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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFFS	AGRIGULTURE FINANCIAL SERVICES CORPORATION AND FARM CREDIT CANADA
DEFENDANT	WESTERN BIODIESEL INC.
DOCUMENT	SECOND REPORT OF THE RECEIVER, HARDIE & KELLY INC. MAY 16, 2014
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**SECOND REPORT OF THE RECEIVER
HARDIE & KELLY INC.
MAY16, 2014**

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INTRODUCTION

1. On February 26, 2013, Agriculture Financial Services Corporation (“AFSC”) and Farm Credit Canada (“FCC”) (collectively referred to as the “Secured Lenders”) made an application to the Court of Queen’s Bench of Alberta (the “Court”) for the appointment of an interim receiver and receiver and manager (the “Receiver”) of the current and future assets, property and undertakings (collectively referred to as the “Property”) of Western Biodiesel Inc. (“WBI” or the “Company”).
2. The Court granted an Order on February 26, 2013, appointing Hardie & Kelly Inc. as the Receiver.
3. On February 14, 2014, the Receiver filed a report (the “First Report”) with the Court in advance of the Receiver’s application seeking approval to sell substantially all of the Company’s physical assets (the “Assets”) to XR Resources Ltd (“XR Resources”).
4. On February 20, 2014, the Court approved the sale of the Assets to XR Resources.
5. As the administration of the Receivership proceedings is now essentially complete, the purpose of this report (the “Final Report”) is to provide the Court with:
 - a. An update as to the status of the sale to XR Resources;
 - b. An updated Statement of Receipts and Disbursements as at May 15, 2014 and the Receiver’s recommendation with respect to the disposition of the remaining funds;
 - c. Details of the Receiver’s accounts and those of the Receiver’s legal counsel in contemplation of the review and approval of the respective accounts and the Receiver’s discharge; and
 - d. The Receiver’s recommendation with respect to the disposition of the remaining pre-receivership books and records of the Company (the “Corporate Records”).

SALE TO XR RESOURCES

6. The Court approved sale of the Assets to XR Resources closed on February 25, 2014.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

7. A copy of the Receiver's Statement of Receipts and Disbursements as of May 15, 2014 (the "Final R&D"), a copy of which is attached as Appendix "A", indicates that the Receiver holds approximately \$619,000 (the "Residual Funds") in its trust account.
8. The Receiver's legal counsel has provided the Receiver with legal opinions confirming that the security held by each of AFSC and FCC are valid and enforceable. AFSC and FCC have an agreement in place which has the effect of providing that the net realizations from the receivership proceedings are to be distributed to them on a *pari passu* basis.
9. Canada Revenue Agency has verbally confirmed to the Receiver that it has no deemed trust claim outstanding for either unremitted source deductions or GST.
10. In light of the Receiver being unaware of any other outstanding claims that may rank in priority to AFSC and FCC, the Receiver is seeking the Court's authorization to distribute the Residual Funds equally to AFSC and FCC.

CORPORATE RECORDS

11. The Receiver continues to maintain the Corporate Records of the Company. The Receiver will be seeking the Court's authorization to destroy the remaining Corporate Records unless they are claimed by a former director of the Company within 30 days of the Receiver being discharged. The Receiver proposes to notify the directors at the addresses listed on a search of the Alberta Corporation Registration System included as part of the initial receivership application materials.

PROFESSIONAL FEES

12. To date, the Receiver has rendered two accounts in respect of the proceedings totalling approximately \$49,000 plus GST (the "Receiver's Fees"). The accounts are summarized below and will be made available upon request or at the hearing of the Receiver's discharge application.

Period Ended	Fees and Expenses	GST	Total
April 30, 2013	\$10,724.00	\$536.20	\$11,260.20
May 15, 2014	38,738.00	1,936.90	40,674.90
Total	\$49,462.00	\$2,473.10	\$51,935.10

13. The Receiver anticipates issuing a small final account in an amount of approximately \$1,500 (the "Receiver's Final Account") in connection with attending at the distribution and discharge application, the issuance of final distributions, attendance to the disposition of the Corporate Records and the completion and submission of the statutory Receiver's Final Report to the Office of the Superintendent of Bankruptcy.
14. During the course of the Receivership proceedings, the Receiver's legal counsel has issued five accounts totalling approximately \$22,000 plus GST (the "Receiver's Counsel's Fees"). The accounts are summarized below and will be made available upon request or at the hearing of the Receiver's discharge application.

Period Ended	Fees and Expenses	GST	Total
February 28, 2013	\$1,862.00	\$93.10	\$1,955.10
January 31, 2014	6,134.50	306.73	6,441.23
February 28, 2014	10,023.75	501.19	10,524.94
March 31, 2014	3,492.40	174.48	4,725.00
April 30, 2014	894.00	33.20	927.20
Total	\$22,406.65	\$1,108.70	\$23,515.35

15. The Receiver's legal counsel anticipates issuing a final account in an amount of approximately \$3,000 (the "Receiver's Counsel's Final Account") in connection with unbilled WIP, preparation of the materials for the discharge and distribution application and attendance at the distribution and discharge application.
16. The Receiver is of the opinion that the Receiver's Fees and the Receiver's Counsel's Legal Fees are appropriate and reasonable in the circumstances particularly given the time involved and complications associated in dealing with the identification and disposal of environmentally hazardous materials on WBI's property in Aldersyde, Alberta before the Assets could be offered for sale.

RECOMMENDATIONS

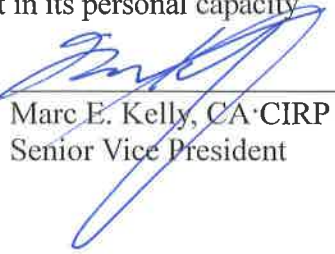
17. The Receiver recommends and is seeking this Honourable Court's approval of an Order providing for the following:
 - a. The discharge of the Receiver;
 - b. Approving the actions and conduct of the Receiver and that the Receiver has satisfied all of its duties and obligations as receiver of the Property in the receivership proceedings of WBI;
 - c. The approval of the Final R & D;
 - d. Authorization for the destruction of the Corporate Records if not claimed by a former director of WBI within 30 days from the date of the Receiver's discharge;
 - e. The approval of the Receiver's Fees, the Receiver's Final Account, the Receiver's Counsel's Fees and the Receiver's Counsel's Final Account; and

- f. Directing that the Residual Funds be remitted to AFSC and FCC on a *pari passu* basis after payment of the Receiver's Final Account and the Receiver's Counsel's Final Account.

All of which is respectfully submitted this 16th day of May 2014.

Hardie & Kelly Inc.,
in its capacity as Receiver of Western Biodiesel Inc.
and not in its personal capacity

Per:



Marc E. Kelly, CA-CIRP
Senior Vice President

APPENDIX “A”

Western Biodiesel Inc., in receivership
Final Statement of Receipts and Disbursements
as at May 15, 2014

Receipts

Sale of assets	\$ 750,000.00
Income tax refunds	137,116.57
WCB refunds	800.27
Interest	208.11

888,124.95

Disbursements

Receiver's fees	49,462.00
Chemical/fluid disposal	40,113.90
Utilities	36,773.18
SRED tax consultants	28,203.26
Insurance	27,684.00
Legal fees and expenses	22,406.65
Property taxes	19,480.52
Consulting fees	13,207.72
GST paid	10,504.90
Chemical/fluid assessment	8,580.00
Advertising	5,890.05
Environmental assessment	3,200.00
Records storage	3,056.84
Repairs and maintenance	748.00
Miscellaneous	210.00

269,521.02

\$ 618,603.93