thirteen week period September 22, 2014 to December 21, 2014 (the "**Cash Flow Forecast**"). We are informed that the non-COGL Applicants are holding companies only and will not have any material financial activity during the Cash Flow Forecast period other than the incurrence of professional fees incurred in respect of this CCAA proceeding, which are forecasted in the Cash Flow Forecast.

31. The Cash Flow Forecast together with management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA is attached hereto as **Appendix "C"** to this report. The Cash Flow Forecast, including the notes attached thereto, has been prepared by the Applicants for the purpose described in the notes accompanying the statement of projected cash-flow, using the probable and hypothetical assumptions set out in the notes.

32. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals' standard of professional practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor's report on the Cash Flow Forecast.

33. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by members of management and counsel of the Applicants. Since the probable and hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

34. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material aspects, that:

(a) The probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

(b) As at the date of this report, the probable and hypothetical assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or

(c) The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

35. Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variation could be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Forecast, or relied upon by the Proposed Monitor in preparing this report.

36. The Cash Flow Forecast has been prepared solely for the purposes of determining the liquidity requirements for the Applicants during the CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

37. The Cash Flow Forecast is summarized below:

Cash Flow Forecast For the period September 22 to December 21, 2014		
Total Receipts	S	135,860
Disbursements		
Payroll and benefits		268,896
Operating expenses		29,781
Royalty expense		17,400
Property Tax		4,516
G&A Costs		97,700
Exploration cost - land lease		2,600
Legal & Professional fees		401,351
		822,244
Net Cash Flow		(686,384)
Opening Cash Balance		124,904
Closing Cash Balance	S	(561,480)

38. The Applicants' cash position at the commencement of the CCAA proceedings is estimated to be $125,000. The Cash Flow Forecast estimates that during the period of the projection, the Applicants will require additional financing support of approximately $561,000 to continue to its operations and fund its restructuring while further funding will be required to support operations and the Applicants' restructuring plans beyond the 13-week period of the Cash Flow Forecast. The Proposed Monitor also notes that the Cash Flow Forecast does not include any fees and costs for formal proceedings in Singapore, should the Applicants and the Monitor determine that such proceedings are necessary. The Monitor notes there is a small addition error in the Cash Flow Forecast that does not affect the net cash flow but has been corrected in the above summary.

VIII. THE APPLICANTS' REQUEST FOR INTERIM FINANCING

39. The Applicants' continuing losses have virtually eliminated their liquidity, leaving them without sufficient funds to operate beyond the first week from the date of the Initial Order unless they receive additional financial support.

40. As shown in the Cash Flow Forecast, it is estimated that for the period ending December 22, 2014, the Applicants will require additional financial support in the amount of approximately $561,000. Accordingly, the ability to borrow additional funds, in the form of a Court-approved DIP facility, secured by a DIP charge (as hereinafter defined), is vital to providing the stability to, and the necessary cash flow for, the Applicants' businesses, so that their value can be preserved while the Applicants pursue their restructuring plan.

41. The Applicants have obtained a debtor in possession financing term sheet (the "**DIP Term Sheet**") in the aggregate amount of $750,000 from Yu Zhang or his nominee (the "**DIP Lender**"), subject to the Applicants obtaining an Initial Order in this proceeding, among other things, granting the DIP Lender a priority charge over all of the property, assets and undertaking of the Applicants (the "**DIP Charge**"), subject only to the Administration Charge and the D&O Charge. A copy of the DIP Term Sheet is annexed to the Fang Affidavit.

IX. COURT ORDERED CHARGES

42. The proposed Initial Order provides for an Administration Charge (as defined below), a D&O Charge (as defined below), and a DIP Charge.

(a) Administration Charge

43. The proposed Initial Order provides for a charge in the amount of $400,000 charging the assets of the Applicants to secure payment of the fees and expenses of the Applicants' counsel and the Monitor and its counsel incurred in connection with this proceeding (the "**Administration Charge**").

44. The quantum of the Administration Charge sought by the Applicants was determined in consultation with the Proposed Monitor. The creation of the Administration Charge is typical in CCAA proceedings as is the proposed priority of the Administration Charge as set out in the form of Initial Order filed with the Court.

(b) Directors' Charge

45. The proposed Initial Order provides for a charge in the amount of CDN$150,000 (the "**Directors' Charge**") charging the assets of the Applicants to indemnify their directors and officers for liabilities incurred by the Applicants that result in post-filing claims against the directors and officers in their personal capacities. The Monitor understands that there is no directors' and officers' insurance coverage.

46. As the Applicants will require the participation and experience of the Applicants' directors and officers to pursue a successful restructuring, the Proposed Monitor believes that the Directors' Charge (both the amount and priority ranking) is required and reasonable in the circumstances.

(c) DIP Charge

47. As set out above, without DIP Financing, the Applicants will not be able to restructure. The Proposed Monitor has reviewed the DIP Term Sheet and believes that the DIP Charge (both the amount and priority ranking) is required and reasonable in the circumstances.

X. SUMMARY AND PROPOSED RANKING OF COURT ORDERED CHARGES

48. It is contemplated that the priorities of the charges sought by the Applicants (collectively, the "**Charges**") will be as follows:

(a) First – the Administration Charge;

(b) Second – the Directors' Charge; and

(c) Third – the DIP Charge.

49. The Initial Order sought by the Applicants provides that the Charges will rank in priority to all existing unsecured creditors, including the interests of the Redeeming Noteholders. The charges will be subordinate to any priority payables owing to Her Majesty.

50. The Proposed Monitor believes that the Charges and rankings are required and reasonable in the circumstances of the CCAA proceedings in order to preserve going concern operations of the Applicants and maintain their enterprise value and, accordingly, supports the granting and the proposed ranking of the Charges.

XI. PROPOSED MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

51. The Proposed Monitor is of the view that the relief requested by the Applicants is necessary, commercially reasonable and justified. The Proposed Monitor is also of the view that granting the relief requested will provide the Applicants the best opportunity to undertake an investment solicitation process and other restructuring under the CCAA proceedings thereby preserving value for the benefit of the Applicants' stakeholders.

All of which is respectfully submitted this 19th day of September, 2014.

Deloitte Restructuring Inc.
In its capacity as Proposed Monitor of
CanaSea PetroGas Group Holdings Limited,
CanaSea Oil and Gas Group Pte. Ltd.,
CanaSea International Pte. Ltd.,
CanaSea PetroGas Investment Inc. and
CanaSea Oil and Gas Ltd.

Per:

Adam Bryk, CPA, CA, CIRP
Senior Vice-President

APPENDIX "C"

September 5, 2014

Canasea PetroGas Group Holdings Limited
CanaSea Oil and Gas Group Pte. Ltd.
CanaSea International Pte. Ltd.
Canasea PetroGas Investment Inc.
Canasea Oil and Gas Ltd.
c/o Canasea Oil and Gas Ltd.
220 Duncan Mills Road, Suite 612
Toronto, Ontario
Canada M3B 3J5

Attention: Jerry Fang

Dear Sirs/Mesdames:

RE: DIP Credit Facility

We confirm that Canasea PetroGas Group Holdings Limited, CanaSea Oil and Gas Group Pte. Ltd., CanaSea International Pte. Ltd., Canasea PetroGas Investment Inc. and Canasea Oil and Gas Ltd. (collectively, the **"Borrowers"**) are applying for protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada) (the **"CCAA"**) and will seek an order (the **"Initial Order"**) from the Ontario Superior Court of Justice (Commercial List) (the **"Court"**), which Initial Order shall, among other things, appoint Deloitte Restructuring Inc. as monitor (the **"Monitor"**) of the Borrowers in the CCAA proceedings.

The Borrowers require funding in the context of such proceedings on an urgent basis and has requested that Mr. Zhenyu (Jerry) Fang or his nominee (in either case, the **"DIP Lender"**) make available to the Borrowers a credit facility in the maximum principal amount of CAD $750,000 during the CCAA proceeding to be used to fund the restructuring process and ordinary course operations. The DIP Lender is pleased to do so on the terms outlined below.

LOAN FACILITIES

1.	**BORROWER:**	Canasea PetroGas Group Holdings Limited, CanaSea Oil and Gas Group Pte. Ltd., CanaSea International Pte. Ltd., Canasea PetroGas Investment Inc. and Canasea Oil and Gas Ltd.
2.	**TYPE OF FACILITIES/ AMOUNT:**	The DIP Lender shall make available to the Borrowers a non-revolving loan (the **"DIP Loan"**) in the maximum amount of CAD $750,000.00 (the **"Maximum Amount"**) for the purpose of funding the restructuring process and ordinary course operations, subject to the terms and conditions set out herein.
3.	**INTEREST RATE**	Interest shall be calculated at the rate of 15% per annum, determined daily and calculated and payable monthly in arrears,

before and after maturity, default or judgment, with interest on overdue interest calculated in the same manner at any time on the balance outstanding at the same rate based on the actual number of days divided by 365.

4. **TERM & REPAYMENT:** The amount of the DIP Loan (including interest, fees and all other amounts payable hereunder) that is outstanding at any time (the "**Total Borrowings**") shall be due and payable on the earlier of the occurrence of an Event of Default (as hereinafter defined) or February 28, 2015 (the "**Maturity Date**").

The Borrowers may repay amounts outstanding under the DIP Loan at any time without notice, bonus or penalty.

5. **ADVANCES & AVAILABILITY:** Amounts under the DIP Loan shall be advanced to the Borrowers on request, subject to:

(a) the terms contained in this Term Sheet;

(b) the approval of the Monitor; and

(c) the satisfaction of the Conditions Precedent (as hereinafter defined),

provided that each such request by the Borrowers and each such advance by the DIP Lender shall be made in increments of $100,000.

6. **DOCUMENTATION & SECURITY:** All liabilities and obligations of the Borrowers to the DIP Lender arising hereunder shall be secured and evidenced, as the case may be, by the following documents completed in form and substance satisfactory to the DIP Lender and its counsel (collectively, the **"DIP Lender Security"**):

(a) the Initial Order (including the DIP Charge (as hereinafter defined) provided for therein on terms in accordance generally with the Commercial List Standard Long Form of Order);

(b) a General Security Agreement from each of the Borrowers (if required by the DIP Lender);

(c) all supporting authorizations, certificates and acknowledgements as the DIP Lender may reasonably require; and

(d) such further documentation that the DIP Lender and its

counsel may reasonably require.

7. **CONDITIONS PRECEDENT:** The obligation of the DIP Lender to make available the DIP Loan is subject to and conditional upon each of the following conditions (the **"Conditions Precedent"**), which are for the exclusive benefit of the DIP Lender and, unless waived in writing by the DIP Lender, shall be fulfilled, satisfied and performed prior to the first advance under the DIP Loan:

(a) acceptance by the Borrowers of this Term Sheet;

(b) the DIP Lender shall have received the DIP Lender Security, in form and content acceptable to the DIP Lender;

(c) the Borrowers shall have obtained an Initial Order in form and content satisfactory to the DIP Lender on or by September 8, 2014:

(i) authorizing the Borrowers to borrow on the terms and conditions outlined in this Term Sheet and approving same;

(ii) creating a court ordered first in priority charge (the **"DIP Charge"**) in favour of the DIP Lender over all present and future assets, property and undertaking of the Borrowers, subject only to:

A. an administration charge not to exceed $400,000 without the written consent of the DIP Lender, and approval of the Court; and

B. an directors and officers charge not to exceed $150,000 without the written consent of the DIP Lender, and approval of the Court,

as security for all present and future liabilities and obligations of the Borrowers to the DIP Lender (whether direct or indirect, joint or several, absolute or contingent) including, without limitation, all present and future obligations arising hereunder;

(iii) prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon any of the assets, property or undertaking of the Borrowers, without the prior written consent of the DIP Lender;

(iv) granting the DIP Lender the right, upon the earlier of the

Maturity Date or an Event of Default (as defined below), to enforce the rights and remedies available to it, upon three (3) business days written notice to the Borrowers and to the Monitor and their respective counsel, pursuant to the Initial Order, this Term Sheet, the DIP Lender Security, and any additional rights and remedies available to it, at law or in equity;

(v) prohibiting any further borrowing by the Borrowers, without the prior written consent of the DIP Lender;

(vi) authorizing (but not obligating) the DIP Lender to effect such registrations, filings and recordings wherever the DIP Lender in its discretion deems appropriate regarding the DIP Lender Security, and the DIP Charge;

(vii) declaring that the granting of the security by the Borrowers provided for in the DIP Lender Security (including the DIP Charge) and the execution and delivery of all other documents and instruments contemplated herein, the payment of all amounts by the Borrowers to the DIP Lender, including any and all fees and interest, and the actions taken to perfect and record the DIP Lender Security do not constitute settlements, reviewable transactions, fraudulent preferences, fraudulent conveyances, conduct meriting an oppression remedy, or other transactions which might be challenged or reviewed under applicable federal or provincial legislation;

(viii) declaring the Initial Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrowers, a monitor, a receiver, an interim-receiver, a receiver-manager or any other officer of the Court;

(ix) staying any other secured or unsecured creditor from exercising any rights against the Borrowers and their property, without further order of the Court;

(x) declaring the DIP Lender to be an "unaffected creditor" under any plan of arrangement or compromise made by the Borrowers and that the indebtedness owed to the DIP Lender under the DIP Loan shall not be compromised or arranged under any such plan; and

(xi) such other terms and conditions as the DIP Lender may reasonably deem necessary or appropriate;

(d) the Initial Order shall be in full force and effect and shall not have been reversed, stayed, modified, amended or varied, without the express written consent of the DIP Lender, and no application or motion shall have been made to the Court for any stay, modification or amendment of the Initial Order;

(e) no Event of Default (as defined below) shall have occurred; and

(f) from and after the date of the Initial Order and as provided for in the Initial Oder, the Borrowers shall remain in possession of its assets.

8. **ONGOING COVENANTS:**

In addition to those covenants set out in the DIP Lender Security, and other documentation executed or to be executed by the Borrowers in favour of the DIP Lender, each of the Borrowers covenants as follows:

(a) the Borrower shall not request, obtain or consent to any reversal, stay, modification, amendment or any variation, of the Initial Order, that adversely effects the DIP Loan, without the prior written consent of the DIP Lender;

(b) the Borrower shall maintain the current insurance coverage over its assets and property and, on a best efforts basis, designate the DIP Lender as loss payee as its interest may appear;

(c) the Borrower shall forthwith provide the DIP Lender with written notice of the occurrence of an Event of Default (as defined below);

(d) the Borrower shall not grant any liens, charges, security interests or any other encumbrances upon any of its assets, property or undertaking, without the DIP Lender's prior written consent;

(e) other than as authorized in the Sale and Investment Solicitation Process to be undertaken by the Borrower, the Borrower shall not take any steps to sell, transfer, assign or deal in any way with any of its property, assets or undertaking out of the ordinary course of business, without the prior written consent of the DIP Lender or an order of the Court;

(f) the Borrower shall pay, when due, all statutory liens, trusts and

other Crown claims, including employee source deductions, GST/HST, EHT, and any payments required by any work place safety legislation, wages, vacation pay and insurance premiums;

(g) the Borrower shall only use the DIP Loan for purposes set out in this Term Sheet, unless otherwise agreed to in writing by the DIP Lender;

(h) the Borrower shall cause its property, assets and undertaking to be maintained and operated in good working condition in accordance with industry practice and to permit the DIP Lender, with the oversight of the Monitor, to inspect each of its property, assets and undertaking as the DIP Lender may request;

(i) the Borrower shall take all necessary steps to ensure all licenses used in connection with the operation of the business of the Borrower are kept in good standing; and

(j) the Borrower shall comply with the financial projections attached as Schedule "A" hereto (the "**Projections**"), subject to an allowance for negative variations for total disbursements and withdrawals in the Projections (which must be satisfactory to the DIP Lender) not to exceed 10% of the Projections on a cumulative basis tested weekly.

9. **DEFAULT:** In addition to the events of default set out in the DIP Lender Security, the following events shall constitute events of default (each, an **"Event of Default"**):

(a) if the Borrowers fail to pay to the DIP Lender when due any amount of principal, interest, fees or other amounts under the DIP Loan or otherwise, whether by acceleration or otherwise;

(b) if the Borrowers default in the observance or performance of any covenant contained in section 8 of this Term Sheet, the DIP Lender Security or any other agreement between the DIP Lender and a Borrower;

(c) if the Total Borrowings exceed the Maximum Amount;

(d) if the DIP Lender determines, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of any of the Borrowers;

(e) if there occurs a direct or indirect change of control (as defined in the *Canada Business Corporations Act* and the *Corporations Act* (Ontario) with respect to a Borrower;

(f) if the Initial Order is varied without the written consent of the DIP Lender or any other order is made which is or may be prejudicial to the DIP Lender's interests;

(g) if the Borrowers fail to remit when due any amounts owing to the federal or provincial governments including, without limitation, amounts on account of employee witholdings, employee health taxes, HST and provincial sales taxes; or

(h) if the the stay of proceedings contained in the Initial Order is terminated or lifted.

10. **REMEDIES:** Upon the earlier of the occurrence of an Event of Default or the Maturity Date, the DIP Lender may immediately terminate the DIP Loan and enforce, upon three (3) business days written notice, as referred to in paragraph 7(c)(iv) herein, all of its rights and remedies against the Borrowers and their property, assets and undertaking including, without limitation, the enforcement of the DIP Lender Security; and all amounts outstanding under the DIP Loan shall immediately become due and payable without further notice, demand or delay.

11. **FEES:** There shall be no arrangement or funding fee payable hereunder.

12. **REPORTING:** Each of the Borrowers shall provide to the DIP Lender such information as the DIP Lender may reasonably request from time to time, including, without limitation, a copy of all reporting provided to the Borrowers by the Monitor, including, with respect to the cash flow variance analysis describing and explaining any changes between actual performance and budget from the most recently delivered cash flow budget and projections to the cash flow budget and projections delivered in the previous week.

Governing Law

This Term Sheet shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Costs and Expenses

Upon execution of this Term Sheet, the Borrowers shall be responsible for all reasonable costs, fees and expenses on a full indemnity basis (including, without limitation, all legal, financial and

other advisory fees, disbursements and out of pocket expenses) incurred by the DIP Lender in connection with:

(a) the transaction contemplated herein, including, without limitation, all fees, costs, expenses and disbursements incurred by the DIP Lender in connection with the negotiation, preparation, registration and administration of this Term Sheet, the DIP Lender Security, and the DIP Loan (and all documents related thereto);

(b) the enforcement of all rights and remedies under this Term Sheet, the DIP Lender Security, and the DIP Loan (and all documents related thereto); and

(c) all matters related to the CCAA proceedings, including, without limitation, all court attendances in Canada or elsewhere in connection therewith.

All such fees and expenses shall be secured by the DIP Lender Security, whether or not any additional funds are advanced. The Borrowers hereby authorize the DIP Lender to draw on the DIP Loan to satisfy these fees.

Facsimile

Facsimile documents pertaining to this transaction are to be considered and treated the same as original documents.

Disclosure

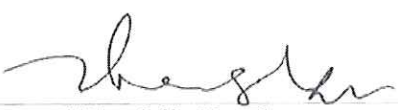
Each of the Borrowers agrees that this Term Sheet is confidential and not to be disclosed in any way, to any other person, without the prior written consent of the DIP Lender, other than in connection with the Borrower's motion for court approval of the borrowings on the terms and conditions outlined in this Term Sheet, but only after the Term Sheet has been signed by the Borrowers.

Acceptance

If these terms and conditions are acceptable, the Borrowers must sign and return this Term Sheet before 9:00 a.m. (E.S.T.) on September 18, 2014, failing which this Term Sheet is of no force and effect.

Yours truly,

EAST SHAUNAVON OIL INC.

By: 
Name: (Wendell) Yu Zhang
Title: Director

Acknowledgment & Acceptance

Each of the undersigned parties hereby accepts the terms and conditions of this DIP Term Sheet and agree to be bound thereby.

Dated at Toronto, Ontario this ____ day of September, 2014.

CANASEA PETROGAS GROUP HOLDINGS LIMITED

By: _____
Name: ZHENYU FANG
Title: Director

CANASEA PETROGAS INVESTMENT INC.

By: _____
Name: ZHENYU FANG
Title: Director

CANASEA OIL AND GAS GROUP PTE. LTD.

By: _____
Name: ZHENYU FANG
Title: Director

CANASEA OIL AND GAS LTD.

By: _____
Name: ZHENYU FANG
Title: Director

CANASEA INTERNATIONAL PTE. LTD.

By: _____
Name: ZHENYU FANG
Title: Director

SCHEDULE "A"

CASH FLOW PROJECTIONS

[To be attached]

APPENDIX "D"

Appendix "D"
Sale and Investment Solicitation Process Summary

Purpose

1. The purpose of the Sale and Investment Solicitation Process ("**SISP**") is to identify one or more financiers or purchasers of and investors in the Applicants' business or assets with a projected completion date of a transaction or transactions by February 27, 2015.

Defined Terms

2. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Order granted by the Ontario Superior Court of Justice (the "**Court**") on October 2, 2014 (the "**SISP Order**") in respect of the Applicants' proceedings commenced under the *Companies' Creditors Arrangement Act* ("**CCAA**").

SISP Procedures

3. The Monitor, with the assistance of the Applicants (collectively, the "**SISP Team**"), will compile a listing of prospective financiers, investors and purchasers (each an "**Interested Party**") that may be interested in this opportunity. The SISP Team will make best efforts to contact all Interested Parties identified in the list as well as any additional parties that the SISP Team believes could be a potential financier, investor or purchaser under this SISP throughout the process.

4. The SISP Team will conduct a financing, investor and sale solicitation process whereby Interested Parties will have the opportunity to submit an offer to finance the Applicants, to purchase some or all of the Applicants' Property or to make an investment in the Applicants.

5. The SISP Team will determine whether the SISP should include newspaper, magazine, trade periodical or other advertising directed at Potential Parties and, if so determined, shall cause a notice of the SISP to be published by October 17, 2014 on a best efforts basis.

6. As soon as possible after the date of the SISP Order, the SISP Team will distribute to Interested Parties an interest solicitation letter (the "**Teaser**") describing this opportunity.

A form of confidentiality agreement ("**CA**") that Interested Parties will be required to sign in order to gain access to an online data room containing confidential information regarding the Applicants and to perform due diligence (each Interested Party who signs a CA being referred to herein as, a "**Prospective Offeror**") will be posted on the Monitor's website and referenced in the Teaser. Those Interested Parties who contact the Monitor seeking further information on the opportunity will be provided with the CA. Those parties who have already executed a confidentiality agreement with the Applicants (also a "**CA**" for the purposes hereof) may not be required to execute a new confidentiality agreement, in the discretion of the Monitor's after receiving a copy of the executed CA. Each CA shall provide that it shall inure to the benefit of any successor to the Applicants and to a purchaser of the Applicants' business should a sale transaction be concluded as part of the SISP.

7. The SISP Team will populate an online data room and the Monitor shall provide access to each Prospective Offeror to the online data room.

8. The Applicants, with the oversight of the Monitor, will prepare and provide an investment overview document to each Prospective Offeror. The document will provide an overview of the Applicants' business, assets and prospects that may be of interest to prospective buyers or investors.

9. A chart summarizing the important target dates for the SISP is set out below:

Sale and Investment Solicitation Process	Date
Court Approval of SISP	October 2, 2014
Publish Advertisement, if applicable	By October 17, 2014
Marketing to Interested Parties	October 2 to December 10, 2014
Access to on-line data room and site visits	Immediately upon executing a CA
Offer Deadline	December 11, 2014
Clarification of offers and re-bidding, if applicable	Between December 11, 2014 and January 2, 2013
Execution of Binding Agreement (Financing Agreement, APA, etc.)	By January 16, 2015

Court approval of Transaction(s)	By January 30, 2015
Closing(s)	By February 27, 2015

10. At any time during the SISP, the Monitor may, upon reasonable prior notice to the Applicants, apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

11. The Applicants shall have the ability to apply to Court at any time to modify the timelines set out herein and/or terminate the SISP if the Applicants, in consultation with the Monitor, consider it appropriate in the circumstances including, without limitation, if they are of the view that a transaction involving a refinancing, investment or sale can be concluded on an expedited timeline, is commercially reasonable, and in the opinion of the Applicants and the Monitor, is beneficial to the Applicants' stakeholders.

Related Party Offers

12. Members of the Applicants' management team, shareholders and other parties related to the Applicants (in any such case, a "**Related Party Offeror**") may participate in the SISP as a Prospective Offeror, provided that, notwithstanding anything else contained herein, in the event a Related Party Offeror submits an Offer (as defined below), the Applicants shall not participate any further in the administration of the SISP including, in particular, reviewing, assessing and selecting Offers, and for greater certainty, all such activities shall be conducted solely by the Monitor unless and until the Related Party Offeror is no longer a prospective purchaser, financier or investor in the SISP.

Submissions of Offers

13. The offer procedure (the "**Offer Procedure**") is as follows:

    (a) all offers for financing, investment and purchase (individually, an "**Offer**") must be submitted in writing to the Monitor and received on or before noon Toronto time on December 11, 2014 (the "**Offer Deadline**") (Prospective Offerors and Related Party Offerors submitting an Offer by the Offer Deadline, shall be referred to as an "**Offeror**");

(b) Each Offeror must submit, before the Offer Deadline, an Offer including the identification of the Offeror, evidence of corporate authority and proof of such Offeror's financial ability to perform the proposed transaction to the satisfaction of the Monitor and the Applicants in the event a Related Party Offeror does not submit an Offer by the Offer Deadline, acting reasonably; and

(c) an Offer should, among other things, be capable of acceptance, irrevocable for a period of twenty (20) Business Days, and in the case of a sale transaction in the form of a the template offer or as close thereto as possible and accompanied by a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the order of the Monitor, in trust (the "**Deposit**"), in an amount equal to at least 10% of the purchase price contemplated therein (each offer submitted in accordance with these offer procedures is a "**Qualified Offer**").

14. Each Offer will be considered by the Monitor and the Applicants (in the event a Related Party Offeror does not submit an Offer by the Offer Deadline or that the Offer so submitted is not considered a Qualified Offer by the Monitor, the "**Non-Offering Applicants**"). The Monitor, in consultation and working with the Non-Offering Applicants, subject to the proviso above, may seek clarifications with respect to any Offer.

Qualified Offers

15. An offer will be considered a "**Qualified Offer**" only if (i) it is submitted by a Qualified Offeror on or before the Offer Deadline, (ii) the requirements of the immediately preceding paragraph are complied with to the satisfaction of the Monitor and the Non-Offering Applicants, and (iii) the offer complies with, among other things, the following requirements:

(a) it includes a letter stating that the offer is irrevocable and open for acceptance until at least 4:00 p.m. Toronto time on January 2, 2014;

(c) in the case of a proposed purchase of the Applicants' Property, it is in the form of the template offer (with changes identified by blackline) and includes the following: an acknowledgement and representation that the offeror: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement;

(d) in the case of an investment in the Applicants' business, it includes the following: an acknowledgement and representation that the offeror: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the investment agreement;

(e) it states any conditions to closing; and

(f) it is, in the reasonable opinion of the Monitor and the Non-Offering Applicants, likely to close on or prior to February 6, 2015 ("**Closing Date**") or such other date as the Monitor deems reasonable in the circumstances.

Post-Offer Procedure

16. If one or more Qualified Offers are received, the Monitor, in consultation with the Non-Offering Applicants, may choose to:

(a) accept one (or more if for distinct transactions) Qualified Offer(s) (the "**Successful Offer**" and the Qualified Offeror(s) making the Successful Offer being the "**Successful Offeror**") and take such steps as are necessary to finalize

and complete an agreement for the Successful Offer with the Successful Offeror; or

(b) continue negotiations with a selected number of Qualified Offerors (collectively, "**Selected Offerors**") with a view to finalizing an agreement with one of the Selected Offerors.

17. The Monitor and the Non-Offering Applicants shall be under no obligation to accept the highest or best offer or any offer and the selection of the Selected Offers and the Successful Offer(s) shall be entirely in the discretion of the Non-Offering Applicants and the Monitor.

18. The Monitor and the Non-Offering Applicants will have the sole right to value any non-cash consideration, including the assumption of liabilities, offered in any Qualified Offer.

Other Terms

19. All Deposits will be retained by the Monitor and in a trust account. If there is a Successful Offer, the Deposit paid by the Successful Offeror whose bid is approved by the Court will be applied to the purchase price to be paid by the Successful Offeror upon closing of the approved transaction and will be non-refundable. The Deposits of Qualified Offerors not selected as the Successful Offeror will be returned to such Offerors within five (5) Business Days of the date upon which the Successful Offer is approved by the Court. If there is no Successful Offer, subject to the following paragraph, all Deposits will be returned to the applicable Qualified Offerors within five (5) Business Days of the date upon which the SISP is terminated in accordance with these procedures.

20. If a Successful Offeror breaches its obligations under the terms of the SISP, its Deposit shall be forfeited to the Applicants as liquidated damages and not as a penalty.

21. The Monitor or the Non-Offering Applicants will apply to the Court (the "**Approval Motion**") for an order approving the Successful Offer(s) and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Offer(s) and to undertake such other actions as may be necessary or appropriate to give effect to the

Successful Offer.

22. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Non-Offering Applicants or the Monitor as the case may be. The Approval Motion may be adjourned or rescheduled by the Applicants or the Monitor without further notice by an announcement of the adjourned date at the Approval Motion.

23. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Offer.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANASEA PETROGAS GROUP HOLDINGS LIMITED, CANASEA OIL AND GAS GROUP PTE. LTD., CANASEA INTERNATIONAL PTE. LTD., CANASEA PETROGAS INVESTMENT INC. and CANASEA OIL AND GAS LTD.

Court File No.CV-14-10700-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

FIRST REPORT OF DELOITTE RESTRUCTURING INC., IN ITS CAPACITY AS PROPOSED MONITOR OF THE APPLICANTS (SEPTEMBER 29, 2014)

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