

COURT FILE NUMBER 1601-11708

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED

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

DOCUMENT **FOURTH REPORT OF MONITOR  
HARDIE & KELLY INC. IN ITS CAPACITY AS MONITOR OF  
QUATTRO EXPLORATION AND PRODUCTION LTD.**

**DECEMBER 12, 2016**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT

**MONITOR**  
Hardie & Kelly Inc.  
110, 5800 – 2<sup>nd</sup> Street SW  
Calgary, AB T2H 0H2

Attention: Marc Kelly / Charla Smith  
Telephone: 403-536-8510 / 403-536-8506  
Email: mkelly@insolvency.net / csmith@insolvency.net  
Fax: 403-640-0591

**MONITOR'S COUNSEL**  
Borden Ladner Gervais LLP  
Centennial Place, East Tower  
1900, 520 – 3<sup>rd</sup> Avenue SW  
Calgary, AB T2P 0R3

Attention: Jessica L. Cameron / Josef Kruger  
Telephone: 403-232-9715 / 403-232-9563  
Email: jcameron@blg.com / jkruger@blg.com  
Fax: 403-266-1395

**FOURTH REPORT OF THE MONITOR  
HARDIE & KELLY INC.  
DECEMBER 12, 2016**

**I N D E X**

INTRODUCTION.....	1
PURPOSE .....	2
TERMS OF REFERENCE.....	3
OPERATIONAL UPDATE .....	4
FINANCIAL PERFORMANCE.....	4
REVISED CASH FLOW FORECAST.....	7
RESTRUCTURING ACTIVITIES .....	10
INTERIM FINANCING .....	13
CLAIMS PROCESS.....	13
RECOMMENDATIONS .....	14

## **INTRODUCTION**

1. On August 10, 2016, (the “Filing Date”), Quattro Exploration and Production Ltd. (“Quattro” or the “Company”) commenced restructuring proceedings (the “BIA Proceedings”) by filing a Notice of Intention to Make a Proposal (the “NOI”) pursuant to the *Bankruptcy & Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”). Hardie & Kelly Inc. (“HKI”) consented to act as proposal trustee.
2. Pursuant to the BIA, the filing of the NOI provided the Company with an automatic 30-day stay of proceedings through to September 9, 2016.
3. On September 6, 2016, HKI filed a report (the “Pre-Filing Report”) with the Court of Queen’s Bench of Alberta (the “Court”) in contemplation of the Company’s September 8, 2016 application pursuant to Section 11.6(a) of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “CCAA”) seeking to, *inter alia*, continue its restructuring proceedings from the BIA to the CCAA.
4. On September 8, 2016, the Court granted the Company’s application and issued an Order (the “Initial Order”) providing certain relief to the Company, including continuing its BIA Proceedings under the CCAA, extending the stay of proceedings originally established under the BIA Proceedings through to October 8, 2016 and appointing HKI as monitor (the “Monitor”).
5. On September 30, 2016, the Monitor prepared a report for this Honourable Court (the “First Report”) in advance of the Company’s application for an extension of the stay of proceedings provided for in the Initial Order.
6. On October 7, 2016, Quattro made an application to the Court for an extension of the stay of proceedings through to November 30, 2016.
7. On October 7, 2016, this Honourable Court granted an order extending the stay of proceedings through to November 30, 2016 and directing the Monitor to provide an interim report to the Court on the status of the restructuring proceedings by November 4, 2016.

8. On November 4, 2016, the Monitor filed a report for this Honourable Court (the “Second Report”) updating the Court on Quattro’s cash flow and restructuring efforts.
9. On November 17, 2016, the Monitor prepared a report for this Honourable Court (the “Third Report”) in advance of the Company’s application for a further extension of the stay of proceedings provided for in the Initial Order and for the establishment of a formal claims process.
10. Upon the application of the Company, on November 23, 2016, the Court granted three orders as follows:
  - a) An Order extending the stay of proceedings through to December 16, 2016;
  - b) An Order establishing a formal claims process (the “Claims Procedure Order”); and
  - c) An Order (the “Interim Financing Amendment Order”) approving amendments to the interim financing facility (the “Interim Facility”) between the Company and its principal lender, Business Development Bank of Canada (“BDC”).

**PURPOSE**

11. The purpose of this report (the “Fourth Report”) is to provide this Honourable Court with:
  - a) An update on the status of Quattro’s operations;
  - b) An update on the financial performance of the Company since it last updated its cash flow projections;
  - c) The Company’s revised cash flow forecast for the period December 5, 2016 through to March 11, 2017;
  - d) The status of the Interim Facility;
  - e) An update as to the Company’s restructuring activities;

- f) Details of the proposed sale of a non-core asset and the Monitor's recommendation thereto;
- g) An update as to the status of the Court directed claims process; and
- h) The Company's request for an extension of the stay of proceedings through to January 16, 2017 (the "Third Extension Application") and the Monitor's recommendation thereto.

### **TERMS OF REFERENCE**

12. In preparing this Fourth Report, the Monitor has been provided with, and has relied upon unaudited financial information, books and records of the Company, and discussions with the Company's management ("Management") and the Company's two financial advisors. Except as described in this Fourth Report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such financial information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("GAAS") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of such information.
13. Some of the information referred to in this Fourth Report consists of forecasts and projections or references thereto. An examination or review of any financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
14. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.
15. Capitalized terms which are not defined within this Fourth Report shall have the meaning ascribed to them in the First Report, the Second Report or the Third Report.

## **OPERATIONAL UPDATE**

16. In its First Report, Second Report and Third Report, the Monitor advised that the Company's average daily production had reached approximately 1,400 BOE per day, including both operated and non-operated properties, then declined significantly due to weather issues which occurred in and around late September / early October, before increasing back to approximately 1,400 BOE per day as of October 23, 2016. As of the date of this Fourth Report, Management reports that Quattro's production is approximately 1,500 BOE per day and rising, as a result of a work-over it has completed on a compressor in its Bashaw area.

## **FINANCIAL PERFORMANCE**

17. Attached as Exhibit "A" to the Supplemental Affidavit of Mr. Leonard Van Betuw sworn on November 16, 2016 filed in these proceedings was a revised cash flow forecast (the "November 16<sup>th</sup> Forecast") encompassing the period November 14, 2016 to February 5, 2016.
18. The Monitor has prepared a variance analysis of the Company's actual receipts and disbursements over the period November 14 to December 4, 2016 (the "Second Extension Period") versus the corresponding period from the November 16<sup>th</sup> Forecast as set out in the following table:

November 14 - December 4, 2016				
	Actual	Forecast	Variance	Notes
<b>Receipts</b>				
Production revenues	701,405	600,000	101,405	a)
Miscellaneous	-	-	-	
	<b>701,405</b>	<b>600,000</b>	<b>101,405</b>	
<b>Disbursements</b>				
Royalties	(2,138)	(28,800)	26,662	b)
Production and operating	(359,892)	(366,582)	6,690	c)
Transportation	-	(76,356)	76,356	c)
General and administration	(198,788)	(230,000)	31,212	d)
Restructuring	(65,743)	(100,000)	34,257	e)
	<b>(626,561)</b>	<b>(801,738)</b>	<b>175,177</b>	
<b>Investing</b>				
Interim financing - Tranche 1	150,000	250,000	(100,000)	f)
Interim financing - Tranche 2	-	-	-	
Capital expenditures	(913)	-	(913)	
Sale of assets	-	-	-	
	<b>149,087</b>	<b>250,000</b>	<b>(100,913)</b>	
<b>Financing</b>				
Interest payments	(69,978)	(64,798)	(5,180)	
	<b>(69,978)</b>	<b>(64,798)</b>	<b>(5,180)</b>	
Increase in cash	<b>153,953</b>	<b>(16,536)</b>	<b>170,489</b>	
Cash - beginning	312,513	312,513	-	
Cash - closing	<b>466,467</b>	<b>295,977</b>	<b>170,489</b>	

19. The Company experienced overall positive cash flow of approximately \$154,000 over the Second Extension Period, which represented a positive variance of approximately \$170,000 compared to the corresponding period contemplated by the November 16<sup>th</sup> Forecast. The Monitor offers the following comments with respect to certain individual variances:

- a) Oil and gas revenues received during the Second Extension Period relate to October production and receipt of payment for the September Delayed Inventory which was discussed in the Second Report. The actual revenue received was approximately \$100,000 higher than forecast. Management advises this is due a combination of higher than expected production and

pricing, and the fact it had reduced its forecast to be conservative after experiencing several unexpected negative variances in the prior months.

- b) The positive variance of approximately \$27,000 in royalty expenses results from the fact that the Company had not yet issued cheques to pay royalties owing for October production as of December 4, 2016.
- c) Actual production and operating costs also include transportation expenses which had been forecasted as a separate line item. Combined payments for operating expenses and transportation expenses were approximately \$83,000 (or 19%) lower than forecast. This variance is more than offset by a large number of cheques not accounted for in the above analysis that have been issued to the Company's suppliers and service providers but had not cleared Quattro's bank account by December 4, 2016 (the "Un-cleared Cheques"). When taking into account the Un-cleared Cheques, there would otherwise be a negative variance of approximately \$227,000. This negative variance is the result of cheques issued by the Company during the Second Extension Period to pay certain post-filing accounts payable which had been incurred prior to the Second Extension Period. According to a list supplied by Management on December 7, 2016, Quattro's post-filing accounts payable balance currently totals approximately \$1,020,000.
- d) Actual general and administrative expenses during the Second Extension Period were approximately \$31,000 (or 14%) lower than forecast. However, the Monitor notes that after Un-cleared Cheques are considered, this variance becomes approximately \$11,000 (or 5%) negative.
- e) The positive variance of approximately \$34,000 in respect of restructuring expenses is offset by Un-cleared Cheques totalling over \$41,000.
- f) The Company borrowed \$150,000 in interim funding from Tranche 1 during the Second Extension Period, which is \$100,000 lower than forecast; however, the Company has since requested and received a further \$100,000 thereby eliminating this variance.

**REVISED CASH FLOW FORECAST**

20. Management prepared an updated cash flow forecast for the period from December 5, 2016 to March 11, 2017 (the “December 9<sup>th</sup> Forecast”) which was attached as Exhibit “A” to the Affidavit of Leonard B. Van Betuw sworn on December 9, 2016 (the “December 9<sup>th</sup> Van Betuw Affidavit”) in connection with Quattro’s Third Extension Application. The December 9<sup>th</sup> Forecast can be summarized as follows:

	<b>December 5, 2016 - March 11, 2017</b>	<b>Notes</b>
<b>Receipts</b>		
Production revenues	2,120,000	a)
Miscellaneous	-	
	<b>2,120,000</b>	
<b>Disbursements</b>		
Royalties	(86,400)	
Production and operating	(2,064,000)	b)
General and administration	(690,000)	b)
Restructuring	(375,000)	c)
	<b>(3,215,400)</b>	
<b>Investing</b>		
Interim financing - Tranche 1	(115,000)	d)
Interim financing - Tranche 2	-	
Capital expenditures	(40,000)	e)
Sale of assets	215,000	d)
	<b>60,000</b>	
<b>Financing</b>		
Interest payments	(194,393)	
	<b>(194,393)</b>	
Increase in cash	<b>(1,229,793)</b>	
Cash - beginning of period	466,467	f)
Cash - end of period	<b>(763,326)</b>	g)

21. The Monitor provides the following comments on the December 9<sup>th</sup> Forecast:
- a) Revenues to be received the weeks of December 19<sup>th</sup> and January 23<sup>rd</sup> have been increased as compared to the November 16<sup>th</sup> Forecast. According to Management, this is due to the previously mentioned completion of the compressor work-over at its Bashaw property and expected pricing increases. The Monitor also notes that the Company's November revenue, forecast to be received the week of December 19, 2016, may not be received until the following week due to the fact that December 25<sup>th</sup> falls on a weekend.
  - b) Forecasted payments of operating expenses and G&A expenses appear to be consistent with the November 16<sup>th</sup> Forecast, although the Company has now rolled transportation expenses, formerly forecast separately, into operating expenses. The Monitor notes that the Company has forecasted that no payments on account of operating expenses, G&A expenses, and restructuring expenses will be made during the three weeks starting January 2, 2017 and ending January 22, 2017 due to forecasted cash constraints. Instead, Management has anticipated that expenses not paid during those weeks will be deferred and paid over the course of the following six weeks.

The Monitor further notes that the Company's ability to successfully defer payments will depend on its suppliers' willingness to continue to extend payment terms that are equal to or longer than they have extended to date. The Monitor has advised the Company on several occasions that the Monitor is concerned with the post-filing accounts payable balance which represents approximately 50 days of the Company's budgeted operating expenses. Although neither the Monitor, nor Management, are aware of any outstanding issues with suppliers related to the Company's current accounts payable balance, one of its large electricity providers is actively working with the Company to manage the level of its receivable. In the event a significant number of post-filing suppliers demand payment at the

same time or begin requiring significant upfront payments, the Company may find itself unable to effectively source required services and supplies during the proposed stay extension period absent additional funding.

- c) The Company has increased its forecasted restructuring expenses by \$25,000 per month as a result of the costs associated with attending to the completion of the SISP and the claims process.
- d) The Company has forecast that the sales proceeds resulting from the anticipated closing of the sale of a non-core property will be used towards reducing the indebtedness under the Interim Facility.
- e) The forecast capital expenditures represent the remaining costs expected to substantially complete the previously-mentioned work-over activities at the Company's Bashaw area.
- f) The opening cash balance reflects the amount existing in the Company's bank accounts as at December 4, 2016. For purposes of our analysis, the balance has not been reduced to reflect the Un-cleared Cheques as Management has advised it anticipates the average amount of Un-cleared Cheques will remain relatively stable over the forecast period.
- g) The Revised Forecast anticipates that the Company will experience a cash deficit commencing the week of February 6, 2017, which is after the stay period extension contemplated by the Company's upcoming Court application. According to Management, it anticipates that its cash requirements will nonetheless be met through either the receipt of proceeds from the closing of one or more transaction arising from the SISP or by obtaining additional interim financing to allow it to complete its restructuring efforts. As discussed further below, the Company has made a formal request of BDC for additional interim financing.

## **RESTRUCTURING ACTIVITIES**

22. The Initial Order directed the establishment of a two staged SISP which Management still anticipates will form the basis for the Company's restructuring plan.
23. A summary of the non-binding indications of interest received by the October 31, 2016 Phase I Bid Deadline and copies of the three non-binding indications of interest submitted by the parties selected to continue on with Phase II of the SISP (the "Qualified Phase II Participants") were included in the Confidential Supplemental Affidavit of Mr. Leonard Van Betuw sworn on November 15, 2016.
24. The deadline for Qualified Phase II Participants to deliver Qualified Bids was November 28, 2016 (the "Phase II Bid Deadline"). By that time, only one of the three Qualified Phase II Participants had submitted a binding bid for Quattro's 50% interest in a single crown lease in respect of undeveloped lands in British Columbia. A sale agreement between ARC Resources Ltd. ("ARC") and the Company was negotiated and executed (the "Purchase Agreement") subject to the approval of this Honourable Court. A redacted copy of the executed Purchase Agreement is included as Exhibit "B" of the December 9<sup>th</sup> Van Betuw Affidavit and a non-redacted copy of the Purchase Agreement was provided to the Court as Confidential Exhibit "C" of the December 9<sup>th</sup> Van Betuw Affidavit.
25. The Monitor is supportive of the Purchase Agreement and recommends the approval of same for the following reasons:
  - The SISP which led to the execution of the Purchase Agreement was thorough and the mechanics of same were previously approved by the Court;
  - The Monitor had previously been supportive of the establishment of the SISP;

- BDC, as the principal secured creditor, has been consulted periodically during the SISP process and is supportive of the Purchase Agreement; however, BDC has advised the Company that the net sales proceeds therefrom be utilized towards a partial repayment of the Interim Facility;
  - The sales price generated is reasonable in the circumstances based on the results of canvassing the market and given the nature of the asset being sold, namely an interest in a crown lease on undeveloped land;
  - ARC is the most logical purchaser as it already holds the other 50% interest in the asset; and
  - Given that the interest in the crown lease is a non-core asset, the sale contemplated by the Purchase Agreement does not otherwise negatively impact Quattro's overall contemplated restructuring efforts with respect to the other two Qualified Phase II Participants.
26. The other two Qualified Phase II Participants submitted formal requests for extensions of the Phase II Bid Deadline to December 9, 2016 ("Bidder A") and December 23, 2016 ("Bidder B") respectively, in order to complete due diligence and finalize binding bids. Redacted and non-redacted copies of the requests are included as Exhibits "D" and Confidential Exhibit "E" of the December 9<sup>th</sup> Van Betuw Affidavit. At the time the extension requests were received, the Monitor was supportive of the Company granting the extensions.
27. Bidder A submitted an offer to the Company by December 9, 2016; however, as of the date of this Fourth Report, the Company is still attempting to clarify certain terms of the offer and finalize an acceptable purchase and sale agreement with Bidder A. Such an agreement will be subject to this Court's approval, as well as the applicable governmental authorities.

28. As this contemplated transaction with Bidder A involves a sale of oil and gas properties and licenses located in Alberta, such governmental approval will include that of the Alberta Energy Regulator (“the AER”). Part of the Company’s and Bidder A’s negotiations include the potential acquisition by the Company of certain AER licenses some of which the Company would acquire are from a bankrupt working interest participant (“WIP”) of the Company; however, a certain request from the AER to the Monitor raises potential issues with the Company’s acquisition of such AER licenses from its bankrupt WIP.
29. In particular, the AER has requested that any applications submitted to the AER by the Company be accompanied by a letter from the Monitor indicating the specifics of the application and stating that the Monitor has no concerns regarding the dispositioning of the application. The Monitor requested a meeting with the AER to clarify such request; however, the AER advised the Monitor that a meeting was not necessary, noting that its request of the Monitor was clear in that it was requesting the Monitor to confirm its support of any applications submitted by Quattro to acquire additional assets through the AER's transfer process. The Monitor has advised the AER that it is unable to provide assurances to the AER with regards to applications submitted by the Company to the AER, but that the Monitor can advise the AER whether the Monitor is aware of such applications being made by the Company and identify any factual information the Monitor is aware of in such applications that are related to Quattro’s restructuring. The AER has confirmed that the Monitor’s proposed response should be acceptable. The Company has been copied on the Monitor’s correspondence with the AER and is aware of the Monitor’s position in this regard. Attached hereto and marked as Appendix “A” is a copy of correspondence between the AER and the Monitor’s counsel in regards to the above noted issues.

30. Although the Monitor was in agreement with granting the requested extensions of the Phase II Bid Deadline, the Monitor has advised the Company of its concerns that delays in finalizing transactions are having an impact on the Company's ability to continue to fund ongoing operations as evidenced by the extent of the post-filing accounts payable balance and the request for additional funding made of BDC.

### **INTERIM FINANCING**

31. As set out in the First Report, the Initial Order authorized Quattro to enter into the Interim Facility with BDC.
32. Subsequent to the filing of the Third Report, the Company executed a formal amendment to the Interim Facility which was approved by the Interim Financing Amendment Order. The Interim Financing Amendment Order also provided for an amendment of the Interim Lender's Charge from \$1,250,000 to \$1,300,000.
33. The Company has now exhausted all funding available pursuant to the Interim Facility. Quattro has made a formal request to BDC for additional interim financing in the amount of \$650,000. As evidenced by the December 9<sup>th</sup> Forecast, additional funding will likely be required in order to allow the Company the opportunity to close pending transactions. As of the date of this Fourth Report, the Monitor understands that the Company's request for additional funding is being reviewed by BDC.

### **CLAIMS PROCESS**

34. On November 23, 2016, the Court granted an Order (the "Claims Procedure Order") directing the establishment of a formal claims process. The deadline established for filing claims is December 21, 2016.
35. In accordance with the Claims Procedure Order, the Monitor undertook the following:
- Mailed notice of the claims process and the materials necessary to file a claim (the "Claims Package") to known creditors as supplied by Quattro;

- Posted the Claims Package on the Monitor's website; and
  - Caused notice of the claims process to be published in the Calgary Herald on November 28 and 29, 2016 and in the Globe and Mail (National Edition) on December 1 and 6, 2016.
36. Proofs of Claim have begun to be received and are being reviewed by the Monitor and the Company on an ongoing basis. It has become apparent early in the process that many royalty interest holders and lease holders are having difficulty completing claim forms as they had not previously been provided with statements by the Company and are therefore uncertain as to how much they may be owed. The Company and the Monitor are working with such claimants to provide the information necessary to allow these parties to complete proofs of claim. On or about December 7, 2016, the Company sent a secondary package to all known royalty holders containing summary statements to assist with the preparation of their respective claims.

### **RECOMMENDATIONS**

37. The Monitor is supportive of and recommends the approval of the Purchase Agreement between the Company and ARC for the reasons set out in this Fourth Report.
38. Although the Monitor is very concerned with the state of the Company's available working capital and the extent of the accumulated post-filing accounts payable balance, the Monitor is supportive of an extension of the stay of proceedings for the following reasons:
- a) The Company has commenced discussions with BDC regarding the possibility of securing additional interim financing;
  - b) Absent a further extension of the stay of proceedings, the Company will have no opportunity to attempt to fully implement the SISF and formulate a restructuring plan;

- c) BDC has advised the Monitor that, at this time, it is supportive of an extension of the stay of proceedings to attempt to allow the Company an opportunity to secure acceptable binding agreements with Bidder A and Bidder B; and
  - d) The Monitor is satisfied that Management is continuing to work diligently towards a successful restructuring.
39. However, given the Monitor's concerns with the extent of the post-filing trade payables balance, the further deferral of payments to suppliers contemplated by the December 9<sup>th</sup> Forecast and the fact that the Company has not confirmed arrangements with respect to potential additional interim financing, the Monitor is only supportive of an extension of the stay through to the first week of January instead of January 16<sup>th</sup> as requested by the Company.
40. The Monitor believes that by early January, the Company should be in a position to definitively ascertain whether a plan of arrangement can be formulated based on the pending transactions with Bidder A and Bidder B and to be able to confirm arrangements for access to additional interim financing through BDC, or another party, which would likely be necessary to see a plan of arrangement through to implementation.

All of which is respectfully submitted this 12<sup>th</sup> day of December, 2016

Hardie & Kelly Inc.,  
in its capacity as the Monitor of Quattro Exploration and Production Ltd.  
and not in its personal or corporate capacity

Per:



Marc Kelly, CA, CIRP, LIT  
Senior Vice President



Charla Smith, CGA, CIRP, LIT  
Vice President

# APPENDIX "A"

## Marc Kelly

---

**From:** Cameron, Jessica [jcameron@blg.com]  
**Sent:** December-12-16 3:03 PM  
**To:** Keely Cameron; Jolene McKendrick  
**Cc:** Marc Kelly; ZAHARA, RYAN (RYAN.ZAHARA@blakes.com); Kruger, Josef G. A.  
**Subject:** RE: Quattro Exploration: Meeting Request from the Monitor

Thank you Keely. We appreciate the clarification. Have a good day.

### Jessica L. Cameron

#### Associate I Commercial Litigation

T 403.232.9715 | F 403.266.1395 | [jcameron@blg.com](mailto:jcameron@blg.com)

Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

---

**Borden Ladner Gervais LLP** | It begins with service

Calgary | Montréal | Ottawa | Toronto | Vancouver

[blg.com](http://blg.com)

To manage your communication preferences or unsubscribe, please click on

[blg.com/mypreferences/](http://blg.com/mypreferences/)



Please consider the environment before printing this email.

This message is intended only for the named recipient. This message may contain information that is privileged, confidential or exempt from disclosure under applicable law. Any dissemination or copying of this message by anyone other than a named recipient is strictly prohibited. If you are not a named recipient or an employee or agent responsible for delivering this message to a named recipient, please notify us immediately, and permanently destroy this message and any copies you may have. Warning: Email may not be secure unless properly encrypted.

---

**From:** Keely Cameron [mailto:Keely.Cameron@aer.ca]

**Sent:** December-12-16 2:19 PM

**To:** Cameron, Jessica; Jolene McKendrick

**Cc:** mkelly@insolvency.net; ZAHARA, RYAN (RYAN.ZAHARA@blakes.com); Kruger, Josef G. A.

**Subject:** RE: Quattro Exploration: Meeting Request from the Monitor

Hi Jessica,

Thank you for your email, a letter such as you have proposed is consistent with what staff are seeking and should be sufficient.

Keely Cameron

---

**From:** Cameron, Jessica [mailto:jcameron@blg.com]

**Sent:** December-11-16 9:51 AM

**To:** Keely Cameron; Jolene McKendrick

**Cc:** [mkelly@insolvency.net](mailto:mkelly@insolvency.net); ZAHARA, RYAN ([RYAN.ZAHARA@blakes.com](mailto:RYAN.ZAHARA@blakes.com)); Kruger, Josef G. A.

**Subject:** RE: Quattro Exploration: Meeting Request from the Monitor

Hi Keely,

Thank you for your email, which has partly clarified the AER's request of the Monitor. We are concerned that there may still however be issues for the Monitor and the AER to discuss. We have set these issues out in this email. After you've

had an opportunity to review, we would still welcome a meeting with the AER if you think it necessary to discuss these issues further.

The Monitor is not in a position to provide the AER with assurances on applications submitted by Quattro. The Monitor is in a different role than a receiver or a trustee, in that its function is to oversee the company's restructuring process. The company has a board of directors and management team in place, which are still responsible for the management and business decisions of the company. The Monitor is not in place to approve the business decisions of the company per se; its function is to report to the Court on the progress of the company's restructuring efforts or should any difficulties be encountered.

As a result, the Monitor can certainly provide the AER with a letter accompanying any application submitted by Quattro confirming to the AER that the Monitor is aware the company is making such application and identifying any factual issues the Monitor is aware of in such application that are related to Quattro's restructuring. The Monitor cannot however provide the AER with a letter which states the Monitor is supportive of such applications, as such a request goes beyond the Monitor's role and powers.

If such a letter will be sufficient for the AER, then perhaps we do not need a meeting to discuss any issues; if not, however, we would truly appreciate the opportunity to sit-down and discuss this issue with the AER to see whether we can better understand the AER's concerns and how the Monitor could potentially assist in alleviating them.

We look forward to hearing from you in regards to the above.

**Jessica L. Cameron**

**Associate | Commercial Litigation**

T 403.232.9715 | F 403.266.1395 | [jcameron@blg.com](mailto:jcameron@blg.com)

Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

---

**Borden Ladner Gervais LLP** | It begins with service

Calgary | Montréal | Ottawa | Toronto | Vancouver

[blg.com](http://blg.com)

To manage your communication preferences or unsubscribe, please click on [blg.com/mypreferences/](http://blg.com/mypreferences/)



Please consider the environment before printing this email.

This message is intended only for the named recipients. This message may contain information that is privileged, confidential or exempt from disclosure under applicable law. Any dissemination or copying of this message by anyone other than a named recipient is strictly prohibited. If you are not a named recipient or an employee or agent responsible for delivering this message to a named recipient, please notify us immediately, and permanently destroy this message and any copies you may have. Warning: Email may not be secure unless properly encrypted.

---

**From:** Keely Cameron [<mailto:Keely.Cameron@aer.ca>]

**Sent:** December-10-16 10:53 AM

**To:** Cameron, Jessica; Jolene McKendrick

**Cc:** [mkelly@insolvency.net](mailto:mkelly@insolvency.net); ZAHARA, RYAN ([RYAN.ZAHARA@blakes.com](mailto:RYAN.ZAHARA@blakes.com)); Kruger, Josef G. A.

**Subject:** RE: Quattro Exploration: Meeting Request from the Monitor

Hi Jessica,

I am not sure a meeting is necessary. What is being requested is that if Quattro submits another application to acquire additional assets through the AER's transfer process, that the monitor advise whether it is supportive of the application. If you have any further questions, please let me know.

Keely Cameron  
AER Legal Counsel

---

**From:** Cameron, Jessica <jcameron@blg.com>  
**Date:** Thursday, Dec 08, 2016, 5:02 PM  
**To:** Jolene McKendrick <Jolene.McKendrick@aer.ca>, Keely Cameron <Keely.Cameron@aer.ca>  
**Cc:** mkelly@insolvency.net <mkelly@insolvency.net>, ZAHARA, RYAN (RYAN.ZAHARA@blakes.com) <RYAN.ZAHARA@blakes.com>, Kruger, Josef G. A. <JKruger@blg.com>  
**Subject:** Quattro Exploration: Meeting Request from the Monitor

Hi Jolene & Keely,

We are counsel to Hardie & Kelly Inc., who is the court appointed monitor of Quattro Exploration and Production Ltd. We understand that Jolene you have been in contact with James Nixon of Quattro with respect to certain applications the Company intends to submit. We write with respect to such applications and the AER's request to Quattro that it include a letter from the Monitor indicating the specifics of the application and stating it has no concerns regarding the dispositioning of the application. This request was also stated in the attached letter from Ms. Chant with the AER directly to the Monitor in September. For ease of reference, the Monitor's response to that request is also attached.

Quattro is in the process of negotiating purchase and sale agreements for its assets. In this regard, the Monitor was hoping it could have a meeting with the AER to understand what exactly the AER is requesting of the Monitor when it asks for Quattro to include with its future applications a letter from the monitor indicating the specifics of the application and stating it has no concerns regarding the dispositioning of the applicaiton.

If agreeable to the AER, we would propose a meeting on Monday December 12 between Mr. Marc Kelly of the Monitor's office, the Monitor's counsel, myself and Mr. Josef Kruger, and Quattro's counsel Mr. Ryan Zahara, all of whom are copied to this email. Other than commitments between 11:30-1:30, we are flexible in terms of time on Monday and would be happy to meet at the AER's convenience.

Lastly, we note that the reason for our request for a meeting on Monday is that Quattro has an application for a stay extension application on Wednesday. Having an understanding of the AER's request in advance of this application would be helpful to both the Company and the Monitor.

We look forward to your reply in this regard and with working cooperatively with the AER regarding Quattro.

Best,

**Jessica L. Cameron**  
**Associate I Commercial Litigation**  
T 403.232.9715 | F 403.266.1395 | [jcameron@blg.com](mailto:jcameron@blg.com)  
Centennial Place, East Tower, 1900, 520 – 3rd Ave S W, Calgary, AB, Canada T2P 0R3

**Borden Ladner Gervais LLP** | It begins with service  
Calgary | Montréal | Ottawa | Toronto | Vancouver  
[blg.com](http://blg.com)

To manage your communication preferences or unsubscribe, please click on  
[blg.com/mypreferences/](http://blg.com/mypreferences/)



Please consider the environment before printing this email.

This message is intended only for the named recipients. This message may contain information that is privileged, confidential or exempt from disclosure under applicable law. Any dissemination or copying of this message by anyone other than a named recipient is strictly prohibited. If you are not a named recipient of an employee or agent responsible for delivering this message to a named recipient, please notify us immediately, and permanently destroy this message and any copies you may have. Warning! Email may not be secure unless properly encrypted.