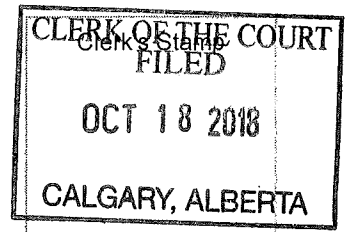


COURT FILE NUMBER 1701-00143
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF BUSINESS DEVELOPMENT BANK OF
CANADA
DEFENDANT QUATTRO EXPLORATION AND
PRODUCTION LTD.



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

DOCUMENT **APPLICATION FOR DISMISSAL OF THE
APPLICATION BY DOROTHEA HOLDINGS
LTD. AND 1348321 ALBERTA LTD.**

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NOTICE TO THE ATTACHED SERVICE LIST (SCHEDULE "A")

This application is made against you or may affect you. You are a respondent, a party to this proceeding or an interested party.

You have the right to state your side of this matter before the master/judge.

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

Date October 25, 2018
Time 10:00 AM
Where Calgary Courts Centre, 601-5th Street SW, Calgary AB
Before Whom The Honourable Mr. Justice C.M. Jones

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. Hardie & Kelly Inc (“**HKI**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of the debtor, Quattro Exploration and Production Ltd. (“**Quattro**”) seeks an Order:
 - (a) declaring the time for service of this Application to be good and sufficient and declaring that no other persons are required to have been served with this Application;
 - (b) dismissing the Application of Dorothea Holdings Ltd. and 1348321 Alberta Ltd. (together, the “**Claimants**”) filed August 7, 2017 (the “**Claimants’ Application**”);
 - (c) dismissing the Statement of Claim of the Claimants filed August 7, 2018 (the “**Claim**”);
 - (d) awarding costs of this Application in favour of the Receiver; and
 - (e) in the alternative, an order that:
 - (i) the Claimants be required to deposit the sum of \$10,000 (the “**Security**”) with the Registrar of this Court in a form and manner acceptable to the Registrar to be held in trust for the benefit of the Receiver as security for costs of the Claimants’ Application;
 - (ii) the Claimants’ Application and Claim shall not be set down for hearing and the Claimants be restrained from taking any steps that would cause the Receiver to incur costs until the Security has been deposited with the Registrar and proof of the deposit has been provided to the solicitors for the Receiver;
 - (iii) if the Claimants deposit the Security, the Security shall not be paid out except with the consent of the Receiver and the Claimants or pursuant to a further Order of this Court; and
 - (iv) if the Claimants fail to deposit the Security on or before November 2, 2018, the Claimants’ Application be and is hereby dismissed.

Grounds for making this application:

2. Quattro was an exploration and production company, based in Calgary, Alberta, with assets in Alberta, British Columbia, and Saskatchewan.
3. Quattro’s primary secured creditor was BDC at all relevant times.

4. On August 10, 2016, Quattro filed a Notice of Intention to Make a Proposal (the “**NOI**”), pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3. On September 8, 2016, this Court granted an Initial Order in respect of Quattro permitting Quattro to attempt to restructure under the *Companies Creditors Arrangement Act*, R.S.C. 1985, c.C-36 (the “**CCAA Proceedings**”). Among other things, the CCAA Proceedings terminated the NOI proceedings. HKI was the Proposal Trustee pursuant to the NOI proceedings and was appointed Monitor by the Initial Order.
5. As set out in greater detail in the Receiver’s Application filed October 12, 2018 (the “**Discharge Application**”), the Initial Order granted several charges over Quattro’s property. These charges included an Interim Lender’s Charge (as defined in the Initial Order) to secure amounts borrowed by Quattro in the course of the CCAA Proceedings pursuant to a Court-approved interim financing facility (the “**Interim Credit Facility**”). BDC was the lender pursuant to the Interim Credit Facility.
6. On February 2, 2017, pursuant to an application by BDC, this Court made an order appointing HKI as receiver and manager of Quattro (the “**Receivership Order**”). HKI supported BDC’s application.
7. Like the Initial Order, the Receivership Order granted several charges over the Property. In particular:
 - (a) at paragraph 19, the Court created a charge in favour of the Receiver and its counsel as security for professional fees and disbursements incurred in the receivership proceedings;
 - (b) at paragraph 22, the Court authorized the Receiver to borrow money from time to time in the course of the receivership proceedings and created a charge as security for those borrowings; and
 - (c) at paragraph 34, the Court continued the Administration Charge and the Interim Lender’s Charge created by the Initial Order(collectively, the “**Court-Ordered Charges**”).

Conclusion of these Proceedings and Final Distribution

8. As set out in the Discharge Application and the Receiver’s Ninth Report filed October 12, 2018, these receivership proceedings are largely complete, and the Receiver seeks an order, among other things, discharging it as receiver and approving a final distribution.

9. The funds remaining will be insufficient to fully repay the amounts owed under the Court-Ordered Charges. In particular, there will be a shortfall of approximately \$1.3 million under the Interim Credit Facility. No amounts will be available to pay any portion of Quattro's pre-receivership secured debt, let alone its unsecured creditors.

The Claimants' Application

10. The Claimants have brought the Claimants' Application seeking relief in respect of pre-receivership mineral lease payments. Among other things, the Claimants seek "a declaration of charge and priority payment" over Quattro's secured creditors. On August 7, 2018, the Claimants filed a Statement of Claim in respect of the amounts owed in order to preserve the limitation period.
11. The properties which are subject to the Claimants' mineral leases did not generate any proceeds for the receivership estate. The properties operated at a loss during the receivership proceedings and were not sold in the sales process. As a result, the Receiver disclaimed its interest in the properties.
12. The Claimants do not seek priority over the Court-Ordered Charges and acknowledge that the relief sought on the Claimants' Application – even if entirely successful – will not result in any funds being made available to the Claimants.
13. The Receiver seeks dismissal of the Claimants' Application on the basis that the relief sought will be of no practical effect in this case, and in the alternative an order that the Claimants be required to post security for costs in advance of the hearing of the Claimants' Application.
14. The Claimants' Application is moot and will not resolve any live controversies between the Claimants and any other party: all parties agree that the Court-Ordered Charges have priority and there will be no funds available beyond those charges.
15. The Receiver is concerned that the Claimants' Application represents a drain on the estate and that this is unnecessary and inappropriate in light of the significant losses which BDC will suffer on the Interim Credit Facility and the losses which will be suffered by Quattro's creditors on their pre-receivership debt, including a total loss by BDC on its pre-receivership secured debt.
16. The Receiver notes that there is a dispute regarding the amount owed to the Claimants. In the Claimants' brief, they advise that they are owed approximately \$7,600. The Receiver

understands this amount to be due to each of the Claimants. In previous correspondence with the Receiver, the Claimants advised they were owed approximately \$8,200 each. The Receiver's records indicate that the amount owed to each Claimant is approximately \$4,800. Since no funds will be available for distribution to the Claimants, the Receiver did not consider it cost-effective or appropriate to resolve the questions surrounding the quantum of the debt to the Claimants.

Material or evidence to be relied on:

17. The Ninth Report of the Receiver, dated October 12, 2018.
18. The Prior Receiver's Reports, pleadings, affidavits and other materials filed in these proceedings.
19. Such further and other material or evidence as Counsel may advise and this Honourable Court may permit.

Applicable rules:

20. The *Alberta Rules of Court*, A.R. 124/2010.
21. The Bankruptcy and Insolvency General Rules, C.R.C., c. 368.
22. Such further and other rules as Counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

23. Part XI of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.
24. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.
25. Such further and other Acts and regulations as Counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

26. None.

How the application is proposed to be heard or considered:

27. In person with some or all of the parties' present.

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 give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A"

Service List

COURT FILE NUMBER 1701-00143

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

PLAINTIFF BUSINESS DEVELOPMENT BANK OF CANADA

DEFENDANT QUATTRO EXPLORATION AND PRODUCTION LTD., QUATTRO
INNOVATIONS INC. and QUATTRO GUATEMALA S.A.

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