

Clerk's Stamp

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 **SUPPLEMENT TO THE  
NINTH REPORT OF THE RECEIVER,  
HARDIE & KELLY INC.  
DECEMBER 3, 2018**

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**SUPPLEMENT TO THE NINTH REPORT OF THE RECEIVER  
HARDIE & KELLY INC.  
DECEMBER 3, 2018**

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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. Throughout the proceedings, the Receiver has prepared and filed several reports with the Court (collectively referred to as the “**Prior Receiver’s Reports**”) with the most recent being the Ninth Report of the Receiver dated October 12, 2018 (the “**Ninth Report**”).
4. The Receiver prepared the Ninth Report in contemplation of its discharge application which had originally been scheduled as part of an application held on October 25, 2018 (the “**October 25<sup>th</sup> Application**”); however, the discharge application was ultimately adjourned until December 13, 2018.
5. The purpose of this report (the “**Supplemental Report**”) is to provide the Court with an update as to developments in respect of the administration of the estate since the date of the Ninth Report in advance of the rescheduled discharge application.
6. Capitalized terms not otherwise defined in this Supplemental Report are as defined in the Ninth Report or the Prior Receiver’s Reports.

## **POSITION OF CERTAIN MINERAL LOSSORS**

7. At the October 25<sup>th</sup> Application, the Court granted an order dismissing the Claim and the Application and filed by the Mineral Lessors (the “**Dismissal Order**”).

8. On October 25, 2018, the Receiver's discharge application was adjourned pending the expiration of the period in which the Mineral Lessors could potentially appeal the Dismissal Order (the "**Appeal Period**").
9. With the Appeal Period having now expired, the Receiver is able to now proceed to its discharge.

#### **JOINT VENTURE RECEIVABLES**

10. In the Ninth Report, the Receiver advised that there were two parties for which Veracity's post-receivership accounting records reflected amounts due to the Receiver that remained outstanding.
11. Since the date of the Ninth Report, the Receiver negotiated a final payment from one of the joint venture parties. The second party which disputed the balance claimed by the Receiver has now indicated that it has internally circulated paperwork for approval; however, the Receiver is currently unaware of the quantum, if any, that this party may ultimately be prepared to pay. Consequently, it remains uncertain as to whether any additional funds will ultimately be collected in light of cost benefit considerations.

#### **CORPORATE RECORDS**

12. Subsequent to the date of the Ninth Report and in advance of the October 25<sup>th</sup> Application, the Orphan Well Association (the "**OWA**") advised the Receiver that it would like to assume possession of the well files and associated records relating to Quattro's Alberta assets that were renounced by the Receiver.
13. The Receiver then reached out to the respective regulatory bodies in British Columbia and Saskatchewan to enquire as to whether each might have the same request in respect of the books and records associated with Quattro assets renounced by the Receiver in their respective jurisdictions. To date, the British Columbia Oil and Gas Commission had advised the Receiver that it would like to assume possession of the well files and associated records relating to Quattro's British Columbia assets that have been renounced by the Receiver.

14. Consequently, the Receiver has revised its previous recommendation contained in the Ninth Report in respect of the Corporate Records and will now be seeking the Court's authorization as follows:
- To permit the respective regulatory bodies in Alberta Saskatchewan, and British Columbia the opportunity, at their own expense, to assume custody and control of any available Corporate Records relating to Quattro's assets located in their respective jurisdictions that were renounced by the Receiver; within 30 days following an Order being granted discharging the Receiver; and
  - Permit the Receiver to thereafter destroy the remaining Corporate Records if the Directors do not assume custody and control of the remaining Corporate Records, at their own expense; within 45 days of an Order being granted discharging the Receiver.

#### **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

15. Attached as **Appendix "A"** is an updated Statement of Receipts and Disbursements as at November 30, 2018 (the "**R&D**"), indicating the Receiver maintains approximately \$440,000 in its operational trust account as at that date.
16. At this time, the Receiver anticipates approximately \$100,000 of additional final expenses to pay through to the completion of the administration including payment of the accrued and final fees of Veracity, the Receiver and its legal counsel and final administrative/operational expenses including attending to the Corporate Records with such expenses entitled to a first charge subject to the Receiver's Charge established pursuant to Paragraph 19 of the Receivership Order.
17. We estimate at this time that there will be approximately \$340,000 of Residual Funds available for distribution. This figure is less than the \$358,000 estimate set out in the Ninth Report as a result of the incremental legal fees incurred to address the Claim and the Application of the Mineral Lessors and the incremental costs arising from the adjournment of the initial discharge application.

**RECOMMENDATIONS**

18. The Receiver is seeking and recommends to this Honourable Court the following:

- Approval of the R&D;
- Approval of the Professional Accounts without the need for further taxation of final accounts;
- Approval of the distribution of the Residual Funds to BDC pursuant to the Interim Lender's Charge;
- Approval to release the Trust Funds to BDC;
- Approval of the Receiver's proposed course of action to deal with the Corporate Records as set out in this Supplemental Report;
- The discharge of the Receiver; and
- The discharge of Hardie & Kelly Inc. in its capacity as Monitor of Quattro under the previous CCAA proceedings.

All of which is respectfully submitted this 3<sup>rd</sup> day of December, 2018.

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

# **APPENDIX “A”**

