

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.

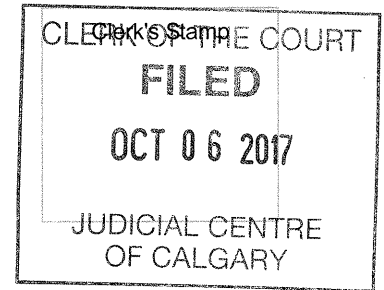
IN THE MATTER OF THE RECEIVERSHIP OF
QUATTRO EXPLORATION AND PRODUCTION LTD.

DOCUMENT **FIFTH REPORT OF THE RECEIVER,
HARDIE & KELLY INC.
OCTOBER 6, 2017**

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**FIFTH REPORT OF THE RECEIVER
HARDIE & KELLY INC.
OCTOBER 6, 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; and
 - Fourth Report of the Receiver - September 5, 2017 (the “**Fourth 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. On August 14, 2017, the Court granted Sale Approval and Vesting Orders in respect of six sales transactions.
6. The Receiver subsequently prepared the Fourth Report, as well as a Confidential Supplement to the Fourth Report, in contemplation of its application seeking the Court’s approval of three additional sales transactions with two parties in respect of certain of Quattro’s assets located in Alberta.

7. On September 14, 2017, the Court granted Sale Approval and Vesting Orders in respect of the three additional Asset Purchase Agreements entered into between the Receiver and the following parties in respect of certain interests in Alberta (collectively referred to as the “**Additional Approved Sales**”):
 - Brentwood Energy Corp. (two transactions); and
 - Ember Resources Inc.
8. The purpose of this report (the “**Fifth Report**”) is to provide the Court with:
 - a. An update as to the status of the Additional Approved Sales; and
 - b. The Receiver’s analysis of the three further proposed sales transactions and the Receiver’s recommendations thereto.

TERMS OF REFERENCE

9. In preparing this Fifth 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 ADDITIONAL APPROVED SALES

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

ADDITIONAL ASSET PURCHASE AGREEMENTS

11. Since the date of the Fourth Report, the Receiver has continued to work towards finalizing three additional Asset Purchase Agreements in respect of certain of Quattro’s assets in Alberta and British Columbia with the following parties:
 - TimberRock Energy Corp. (“**TimberRock**”) - certain interests in the Caroline and Garrington areas in Alberta;
 - Kelt Exploration (LNG) Ltd. - certain interests in Paradise area in British Columbia; and

- Birchcliff Energy Ltd. (“**Birchcliff**”) - certain interests in the Pouce Coupe area in Alberta and one lease that falls in British Columbia.
12. As of the date of this Fifth Report, the Receiver has finalized and executed Asset Purchase Agreements with all of the above parties (collectively referred to as the “**Subsequent APAs**”). The Receiver notes that certain of the assets contained in each of the proposed transactions with TimberRock and Birchcliff are subject to Rights of First Refusal (“**ROFR**”). The Receiver delivered ROFR Notices to the respective interested parties with respect to each of the TimberRock and the Birchcliff transactions on September 29, 2017 and October 6, 2017, respectively. The Receiver has not yet received an election from any of the interested parties with respect to the ROFR.
 13. Copies of the Subsequent APAs and a summary of the other significant terms of the related offers received will be included in the Confidential Supplement to the Receiver’s Fifth Report dated October 6, 2017 (the “**Confidential Report**”). Redacted copies of the Subsequent APAs will be made available on the Receiver’s website.
 14. 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.
 15. The Receiver continues to pursue some offers and expressions of interest in respect of Quattro’s interests in the Bashaw area in Alberta and the Milo/Clarke Lake area in British Columbia; however, at this time the Receiver is unable to advise as to whether any additional transactions will be consummated. Notwithstanding, as previously set out in the Fourth Report, it is clear that certain of Quattro’s assets will not be sold. As a result, the Receiver in conjunction with its operations consultant and legal counsel has commenced the process of issuing notices of renunciation of its interest in such properties to the applicable interested

parties, including the applicable energy regulators and shutting in any remaining and unsold properties.

RECEIVER'S ANALYSIS

16. As discussed above, details with respect to the offers received giving rise to the Subsequent APAs will be provided in the Confidential 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 as a result of 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.

17. 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 fund repayment of any future borrowings and/or operating deficits in the first instance and then repay outstanding borrowings issued by way of Receiver's Certificates in favour of BDC currently totaling \$390,000 in the event sufficient funds are available to do so

RECOMMENDATIONS

18. For the reasons noted above, the Receiver will be seeking and recommends to this Honourable Court the approval of the proposed Subsequent APAs.
19. 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 6th day of October 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