District of: Alberta
Division No. 02 – Calgary
Court No. 25-1327701
Estate No. 25-1327701

REPORT OF TRUSTEE ON PROPOSAL

IN THE COURT OF QUEEN'S BENCH OF ALBERTA JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE PROPOSAL OF WESTERN CANADA ENERGY LTD.

We, Alger & Associates Inc.("Alger"), the trustee acting in the Proposal of Western Energy Canada Energy Ltd. ("WCE" or the "Company"), hereby report to the Court as follows:

1. All Capitalized items are defined under Part I of the Proposal.

2. Western Canada Energy Ltd. filed a Notice of Intention to Make a Proposal under Part III of the Bankruptcy and Insolvency Act on February 25, 2010. The Company filed a Proposal with the Office of the Superintendent of Bankruptcy on March 18, 2010, a copy of which is attached and marked as Appendix "A".

3. Notice of a Meeting of Creditors to be held March 31, 2010 to consider the Proposal was sent by email and ordinary mail on March 18, 2010 to the Company, the Superintendent of Bankruptcy and every known creditor affected by the Proposal, whose names and addresses are attached and marked as Appendix "B".

4. The Notice included a Statement of Affairs of the Company containing a list of the creditors with claims of $250 or more, a copy of the Proposal, a copy of the Trustee's Report, a Proof of Claim form, blank proxy and a voting letter. Copies of the notice and the Statement of Affairs are attached hereto as Appendices "C" and "D". Copies of the Trustee's Report is attached hereto as Appendix E.

5. Prior to the meeting of creditors, the Trustee made detailed and careful inquiries into the liabilities and assets of the Company as well as the Company's conduct and the causes of its insolvency.

6. The meeting of creditors was held on March 31, 2010 and was presided over by Mr. Andrew H. Basi. An Amended Proposal was tabled by the Company at the meeting

of creditors and voted on by the Affected Creditors. A copy of the Amended Proposal is attached as Appendix "F".

7. Voting results on the Amended Proposal were as follows:

Unsecured Creditors

	In Number	Value represented
Votes in Favour	34(94%)	$1,015,803(98%)
Votes Against	2(6%)	$18,328(2%)
Total	36(100%)	$1,034,131(100%)

Affected Secured Creditor

	In Number	Value represented
Votes in Favour	1 (100%)	$3,598,031(100%)
Votes Against	0(0%)	0 (0%)
Total	1 (100%)	$0 (-%)

Accordingly, the requisite majority in number and two-thirds in dollar value of those Affected Creditors voting on the Amended Proposal accepted the Amended Proposal. A copy of the Minutes of the First Meeting of Creditors is attached as Appendix "G".

The Trustee also received claims which were admitted as contingent and/or unliquidated and valued at nil for the purposes of voting on the Amended Proposal. These claims all voted for the acceptance of the proposal and are as follows:

Creditor	Proof of Claim Amount	Vote on Acceptance of Proposal
Roxann Fedirko	150,000	FOR
Ron Shepherd	182,772	FOR
Dewpoint Resources Ltd.	1,587,462	FOR
Tallahassee Petroleum Inc.	868,247	FOR
Canadian Natural Resources Ltd.	219,892	FOR
	3,008,373	

8. The Trustee allowed all previously received votes for the acceptance of the Proposal and proxies to stand as the amendments to the Proposal were beneficial to the Affected Secured Creditors and the Ordinary Unsecured Creditor as each class would be receiving 10,875 Shoreline Warrants in addition to the amounts they were to receive in the Proposal sent to creditors.

9. The Trustee is seeking abridged notice for the court hearing to approve the Proposal as a result of the time requirements in the forbearance agreement, attached as Appendix "H", in place between the Company and Canadian Western Bank, the Company's primary secured lender, and the date requirements in the purchase and sale agreement, attached as Appendix "I", between the Company and Shoreline Energy Limited Partnership ("Shoreline").

10. The Trustee has made the following efforts to notify all proven creditors of the Trustee's intention to seek abridged notice for the court application:

    - The Trustee announced to all creditors in attendance at the meeting of creditors that the court application for the approval of the Proposal is scheduled to heard at the Court of Queen's Bench of Alberta at 10:00 am on April 6, 2010;

    - All proven Creditors and the Office of the Superintendent of Bankruptcy were electronically notified of the Notice of Hearing on April 1, 2010. The affidavit of service is attached as Appendix "J";

- The Notice of Hearing was also posted on the Trustee's website at www.alger.ca/western on April 1, 2010.

11. The Trustee is of the opinion that:

- The assets of the Company and their fair realizable values are as follows:

Cash	$	65,000
Accounts Receivable and deposit	$	140,000
Office Furniture		5,000
Oil and gas assets		5,500,000
Total	$	5,710,000

- The liabilities of the Company are as follows:

Ordinary unsecured creditors	$ 1,751,953
Secured Creditors	$6,798,530

12. We are also of the opinion that the causes of the insolvency of the Company can be summarized as follows:

- Due to lower and oil and gas prices and the resulting effect on the financial strength of the Company, the Company's primary secured lender, Canadian Western Bank ("CWB") issued demands on November 3, 2009 for repayment of the outstanding credit facility.

- In order to repay the amounts due to CWB, the Company attempted to sell approximately 70% of its proved and probable reserves ("Sold Assets") for total proceeds of $3 million to Tallahassee Petroleum Inc. ("Tallahassee") and Dewpoint Resources Ltd. ("Dewpoint"), which if the sale closed, the funds were to be used to repay CWB and the remainder due to CWB was to be raised through new financing and paid to CWB.

- As a result of the economic conditions, the Company was unable to raise additional financing and CWB would not be repaid in full by the proposed sale of the assets to Tallahassee and Dewpoint. CWB was unwilling to release partial security and as a result, the Company was unable to convey title to the Sold Assets to Tallahassee and Dewpoint.

- As a result of the above, Dewpoint and Tallahassee commenced actions in the Court of Queen's Bench of Alberta in early 2010 seeking a constructive trust in place over the Sold Assets and that Dewpoint and Tallahassee are entitled to an order for specific performance in their favour directing the conveyance of the Sold Assets to Dewpoint and Tallahassee.

- As a result of the above issues, the Company filed a Notice of Intention under the BIA to allow the time required to attend to the above issues and complete the sale with Shoreline.

13. The conduct of the debtor is not subject to censure. The Trustee's preliminary review has not identified any preferential payments, settlement transactions or reviewable transactions (defined as transactions with parties who are non-arms length).

14. We are further of the opinion that there are no facts, mentioned in section 173 of the Act, which may be proved against the Company.

15. It is the Trustee's opinion that the Company's Amended Proposal be accepted for the following reasons:

    a. The restructuring of the Company's existing liabilities in accordance with the terms of the Amended Proposal will be beneficial to creditors in that it will allow the Company to:

- Repay the amounts due to its primary secured lender, CWB, in full as an Unaffected Secured Creditor;

- Repay the amounts due to the Joint Operators, as defined in the Amended Proposal, in full;

- Crown Claims and Preferred Claims, as defined in the Amended Proposal, are paid in full;

- The approval of the Amended Proposal will allow WCE assets to be sold to Shoreline. The Affected Secured Creditor will be issued 21,750 Shoreline Units and 10,875 Shoreline Warrants which will allow the Affected Secured Creditor to enjoy in any future success of Shoreline; and

- Ordinary Unsecured Creditors will share in a distribution that ranges from $229,000 to $350,000 and 10,875 Shoreline Warrants which is greater than what they would receive in a bankruptcy which is estimated to be nil.

b. WCE Amended Proposal to its creditors represents a choice between:

- The Affected Secured Creditor receiving Shoreline Units and Shoreline Warrants and Ordinary Unsecured Creditors receiving a cash payment and Shoreline Warrants; or

- a bankruptcy, where the Affected Secured Creditor may receive a partial cash payment upon liquidation of WCE's assets after priority ranking creditors are paid in full and Ordinary Unsecured Creditors are not anticipated to receive any distributions from the bankruptcy estate.

c. The Trustee is of the view that the Amended Proposal provides for a greater realization for the Ordinary Unsecured Creditors than a bankruptcy and attendant liquidation and provides some certainty on the amounts to be received by the Affected Secured Creditor in the way of a set number of Shoreline Units and Shoreline Warrants.

16. A copy of this report will be forwarded to the Office of the Superintendent of Bankruptcy forthwith.

Dated at the city of Calgary in the Province of Alberta, this 1st day of April 2010.

Alger & Associates Inc.

Per: Andrew H. Basi, CA•CIRP
Vice President