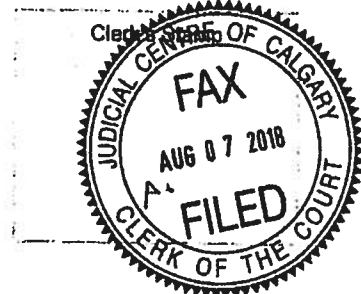


Form 10
[Rule 3.25]



1801-11001

COURT FILE NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF(S)

DOROTHEA HOLDINGS LTD. and 1348321 ALBERTA LTD.

DEFENDANT(S)

QUATTRO EXPLORATION AND PRODUCTION LTD., IN RECEIVERSHIP AND BANKRUPTCY.

DOCUMENT

STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Ronald J. Young

Barrister and Solicitor
Ronald J. Young Professional Corporation
204 10265-107 Street NW, Edmonton, AB T5J 5G2
Tel: 780 424 3311
Fax: 780 425 8809

Counsel for the Plaintiffs

8087

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NOTICE TO DEFENDANT(S)

You are being sued. You are a defendant.

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

Note: State below only facts and not evidence (Rule 13.6)

Statement of facts relied on:

1. The Plaintiffs commence this proceeding regarding their claims that might otherwise become barred by statute or existing agreements if such proceeding is not commenced before the

expiration of the stay pursuant to the Receivership Order of this Court in Action No. 1701 - 00143.

2. The Plaintiffs are affected Persons as defined in the Receivership Order.
3. The Plaintiffs are each by assignment from Marion Schmitke, and from Lorne Thomas McNary and Lois Edith McNary, respectively, Lessors pursuant to executory contracts being petroleum and natural gas leases each dated October 30 1993 (the Leases) to the Defendant Quattro Exploration and Production Ltd. (Quattro) which is Lessee by assignment pursuant to the Leases, in the Plaintiffs' lands (the Lands) legally described as:

FIRST

***ALL MINES AND MINERALS EXCEPT COAL WITHIN, UPON OR UNDER:
MERIDIAN 4 RANGE 22 TOWNSHIP 46
SECTION 23
QUARTER NORTH WEST
AREA: 64.7 HECTARES (160 ACRES) MORE OR LESS**

SECOND

***ALL MINES AND MINERALS EXCEPT COAL WITHIN, UPON OR UNDER:
MERIDIAN 4 RANGE 22 TOWNSHIP 46
SECTION 23
ALL THAT PORTION OF THE SOUTH WEST QUARTER
NOT COVERED BY THE WATERS OF BATTLE RIVER AS
SHOWN ON A PLAN OF SURVEY OF THE SAID TOWNSHIP
SIGNED AT OTTAWA ON JULY 29, A.D. 1885
CONTAINING 61.5 HECTARES (152 ACRES) MORE OR LESS**

4. It is a term of the Leases pursuant to Clause 15. Default that upon written notice by the Plaintiffs to the Defendant Quattro of alleged breaches of the Leases, within 30 days after receipt of such notice the Defendant Quattro would remedy or commence to remedy the breaches as alleged by the Plaintiffs as Lessors, or would commence and diligently pursue proceedings for a judicial determination as to whether the alleged acts or omissions constitute a breach or breaches on the part of the Defendant Quattro as Lessee.
5. By written notice to the Defendant Quattro as Lessee dated April 28, 2016, the Plaintiffs as Lessors described breaches of the Leases being failure by the Defendant Quattro, since November 2015, to provide production reporting and royalty payments thereon claimed by the Plaintiffs.
6. By Notice of Intention to Make a Proposal pursuant to the Bankruptcy and Insolvency Act dated August 12, 2016, Hardie & Kelly Inc. as Trustee of the Proposal of Quattro declared and served notice upon the Plaintiffs pursuant to section 69(1) of the *Bankruptcy and Insolvency Act* that all proceedings against the Defendant Quattro were stayed as of the date of filing of the Notice of Intention to Make a Proposal with the Official Receiver.

7. Thereafter the Defendant Quattro, with the knowledge of Hardie and Kelly Inc. as Trustee and Court Ordered Monitor of the Proposal, continued to appropriate and produce the leased substances from the Lands without timely reporting to the Plaintiffs of such appropriation and production, and the revenue derived therefrom, and without payment of the accumulating royalty revenue due to the Plaintiffs on the production revenue pursuant to the Leases.
8. By letter dated December 18, 2016 the Plaintiffs, pursuant to Clause 15. Default of the Leases, notified Hardie & Kelly, Trustee and Monitor of the Proposal of the Defendant Quattro, of the continuing default of Quattro pursuant to the Leases, including the failure on a timely basis to report accurately and completely the appropriation, production, and revenue realized from sale of the leased substances from November 2015 through October 2016 inclusive, and to pay the royalties owing thereon, and to continue reporting and payment of royalties thereafter.
9. Despite being notified of such default and breach the Defendant Quattro neglected or refused to remedy the breaches by production reporting and payment of royalty arrears, or within 30 days after receipt of such notice to commence and diligently pursue proceedings for judicial determination as to whether the alleged acts or omissions constitute a breach or breaches on the part of the Defendant Quattro pursuant to Clause 15. Default of the Leases.
10. Hardie & Kelly Inc., in its capacity as Receiver and Manager of the Defendant Quattro pursuant to the Receivership Order of the Court dated February 2, 2017 in Action No. 1701 - 00143, which stayed and suspended the Plaintiffs' rights and remedies pursuant to the Leases, continued to appropriate, produce, and to derive production revenue from the leased substances pursuant to the Receivership Order and the Leases paying current royalties from January 2017 through November 2017, when the well on the Plaintiffs' Lands was shut in.
11. Despite the aforementioned notices by the Plaintiffs, and the Plaintiffs' claims as affected Persons in Action No. 1701 - 00143, Hardie & Kelly Inc. in its capacity as Receiver and Manager and Trustee in Bankruptcy of the Defendant Quattro has not consented to the exercise by the Plaintiffs of their rights and remedies stayed and suspended by the Receivership Order since February 2017 and by the Proposal since August 2016.
12. Damages equivalent to the royalty arrears to be assessed are therefore claimed as payable to the Plaintiffs by the Defendant Quattro pursuant to the Leases, and it is fair and equitable that there be compensation to the Plaintiffs by the payment of interest on the amounts found to be owing as determined from production revenues realized before and after the Receivership Order granted in Action No. 1701 - 00143.
13. The Plaintiffs as affected Persons in Action No. 1701 - 00143 are concurrently seeking legal and equitable relief, the setting aside of the stay and suspension of their rights and remedies

pursuant to the Leases, and declaration of their priority to production revenue held in the custody of the law pursuant to the Receivership Order by Hardie & Kelly Inc. as Receiver and Manager and Trustee in Bankruptcy of the Defendant Quattro.

Remedy sought:

14. Declaration and Order of the Court setting aside the stay and suspension of the Plaintiffs' rights and remedies pursuant to the Leases.
15. Order of the Court requiring disclosure of production revenue and assessment of royalty arrears payable thereon as damages.
16. Summary judgment in damages including interest on the amount assessed.
17. Declaration of charge and priority payment of the damages with interest assessed, on the basis of constructive trust with restitution from the production revenues in the custody of the law pursuant to the Receivership Order in Action No.1701 - 00143.
18. Such further relief as the Court declares and grants.
19. Costs.

Dated at the City of Edmonton, in the Province of Alberta this 7th day of August, 2018.

NOTICE TO THE DEFENDANT(S)

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's(s') address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff(s) against you.