

COURT FILE NUMBER	1701-00143
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	BUSINESS DEVELOPMENT BANK OF CANADA
DEFENDENT	QUATTRO EXPLORATION AND PRODUCTION LTD.
	IN THE MATTER OF THE RECEIVERSHIP OF QUATTRO EXPLORATION AND PRODUCTION LTD.
DOCUMENT	FOURTH REPORT OF THE RECEIVER, HARDIE & KELLY INC. SEPTEMBER 5, 2017
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**FOURTH REPORT OF THE RECEIVER
HARDIE & KELLY INC.
SEPTEMBER 5, 2017**

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INTRODUCTION

1. On February 2, 2017, Business Development Bank of Canada (“**BDC**”) made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for the appointment of a receiver and manager (the “**Receiver**”) of the current and future assets, undertakings and property of Quattro Exploration and Production Ltd. (“**Quattro**” or the “**Company**”).
2. The Court granted an Order (the “**Receivership Order**”) on February 2, 2017 (the “**Receivership Date**”), appointing Hardie & Kelly Inc. as the Receiver of Quattro.
3. The Receiver has prepared and filed several reports with the Court (collectively referred to as the “**Prior Receiver’s Reports**”) during the proceedings as follows:
 - First Report of the Receiver – April 3, 2017;
 - Second Report of the Receiver – May 1, 2017;
 - Supplement to the Second Report of the Receiver – May 2, 2017; and
 - Third Report of the Receiver – August 3, 2017 (the “**Third Report**”).
4. Background information and details leading up to the appointment of the Receiver, the administration of the proceedings and the Court approved sales process (the “**Sales Procedure**”) are set out in the Prior Receiver’s Reports.
5. The Receiver prepared the Third Report, as well as a Confidential Supplement to the Third Report, in contemplation of its application seeking the Court’s approval of sales transactions with six parties in respect of certain of Quattro’s assets located in Alberta and Saskatchewan.

6. On August 14, 2017, the Court granted Sale Approval and Vesting Orders in respect of Asset Purchase Agreements (“**APA**”) entered into between the Receiver and the following parties (collectively referred to as the “**Approved Sales**”):

Alberta

- Altura Energy Inc.; and
- Tamarack Valley Energy Inc.

Saskatchewan

- Avila Investments Ltd.;
- Original Oil Inc.;
- Proton Energy Technologies Canada Inc.; and
- Sojourn Energy Inc.

7. The purpose of this report (the “**Fourth Report**”) is to provide the Court with:
- a. An update as to the status of the Approved Sales; and
 - b. The Receiver’s analysis of the three additional proposed sales transactions and the Receiver’s recommendations thereto.

TERMS OF REFERENCE

8. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information, available books and records of the Company (collectively referred to as the “**Information**”). The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Information.

STATUS OF APPROVED SALES

9. The Receiver can advise that all six of the Approved Sales have now closed subject to the accounting for post-closing final adjustments in due course.

ADDITIONAL ASSET PURCHASE AGREEMENTS

10. Since the date of the Third Report, the Receiver has continued to work towards finalizing four APAs in respect of certain of Quattro's Alberta assets with the following parties:
 - Brentwood Energy Corp. ("**Brentwood**") – certain interests in Michichi area;
 - Brentwood – certain interests in Wetaskiwin area;
 - Ember Resources Inc. ("**Ember**") – certain interests in Ewing Lake, Fenn Big Valley and Malmo areas; and
 - Pismo Energy Ltd. ("**Pismo**") – certain interests in Bashaw and Bittern Lake areas.
11. As of the date of this Fourth Report, the Receiver has now finalized and executed two APAs with Brentwood and one APA with Ember (collectively referred to as the "**Additional APAs**"). The Additional APAs and a summary of the significant terms of the related offers received will be included in the Confidential Supplement to the Receiver's Fourth Report dated September 5, 2017 (the "**Confidential Report**"). Redacted copies of the Additional APAs are available on the Receiver's website.
12. The Receiver is concerned that in the event any of the pending sales do not close for any reason, the disclosure of the respective details of the various offers may affect the Receiver's efforts to remarket the respective assets. Consequently, the Receiver will be seeking the Court's approval to have the Confidential Report sealed for a period of 90 days after the Receiver's discharge.

13. On September 1, 2017, Pismo advised of its intention to assign the contemplated transaction with the Receiver to a third party due to Pismo's inability to satisfy certain conditions which had been imposed upon Pismo by the Alberta Energy Regulator ("AER") respecting the contemplated license transfers. The Receiver is investigating whether the contemplated Pismo transaction can be consummated on substantially similar terms with this third party.
14. The Receiver continues to pursue some offers and expressions of interest in respect of certain assets in Alberta and British Columbia; however, at this time, the Receiver is unable to advise as to whether any additional transactions can be consummated. Notwithstanding these attempts, it is clear that certain of Quattro's assets will not be sold. As a result, the Receiver is working with its operations consultant to prepare appropriate plans to shut-in any remaining and unsold properties, where necessary, and issue notices of renunciation of its interest in such properties to the applicable interested parties, including the applicable energy regulators.

RECEIVER'S ANALYSIS

15. As discussed above, details with respect to the offers received giving rise to the Additional APAs will be provided in the Confidential Supplemental Report. Notwithstanding, the Receiver believes that the proposed transactions are in the best interest of all stakeholders for the following reasons:
 - a. The proposed transactions were generated from the Court approved Sales Procedure;
 - b. The Receiver's sales advisor, Sayer Energy Advisers, is regarded as a well respected sales advisor in the marketplace and has executed many engagements on behalf of Receivers;
 - c. The assets were widely advertised during the Sales Procedure;
 - d. Quattro's assets were also already previously exposed to the market place during the sale and investor solicitation process administered during the previous proceedings under the *Companies' Creditors Arrangement Act*;


- e. The proposed transactions are generally not subject to any material conditions other than Court approval;
 - f. The Receiver believes that the proposed transactions with the various parties were negotiated in good faith and are commercially reasonable; and
 - g. BDC, Quattro's principal lender, is supportive of the consummation of the proposed transactions.
16. The Receiver intends to make a distribution application in due course pending the determination of the priority of various claims that may be advanced against the net proceeds derived from each of the transactions; however, pursuant to the Receiver's Charge and the Receiver's Borrowing Charge provided for in the Receivership Order, the Receiver intends to utilize a portion of the net sales proceeds to repay outstanding borrowings issued by way of Receiver's Certificates in favour of BDC currently totaling \$390,000 and to fund repayment of any future borrowings and/or operating deficits.

RECOMMENDATIONS

17. For the reasons noted above, the Receiver will be seeking and recommends to this Honourable Court the approval of the proposed Additional APAs.
18. The Receiver also recommends that the Confidential Report be ordered sealed for a period of 90 days following the discharge of the Receiver.

All of which is respectfully submitted this 5th day of September 2017.

Hardie & Kelly Inc., in its capacity as
Receiver and Manager of Quattro Exploration and Production Ltd.
and not in its personal capacity


Per: _____
Marc Kelly
Senior Vice President