

COURT FILE NUMBER 1601-11708  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, RSC 1985, c C-  
36, as amended**

**AND IN THE MATTER OF A PLAN OF  
ARRANGEMENT OF QUATTRO EXPLORATION  
AND PRODUCTION LTD.**

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**BLAKE, CASSELS & GRAYDON LLP**  
Barristers and Solicitors  
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Calgary, Alberta T2P 4J8  
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Telephone No.: 403-260-9628/403-260-9731  
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Client File No.: 87882/1

**AFFIDAVIT OF LEONARD B. VAN BETUW**

**Sworn on November 15, 2016**

I, LEONARD B. VAN BETUW, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the President and Chief Executive Officer, as well as a Director and the Chairman of the Board of Directors, of Quattro Exploration and Production Ltd. ("Quattro"). As such, I have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, in which case I verily believe the same to be true.
2. I have previously sworn two affidavits in these proceedings and one supplemental affidavit, including on September 2, 2016 (the "Initial Order Affidavit") in support of

an Initial Order pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"). In addition, I am swearing concurrently with this Affidavit, a confidential supplemental affidavit (the "**Confidential Supplemental Affidavit**").

3. This Affidavit and the Confidential Supplemental Affidavit are sworn in support of the Applicant's application (the "**Application**") for approval of Orders, attached as Schedule "A" (the "**Stay Extension Order**") and Schedule "B" (the "**Claims Procedure Order**") to the Application: (i) extending the Stay Period (as defined below) in favor of Quattro granted pursuant to the Initial Order (as defined below) to December 16, 2016 (the "**Stay Extension Period**"); and (ii) establishing procedures for the determination of claims and potential claims against the Applicant (the "**Claims Procedure**").
4. Capitalized terms used herein but not otherwise defined have the meaning ascribed to them in the Initial Order Affidavit or the proposed Claims Procedure Order.

#### **I. BACKGROUND**

5. On September 8, 2016, the Applicant sought and obtained protection under the CCAA pursuant to an initial order granted on September 8, 2016 by the Honourable Madam Justice G.A. Campbell (the "**Initial Order**"). Further background details regarding the CCAA Proceedings are set out in the Initial Order Affidavit.
6. Pursuant to the Initial Order, Hardie and Kelly Inc. was appointed as monitor of the Applicant (in such capacity, the "**Monitor**") and a stay of proceedings was granted to October 8, 2016 (the "**Stay Period**").
7. The Initial Order also, among other things, approved a sale and investor solicitation process (the "**SISP**") and authorized and directed Quattro to perform its obligations thereunder.
8. On October 7, 2016, the Honourable Mr. Justice K.D. Yamauchi granted an Order that, among other things, extended the Stay Period to and including November 30, 2016 (the "**First Stay Extension Order**").

## II. THE STAY EXTENSION

9. Since the granting of the First Stay Extension Order, Quattro has taken significant steps to advance these restructuring proceedings, including but not limited to:
  - (a) cooperating with the Monitor to facilitate its monitoring of Quattro's business and operations;
  - (b) communicating with Quattro's primary creditors and stakeholders and their advisors regarding the SISP and the CCAA Proceedings;
  - (c) engaging Durham Capital Canada Corporation ("**Durham Capital**") to serve as investment advisor to Quattro to assist in pursuing a transaction for investment by way of senior or junior private debt in the business and operations of Quattro pursuant to the SISP;
  - (d) engaging NRG Divestitures Inc. ("**NRG**"; together with Durham Capital the "**Sales Advisors**") to serve as strategic advisor and sales agent of Quattro to assist in the sale of certain of Quattro's assets pursuant to the SISP;
  - (e) completing, with the assistance of Durham Capital, NRG and the Monitor, Phase I of the SISP; and
  - (f) continuing to operate and manage Quattro's business in the ordinary course, subject to the terms of the Initial Order.
10. As a result of the marketing and sales efforts of Quattro and the Sales Advisors, a number of non-binding indications of interest were received by the Phase I Bid Deadline (as defined in the SISP). These non-binding indications of interest were in the form of both financing proposals and offers to purchase certain of the assets of Quattro. Further details on the results from Phase I of the SISP are set out in further detail in a Confidential Supplemental Affidavit.
11. Quattro, with the assistance of the Sales Advisors, has entered into Phase II of the SISP and continues to conduct the SISP in accordance with the SISP Procedures (as defined in

the SISP) in order to enter into binding agreements for the sale of certain of its assets and to attract additional investment in the business and operations of Quattro. It is expected that, subject to the approval of this Honourable Court, that Quattro will conclude some of the asset sale transactions in December of 2016 and any financing transactions occurring as a result of the SISP will close on or before January 31, 2017.

12. Quattro believes that extending the Stay Period for the Stay Extension Period will provide Quattro with the additional time necessary to continue to advance the elements of the SISP.

13. In addition, as discussed further below, Quattro intends to use the Stay Extension Period to start the Claims Procedure, so that Quattro can determine its primary creditor groups for the purposes of putting forward a plan of compromise or arrangement.

### **III. CASH FLOW DURING STAY EXTENTION PERIOD**

14. As was set out in the Initial Van Betuw Affidavit, Quattro's principal use of cash during these proceedings will consist of the payment of ongoing day-to-day operational expenses, office related expenses and the professional fees and disbursements in connection with the CCAA Proceedings.

15. Quattro, in conjunction with the Monitor, has prepared a revised cash flow statement (the "**Revised Cash Flow Statement**") covering the Stay Extension Period. Attached hereto and marked as Exhibit "A" is a copy of the Revised Cash Flow Statement. It is my understanding that Quattro will have sufficient cash flow to fund its operations during the Stay Extension Period.

### **IV. CLAIMS PROCEDURE**

16. It is appropriate as Quattro enters into Phase II of the SISP to commence a process, with the assistance of the Monitor, to determine potential claims against it. The proposed Claims Procedure will allow Quattro to move forward with formulating and presenting to its creditors a plan of arrangement in these proceedings, including convening a meeting or meetings for the purposes of voting upon such plan of arrangement. Further, it is

important that Quattro commence the Claims Procedure at this time, as the investment opportunity being pursued by Quattro pursuant to the SISP contemplates the completion of a plan of arrangement, and the investor requires that steps be taken by Quattro to formulate a plan with its creditors to finalize definitive documents.

17. The proposed Claims Procedure sets out a process to be administered by the Monitor that calls for all Pre-Filing Claims, except the Excluded Claims and the Claims of the First Lien Lender, to be submitted on or before a claims bar date of December 21, 2016 (the "**Claims Bar Date**").
18. The Claims Procedure also sets a bar date for any claims against Quattro incurred post-filing, which is the later of (i) 15 days after the date on which the Monitor sends a claims package to the holder of such claim; and (ii) the Claims Bar Date.
19. Further, the Claims Procedure establishes a process for dealing with disputed claims. The Claims Procedure allows for an application to be heard by the Court of Queen's Bench of Alberta where the Monitor and Quattro cannot resolve the amounts owing pursuant to a creditor's Claim.
20. I understand that further comment on the Claims Procedure will be included in the Third Report of the Monitor.

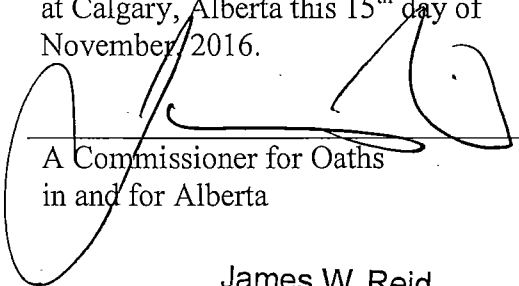
## **V. INTERIM FINANCING TERM SHEET**

21. As discussed in detail in the Initial Order Affidavit beginning at paragraph 73, Quattro entered into the Interim Financing Term Sheet with Business Development Bank of Canada ("**BDC**") for an interim financing loan facility to maintain its operations in the short-term and to fund its restructuring efforts.
22. Quattro and BDC are currently in discussions with regard to amending the Interim Financing Term Sheet and Quattro may, in addition to the Stay Extension Order and the Claims Procedure Order, seek approval of an amended Interim Financing Term Sheet at the Application. Should this be the case, Quattro intends to file and serve additional materials prior to the Application.

**VI. CONCLUSION**

- 23. I understand that the Monitor and BDC support the relief sought by Quattro.
- 24. Based upon the foregoing, I believe Quattro is acting in good faith and with due diligence in the CCAA Proceedings.
- 25. I swear this Affidavit in support of an Order approving the extension of the Stay Period to December 16, 2016 and for a Claims Procedure pursuant to the Claims Procedure Order and for no other purpose.

SWORN (OR AFFIRMED) BEFORE ME )  
at Calgary, Alberta this 15<sup>th</sup> day of )  
November 2016. )  
)  
)  
)  
)  
A Commissioner for Oaths )  
in and for Alberta )  
)

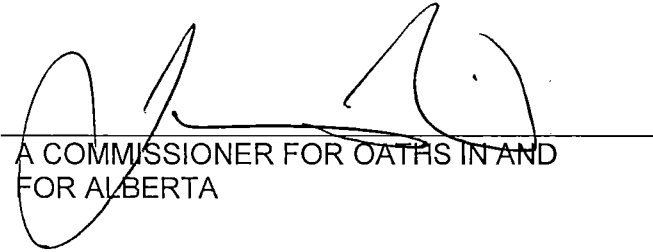


James W. Reid  
Barrister & Solicitor



LEONARD B. VAN BETUW

This is Exhibit "A" referred to in the Affidavit of  
Leonard B. Van Betuw sworn before me this  
15th day of November A.D. 2016



A COMMISSIONER FOR OATHS IN AND  
FOR ALBERTA

**James W. Reid**  
Barrister & Solicitor

Quattro Exploration and Production Ltd.  
Cash Flow forecast  
Prepared November 16th, 2016 for the 13 weeks ended February 5th, 2017  
(Unaudited - prepared by management)

	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	Week of	PREVIOUS	Total
	7-Nov-16	14-Nov-16	21-Nov-16	28-Nov-16	5-Dec-16	12-Dec-16	19-Dec-16	26-Dec-16	2-Jan-17	9-Jan-17	16-Jan-17	23-Jan-17	30-Jan-17	DIP FUNDING	(Forecast)	
	Actual	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted			
<b>Receipts</b>																
Production revenues	-	-	600,000	-	-	-	-	-	-	-	-	600,000	-	-	2,176,874	
Miscellaneous	-	-	-	-	-	-	578,264	-	-	-	-	-	-	-	10,614	
	-	-	600,000	-	-	-	578,264	-	-	-	-	600,000	-	-	2,187,487	
<b>Disbursements</b>																
Royalties	(343)	(28,800)	-	-	-	-	(28,800)	-	-	-	-	-	-	-	(108,774)	
OPEX	(153,938)	(122,194)	(122,194)	(122,194)	(122,194)	(122,194)	(244,388)	(122,194)	(122,194)	(122,194)	(122,194)	(122,194)	(122,194)	-	(1,974,983)	
Transportation	-	(25,452)	(25,452)	(25,452)	(25,452)	(25,452)	(50,904)	(25,452)	(25,452)	(25,452)	(25,452)	(25,452)	(25,452)	-	(305,421)	
G&A	(1,705)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	-	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	-	(836,335)	
Restructuring	(95,689)	-	(100,000)	(100,000)	-	-	-	(100,000)	-	-	-	-	(100,000)	-	(420,540)	
	(251,675)	(176,446)	(147,646)	(477,646)	(147,646)	-	(324,092)	(477,646)	(147,646)	(176,446)	(147,646)	(147,646)	(477,646)	-	(3,646,052)	
<b>Investing</b>																
DIP Financing - tranche 1	-	-	-	250,000	-	-	-	-	-	-	-	-	-	750,000	1,000,000	
DIP Financing - tranche 2	100,000	-	-	-	-	-	-	-	-	-	-	-	-	150,000	250,000	
Capital expenditures	(70,000)	-	-	(40,000)	-	-	-	-	-	-	-	-	-	-	(110,000)	
Sale of assets	30,000	-	-	-	(40,000)	-	-	-	-	-	-	-	-	900,000	1,140,000	
<b>Financing</b>																
Interest payments	-	(64,798)	-	-	-	(64,798)	-	-	-	-	-	-	-	-	(198,938)	
	-	(64,798)	-	-	-	(64,798)	-	-	-	-	-	-	-	-	(198,938)	
Cash - beginning	534,188	312,513	71,270	523,624	295,978	108,332	43,634	297,707	(179,939)	(327,585)	(568,829)	(716,475)	(716,475)	-	592,744	
Cash - closing	312,513	71,270	523,624	295,978	108,332	43,634	297,707	(179,939)	(327,585)	(716,475)	(716,475)	(264,121)	(741,767)	-	(264,121)	

QUATTRO EXPLORATION AND PRODUCTION LTD.

  
Per: Leonard Van Beluw  
President & CEO

November 16th, 2016  
Calgary, Alberta

**General Assumptions:**

- This variance calculated from the CF sworn in the CCAA application.
- Revenue is derived principally from the production and sale of oil and gas products and assumes the continuation of recent pricing and volume levels while also incorporating the benefits from completed workovers.
- Production and operating expenses include but are not limited to transportation, utilities, field operators, trucking and property taxes and are based on recent expenditure levels.
- General and administrative expenses include but are not limited to salaries, benefits, consultants, insurance, telephone and rent.
- Restructuring costs relate to fees and expenses of the company's legal counsel, BDC's legal counsel, the Monitor and the Monitor's legal counsel and other costs.
- Capital expenditures relate to capital maintenance projects designed to maintain and increase current oil and gas production levels.
- It is assumed that the company will secure additional interim financing from its principal lender - this is not modeled above.
- It is assumed that the previously announced sale contemplated by the signing of the Letter of Intent will close.
- Interest payments to the company's secured lender will continue to be made in the ordinary course.