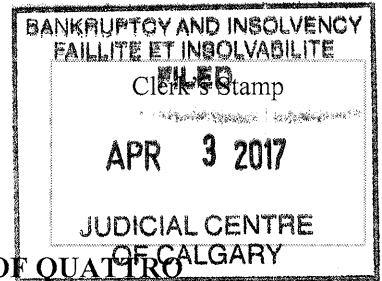


COURT FILE and
BANKRUPTCY NUMBER

094761



COURT

COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

BANKRUPTCY MATTER

**IN THE MATTER OF THE BANKRUPTCY OF QUATTRO
EXPLORATION AND PRODUCTION LTD.**

APPLICANT

HARDIE & KELLY INC., IN ITS CAPACITY AS
THE COURT-APPOINTED RECEIVER OF QUATTRO
EXPLORATION AND PRODUCTION LTD.

RESPONDENT

QUATTRO EXPLORATION AND PRODUCTION
LTD.

DOCUMENT

APPLICATION: BANKRUPTCY ORDER

ADDRESS FOR SERVICE

Jessica L. Cameron
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3

AND CONTACT

INFORMATION OF PARTY

Telephone: (403) 232-9715
Facsimile: (403) 266-1395

FILING THIS DOCUMENT

Email: jcameron@blg.com
File No. 436743/000019

NOTICE TO RESPONDENTS:

This application is made against you. You are a respondent or an interested party.

You have the right to state your side of this matter before the Justice.

To do so, you must be in Court when the application is heard as shown below:

Date: April 12, 2017

Time: 2:00 p.m.

Where: Calgary Court Centre, 601-5 Street SW, Calgary, AB

Before Whom: The Honourable Justice K.D. Yamauchi

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. The Applicant, Hardie & Kelly Inc. (“**HKI**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of all of the present and future assets, undertakings and properties of the Respondent, Quattro Exploration and Production Ltd. (“**Quattro**”), applies for an order in respect of Quattro substantially in the form attached as **Schedule “A”** hereto, including without limiting for the following relief:
 - (a) Abridging the time for service of this Application and deeming service good and sufficient upon all interested parties;
 - (b) Adjudging Quattro bankrupt;
 - (c) Granting a Bankruptcy Order in respect of the property of Quattro;
 - (d) Appointing HKI as trustee in bankruptcy of Quattro’s bankrupt estate (the “**Trustee**”) pursuant to and in accordance with the provisions of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”);
 - (e) Directing that the costs of the within Application for Bankruptcy Order be paid out of the bankrupt estate;
 - (f) Sealing the Confidential Supplemental Affidavit of Marc Kelly, sworn March 30, 2017; and
 - (g) Such further and other relief as this Honourable Court considers just in the circumstances.

Grounds for making this application:**Statutory Requirements**

2. Within the year immediately preceding the date of the initial bankruptcy event, Quattro carried on business in Calgary, Alberta.
3. Quattro’s principal lender is the Business Development Bank of Canada (“**BDC**”), to whom Quattro is truly and justly indebted for an amount exceeding \$1,000.
4. Quattro has committed an act of bankruptcy within the six (6) months preceding the date of this Application for Bankruptcy Order by failing to meet its liabilities generally as they became due, specifically in that Quattro failed to pay significant indebtedness owed to and demanded by BDC.
5. Pursuant to a Receivership Order granted by the Honourable Madam Justice Eidsvik on February 2, 2017, HKI was appointed as Receiver for Quattro (the “**Receivership Order**”).

6. Pursuant to paragraph 5(t) of the Receivership Order, the Receiver is empowered to apply to this Honourable Court to obtain a bankruptcy order against Quattro.
7. HKI, with offices in the City of Calgary, is a person qualified to act as Trustee, and has consented to act as such.

Detailed Grounds

8. Quattro's principal lender is the Business Development Bank of Canada ("**BDC**"). BDC provided various credit facilities to Quattro. At the time Quattro commenced its CCAA Proceedings (as defined below) Quattro owed BDC \$9,523,600 with respect to the credit facilities. Additionally, in Quattro's CCAA Proceedings BDC advanced to Quattro a further amount of approximately \$1.5 million as part of interim financing facilities (the "**Interim Facilities**").
9. As at the date of the Receivership Application, Quattro was indebted to BDC in the approximate amount of \$11.2 Million (the "**BDC Indebtedness**") under the credit facilities and the Interim Facilities.
10. Subject to confirmation of registration against specified mineral interests, the Receiver has obtained an independent security opinion indicating that BDC has first ranking security over the assets of Quattro securing Quattro's obligations with respect to the BDC Indebtedness.
11. On August 10, 2016, Quattro commenced restructuring proceedings by filing a Notice of Intention to Make a Proposal pursuant to the provisions of the BIA (the "**NOI**") with HKI as proposal trustee (the "**Proposal Proceedings**").
12. This Honourable Court subsequently granted an application on September 8, 2016 (the "**Initial Order**") pursuant to Section 11.6(a) of the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 ("**CCAA**") to continue the Proposal Proceedings from the BIA to the CCAA (the "**CCAA Proceedings**"); appointed HKI as the monitor for the CCAA Proceedings (HKI, in that capacity only, the "**Monitor**"); and extended the 30-day stay of proceedings automatically created by the NOI to October 8, 2016. The stay of proceedings ultimately was extended by this Court through to February 12, 2017, when BDC successfully lifted the stay to petition Quattro into receivership.
13. In addition to the BDC Indebtedness, the Company has other unsecured trade and other creditors. On November 23, 2016, this Honourable Court granted an order establishing a claims procedure

(the “**Claims Procedure**”) for the identification and quantification of certain claims against Quattro (the “**Initial Claims Procedure Order**”).

14. On November 25, 2016, the Monitor sent a letter to the creditors of Quattro advising of the Initial Claims Procedure Order and the Claims Procedure (the “**Claims Procedure Notice Letter**”). Enclosed with the Claims Procedure Notice Letter were the Initial Claims Procedure Order and documentation necessary for Quattro’s creditors to submit their respective proofs of claim. The Claims Procedure Notice Letter advised Quattro’s creditors that the claims bar date was December 21, 2016 (the “**Claims Bar Date**”).
15. Through the administration of the Claims Process, the Monitor received a large number of proofs of claim. As at the date of the Receivership Order, the Monitor had completed its review of the majority of the proofs of claim and had issued a number of notices of revision or disallowance in relation to those claims, but a number of claims were still under review.
16. The Claims Procedure was stayed and suspended pursuant to the provisions of the Receivership Order, without resolution of the Claims being determined by the Monitor.
17. Through the administration of the Claims Procedure, the Receiver came to understand that there is approximately \$700,000 in secured claims against Quattro by creditors other than BDC, as well as at least \$6.6 million in unsecured claims relating to the period prior to the filing of the NOI. Given the incomplete status of the Claims Procedure, these numbers may be understated. In addition, these values do not include any additional claims that may result from the period between the NOI and the date of the Receivership Order. For example, Quattro’s post-filing accounts payable balance just prior to the date of Receivership was approximately \$920,000.
18. The Canada Revenue Agency (“**CRA**”) has also made a claim against Quattro in the amount of \$513,180.34 for unpaid goods and services (“**GST**”)/harmonized sales taxes (“**HST**”).
19. Since its appointment the Receiver has been attempting to obtain information regarding interests Quattro may have in Guatemala. Based upon the Receiver’s review of the books and records, Quattro apparently acquired during the course of its CCAA proceedings, unbeknownst to the Monitor, a 100% interest in the “El Cedro Licence” in the Peten Basin in Guatemala (the “**Guatemalan Acquisition**”).
20. The Receiver has made numerous inquiries to attempt to obtain information regarding the Guatemalan Acquisition and Quattro’s interests outside of Canada generally. The Receiver has

received minimal responses, if any, to such inquiries. This lack of information is hindering the successful realization of Quattro's assets, thereby prejudicing Quattro's creditors.

21. Pursuant to paragraph 5(t) of the Receivership Order, the Receiver is empowered to apply to this Honourable Court to obtain a bankruptcy order against Quattro.
22. The Receiver is of the opinion that it is in the best interests of the estate to assign Quattro into bankruptcy.
23. In the result, a Bankruptcy Order should issue against Quattro.
24. The Confidential Affidavit contains commercially sensitive information which could adversely affect the Receiver's proposed sales process to be run concurrently with the proposed bankruptcy.
25. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

26. The supporting Affidavit of Verification of Marc Kelly, sworn March 30, 2017, filed.
27. The Confidential Supplemental Affidavit of Marc Kelly, sworn March 30, 2017.
28. The Consent to Appointment of Hardie & Kelly Inc.

Applicable rules:

29. Rules 6.3(1), 6.9(1)(a) and 11.27 of the *Alberta Rules of Court*, AR 124/2010.
30. Rules 69-76 of the *Bankruptcy and Insolvency General Rules*, C.R.C. c. 368.

Applicable Acts and regulations:

31. The provisions of the *Bankruptcy and Insolvency Act* (Canada), in particular section 43 thereof.

Any irregularity complained of or objection relied on:

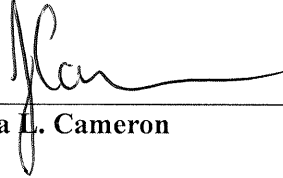
32. None.

How the application is proposed to be heard or considered:

33. In person, before the Honourable Justice K.D. Yamauchi, on affidavit evidence, with some or all of the parties present.

DATED at the City of Calgary, in the Province of Alberta, this 30 day of March, 2017.

**HARDIE & KELLY INC., by its counsel,
BORDEN LADNER GERVAIS LLP**



Jessica L. Cameron

ISSUED at the City of Calgary, in the Province of Alberta
this 31 day of March, 2017

"J.T. Prowse"

Registrar of Bankruptcy

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

TAKE NOTICE

That an Application for a Bankruptcy Order has been made in respect of your property and will be heard before the Presiding Registrar in Chambers, at the Calgary Courts Centre located at 601, 5th Street SW Calgary, AB on Tuesday the 26th day of July, 2016 at the hour of 2:00 pm, or so soon thereafter as the within Application may be heard.

AND FURTHER TAKE NOTICE

That if notice of cause against this Application is not filed in Court and a copy thereof served on counsel for the applicant at least two days before the hearing and if you do not appear at the hearing the Court may make a Bankruptcy Order on such proof of the statements in the Application as the Court shall think sufficient.

SCHEDULE "A"
PROPOSED FORM OF ORDER

Clerk's Stamp

COURT FILE and BANKRUPTCY
NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA IN
BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE BANKRUPTCY OF QUATTRO
EXPLORATION AND PRODUCTION LTD.

APPLICANT

HARDIE & KELLY INC., IN ITS CAPACITY AS THE
COURT-APPOINTED RECEIVER OF QUATTRO
EXPLORATION AND PRODUCTION LTD.

RESPONDENT

QUATTRO EXPLORATION AND PRODUCTION LTD.

DOCUMENT

BANKRUPTCY ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Jessica L. Cameron
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9715
Facsimile: (403) 266-1395
Email: jcameron@blg.com
File No. 436743/000019

DATE ON WHICH ORDER WAS PRONOUNCED: APRIL 12, 2017

LOCATION WHERE ORDER WAS PRONOUNCED: CALGARY, ALBERTA

NAME OF JUSTICE WHO MADE THIS ORDER: K.D. YAMAUCHI

UPON the Application of Hardie & Kelly Inc. ("HKI"), the court-appointed receiver and manager (the "Receiver") of Quattro Exploration and Production Ltd. ("Quattro"); AND UPON having read the Affidavit of Verification of Marc E. Kelly, sworn April 3, 2017, filed and the Confidential Affidavit of Marc E. Kelly, sworn; AND UPON being satisfied that Quattro and all interested and affected parties have been served with notice of the within Application; AND UPON being satisfied that Quattro has committed an act of bankruptcy within the meaning of subsection 42(1) of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3 ("BIA") in the six (6) months preceding the filing of the within Application, and specifically that Quattro has ceased to meet its liabilities generally as they become due; AND UPON noting the consent of HKI to be appointed as trustee in bankruptcy in the within proceedings and being satisfied that HKI is a person so qualified to act under the *Bankruptcy and Insolvency Act*; AND UPON hearing from counsel for HKI and any other interested party appearing at the Application:

IT IS HEREBY ORDERED AND DECLARATED THAT:

1. The service of notice of the Application for this Order and materials filed in support thereof, is hereby validated and deemed good and sufficient, this Application is properly returnable today, and no person other than those persons served is entitled to service of the Notice of Application.
2. Quattro Exploration and Production. (“**Quattro**”), a body corporate duly incorporated under the laws of the Province of Alberta and having offices in the City of Calgary, is hereby adjudged bankrupt and a Receiving Order is hereby made against Quattro.
3. Hardie & Kelly Inc. (the “**Trustee**”) is appointed as trustee of the bankrupt estate of Quattro, and the Trustee is hereby authorized to take all necessary steps to take possession of the deeds, books, records and documents and all property of the bankrupt and to administer the bankrupt estate of Quattro.
4. In accordance with section 16(1) of the *Bankruptcy and Insolvency Act*, the Trustee shall give security in cash or by bond without delay.
5. The costs of and incidental to this Application are to be paid to the Receiver out of the assets of the bankrupt’s estate upon taxation thereof.

J.C.Q.B.A.