

COURT FILE NUMBER 1601-01675

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
ARGENT ENERGY TRUST, ARGENT ENERGY (CANADA)
HOLDINGS INC. and ARGENT ENERGY (US) HOLDINGS INC.

DOCUMENT **SECOND REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF ARGENT ENERGY
TRUST, ARGENT ENERGY (CANADA) HOLDINGS INC. and
ARGENT ENERGY (US) HOLDINGS INC.**

April 21, 2016

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INTRODUCTION

1. On February 17, 2016, Argent Energy Trust (the “Trust”), Argent Energy (Canada) Holdings Inc. (“Argent Canada”) and Argent Energy (US) Holdings Inc. (“Argent US”) (collectively the “Applicants” or “Argent”) sought and obtained protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pursuant to an order granted by this Honourable Court (the “Initial Order”).
2. The Initial Order granted, inter alia, a stay of proceedings against Argent until March 18, 2016, (the “Initial Stay Period”), appointed FTI Consulting Canada Inc. (“FTI”) as Monitor (the “Monitor”) and approved a sale solicitation process (the “Sale Solicitation Process”). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the CCAA proceedings (the “CCAA Proceedings”).
3. Also on February 17, 2016, the Monitor as duly appointed Foreign Representative for Argent Canada and Argent US (the “Chapter 15 Debtors”) filed petitions under Chapter 15 (the “US Proceedings”) in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the “US Court”).

4. In connection with the US Proceedings, the Monitor also filed, among other pleadings, an Emergency Application for Provisional Relief Pursuant to Sections 105(a) and 1519 of the US Bankruptcy Code (the “Application for Provisional Relief”) and an Expedited Petition for Recognition as a Foreign Main Proceeding, or in the Alternative Foreign Non-main Proceeding, Pursuant to Sections 1515 and 1517 of the Bankruptcy Code and Related Relief (the “Petition for Recognition”). A hearing on the Application for Provisional Relief and to consider the Monitor’s expedited request for a hearing on the Petition for Recognition was originally set by the US Court for February 19, 2016 (the “Chapter 15 Recognition Hearing”) and was ultimately heard on February 22, 2016.
5. On February 22, 2016, the US Court held a hearing to consider the Monitor’s Application for Provisional Relief and the Ad Hoc Group’s objection thereto. At that hearing, the Monitor, the Chapter 15 Debtors, the Syndicate, and the Ad Hoc Committee negotiated the terms of an agreed Order Granting Emergency Application for Provisional Relief Pursuant to Sections 105(a) and 1519 of the Bankruptcy Code (the “Provisional Relief Order”), which was ultimately entered by the US Court on February 24, 2016.
6. On March 9, 2016, this Honourable Court granted an Order (the “Stay Extension Order”) extending the Initial Stay of Proceedings to and including May 17, 2016.
7. Also on March 9, 2016, counsel for an Ad Hoc Committee of unsecured debenture holders objected to certain relief that was granted in the Initial Order. As a result of the objections raised by the Ad Hoc Committee, the Initial Order was amended and restated on March 17, 2016 (the “Amended and Restated Initial Order”).

8. On March 10, 2016 the U.S. Bankruptcy Court granted an order recognizing the Amended and Restated Initial Order.

PURPOSE

9. The purpose of this second report of the Monitor (the “Second Report”) is to advise this Honourable Court and provide the Monitor’s comments with respect to:
 - (a) activities of the Monitor since granting of the Initial Order;
 - (b) summary of the Sale Solicitation Process and the Monitor’s comments with respect to the proposed sale of Argent US’ oil and gas assets (“O&G Assets”) to BXP Partners IV, L. P. (“BXP” or the “Purchaser”);
 - (c) summary of the Applicants’ budget to actual cash flow for the period of February 29, 2016 to April 16, 2016;
 - (d) the Applicants’ revised cash flow forecast for the period April 18, 2016 to June 30, 2016; and
 - (e) the Applicants request for the Monitor to hold the funds from the sale of the O&G Assets and make various distributions in consultation with the Applicants including:
 - i. repayment of the Interim Financing Facility;
 - ii. payment of various holdback amounts as they become due and payable, described in further detail below; and

- iii. a proposed interim distribution (the proposed “Syndicate Interim Distribution”) to the Syndicate of the net proceeds received from the sale of the O&G Assets less several holdbacks as described herein.

10. The Applicants are requesting the following relief from this Honourable Court;
- (a) an Order (the “Sale Approval and Vesting Order”) authorizing and approving the sale of the O&G Assets to BXP;
 - (b) an Order authorizing and approving the Monitor to pay the proposed Syndicate Interim Distribution; and
 - (c) an order extending the Stay of Proceedings granted in favour of Argent to June 30, 2016 and sealing certain confidential information sworn in support of the application (the "Stay Extension and Sealing Order").
11. Further background and information regarding the Applicants and these CCAA Proceedings can be found on the Monitor’s website at <http://cfcanada.fticonsulting.com/argent/>.

TERMS OF REFERENCE

12. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants’ books and records, certain financial information prepared by the Applicants and discussions with various parties, including senior management (“Management”) of the Applicants (collectively the “Information”).

13. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
14. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management's assumptions regarding future events and actual results may vary from forecast and such variations may be material.
15. The Monitor has prepared this report in connection with the sale approval, interim distribution of net proceeds and stay extension application scheduled to be heard April 25, 2016 (the "April 25th Application"). This report should be read in conjunction with the materials filed by the Applicants with respect to the April 25th Application, the affidavit of Sean Bovingdon sworn April 16, 2016 (the "Affidavit No. 3 of Sean Bovingdon") and the affidavit of Harrison Williams sworn April 14, 2016 (the "Williams Affidavit"). This report should not be relied on for other purposes.
16. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.
17. Capitalized terms not otherwise defined herein have the meaning given to them in the Affidavit No. 3 of Sean Bovingdon, the Williams Affidavit, the BXP PSA, as defined below, and previous Monitor's reports.

CURRENT STATUS OF PROCEEDINGS

18. As at the time of preparing this report the Ad Hoc Committee and Argent are engaged in a substantive and procedural dispute in connection with the approval of the BXP APA. In substance, the Ad Hoc Committee opposes the approval of the BXP APA. From a procedural perspective, the Ad Hoc Committee has asserted that the application in the CCAA Court to approve the BXP APA (which is currently returnable on April 25, 2016) at 10am should be adjourned to the week of May 9, 2016. Argent has indicated it would agree to an adjournment to the week of May 2, 2016 provided that the applications in the CCAA Court and the US Court are preemptory on the Ad Hoc Committee to ensure that the applications are heard in time to permit closing in compliance with the terms of the APA and the Interim Financing Agreement.

19. The Monitor and its counsel attempted to facilitate a resolution of the procedural dispute but resolution was not obtained. The Ad Hoc Committee conducted questioning of Argent's Mr. Bovingdon and OGAC's Mr. Harrison on April 21, 2016. The Ad Hoc Committee will be questioning a representative of Durham Capital on April 22, 2016. The Ad Hoc Committee may, or may not, file additional evidence or materials prior to April 25, 2016. The Monitor will review the transcripts from the questionings conducted by the Ad Hoc Committee together with any further evidence that may be filed by the Ad Hoc Committee or Argent. The Monitor will file a supplemental report if it determines that there are matters arising from further evidence or materials filed which require a report to the CCAA Court and stakeholders.

20. The Monitor does not propose to comment on the procedural dispute (unless specifically requested to do so by the Court) beyond indicating that, as is set out in more detail in this report, the Monitor supports Argent's application to approve the BXP APA and that the Monitor supports Argent's contention that the approval applications must occur within the time frames stipulated in the BXP APA and the Interim Financing Agreement. The BXP APA sets an outside closing date of May 31, 2016 and final approval of both the CCAA Court and US Court must occur prior to closing. The Interim Financing Agreement mandates that Court Approval must occur prior to May 17, 2016.

ACTIVITIES OF THE MONITOR SINCE THE FIRST REPORT

21. Since the commencement of the CCAA the Applicants' have cooperated with the Monitor to facilitate its monitoring of the Applicants' business and operations including the following tasks:
- (a) communicated, in some cases very extensively, with various stakeholder groups and/or their advisers, including the Syndicate, the Ad Hoc Committee, critical suppliers, trade creditors, employees, contractors and others;
 - (b) consulted with the Applicants' and OGAC throughout the Sale Solicitation Process which was approved in the Initial Order granted in the CCAA proceedings on February 17, 2016, and further approved and confirmed in the Amended and Restated Initial Order granted March 9, 2016;

- (c) liaised with US counsel and attended US Court hearings regarding the Chapter 15 Proceedings under the U.S. Bankruptcy Code that were commenced in respect of Argent Canada and Argent US, including obtaining an Order for recognition of the CCAA proceedings from the U.S. Bankruptcy Court, which recognition Order, among other things, recognized the approval of the Sale Solicitation Process;
- (d) continued to monitor Argent's business in the ordinary course, subject to the terms of the Initial Order and the Amended and Restated Initial Order; and
- (e) reviewed all offers obtained in the Sale Solicitation Process, including the letter of intent (the "LOI") and purchase and sale agreement (the "PSA") for sale of the O&G Assets to BXP.

SALES SOLICITATION PROCESS

- 22. The Monitor is of the view that the Sale Solicitation Process ran by OGAC was a full and open process and was in accordance with the Sale Solicitation Process terms as set out at Schedule "A" of the Amended and Restated Initial Order.
- 23. A summary of the Sales Solicitation Process conducted by OGAC is provided below.
 - (a) OGAC contacted and sent the teaser to over 10,000 parties;
 - (b) over 100 potential bidders signed confidentiality agreements, so as to allow them to participate in the Sale Solicitation Process;
 - (c) over 100 potential bidders visited the virtual data room created for the Sale Solicitation Process;

- (d) 7 potential bidders received management presentations.
24. Furthermore, advertisements advising of the Sale Solicitation Process were placed in the Daily Oil Bulletin on February 23, 2016 and in the Houston Chronicle on February 29, 2016.
25. The deadline for bids pursuant to the Sale Solicitation Process was March 17, 2016 at 5:00 p.m. Central time (the "Bid Deadline"). The bids received were reviewed by OGAC, the Monitor and Argent.

Bids Received

26. Potential bidders had been instructed that bids were required to be made for either all of Argent US' assets or Argent US' Texas assets or its Rockies assets. The following bids were received by the Bid Deadline:
- (a) 23 bids in total were received.
 - (b) 19 conforming bids were received (4 of the bids received were for individual fields or groups of fields, and accordingly were not conforming bids).
 - (c) Of the 19 conforming bids, 6 bids were for all oil and gas assets of Argent US.
 - (d) The combination of the best bids for separate geographical areas did not exceed the best bids received for the entire package.
27. Due to the commercially sensitive nature of the bids, the Monitor has provided a summary of the bids received in its confidential supplement (the "Confidential Supplement") to this Second Report.

The Successful Bid

28. In accordance with the Sale Solicitation Process, following the Bid Deadline, OGAC continued discussions with parties who submitted the best bids (the “Superior Bidders”) in order to explore the financial viability of the bids, enquire with respect to any terms and conditions present, and to request the highest and best offers. OGAC advised each of the Superior Bidders that there were various competitive offers and that the process was for each Superior Bidder to prove financial capability to complete the offer and to confirm their final and best offer.
29. The negotiations with the Superior Bidders were completed in the week following the Bid Deadline. At the conclusion of the negotiations with the Superior Bidders, OGAC confirmed that BXP had the ability to secure firm financing and it was also the highest offer; accordingly, it was determined that BXP would be the successful bidder in the Sale Solicitation Process. On or about March 23, 2016, OGAC advised BXP that it was the successful bidder.

Closing of the Transaction

30. The Sale Solicitation Process required a letter of intent (“LOI”) containing many provisions usually found in a purchase and sale agreement, relating to customary adjustments to purchase price for various defects uncovered in title, environmental, and financial due diligence not covered in the VDR.
31. The LOI was signed and the required ten percent deposit was received by the Monitor from BXP on April 4, 2016.
32. On April 11, 2016, BXP provided written confirmation that it would not be making any title or environmental claims pursuant to the LOI and on April 14, 2016 the PSA was agreed to and signed by the parties, subject only to approval of this Honourable Court and the US Bankruptcy Court.

33. Given the sensitive nature of PSA the Monitor has included a summary of the key commercial terms in the Confidential Supplement, including the purchase price.

The Monitor's Comments and Recommendations with respect to the Sale Solicitation Process

34. The Sale Solicitation Process was approved by this Honourable Court in the Initial Order, and then re-affirmed in the Amended and Restated Initial Order. It was also recognized in the US Bankruptcy Court in the Chapter 15 Proceeding.
35. The Monitor understands that the Sale Solicitation Process was conducted in accordance with the procedures approved by this Honourable Court and recognized by the US Bankruptcy Court.
36. The Monitor advises that the Syndicate, which will not be paid in full, is in agreement with the acceptance of the PSA.
37. The Monitor understands the Ad Hoc Committee opposes the PSA as it believes the Sale Solicitation Process was inadequate and rushed and did not facilitate the development of a broader range of restructuring alternatives.
38. With respect to the Ad Hoc Committee's concerns, the Monitor notes the following:
 - (a) The Monitor is of the view that the assets of Argent US have been adequately exposed to the market through the Sale Solicitation Process led by OGAC. The results of the Sale Solicitation Process was robust as illustrated by the number of bids received;

- (b) As set out in the First Report, the Monitor is of the view that the timeline outlined in the Sale Solicitation Process was reasonable in the circumstance and consistent with several proposals received by proposed selling agents. Accordingly, the Monitor is of the opinion that the length of the Sale Solicitation Process was sufficient to maximize value;
 - (c) As more fully described in Affidavit No. 3 of Sean Bovington, the Durham Capital process, originally launched in the fall of 2015, has been ongoing since the commencement of the CCAA Proceedings. Durham Capital was engaged to seek potential refinancing options for the Applicants. The Monitor understands that the Durham Capital process has not resulted in any refinancing or alternative options acceptable to the Applicants or superior to the BXP PSA; and
 - (d) The Monitor has reviewed the marketing materials used in the Sale Solicitation Process and is of the opinion that they provided a detailed overview of the assets for the purposes of engaging interested parties.
39. The Monitor is of the opinion that the acceptance of the PSA is in the best interest of the Applicants' stakeholders as it was for the highest dollar value of the bids received and the proposed sale would be more beneficial to the creditors of Argent than a sale or disposition under a bankruptcy.

BUDGET TO ACTUAL CASH FLOW

40. The table below provides a summary of the Applicants' actual receipts and disbursements as against the cash flow forecast presented in the Monitor's First Report for the 7-week period from February 29 to April 15, 2016 (the "Reporting Period").

(US \$000's)	Reporting Period		
	Budget	Actual	Variance
Production (boe/d)	3,384	3,364	(20)
Cash Receipts			
Product Revenue	2,669	2,359	(310)
Other Receipts	-	38	38
Total - Operating Receipts	2,669	2,397	(272)
Cash Disbursements			
Royalty Expense	(490)	(500)	(10)
Severance Taxes	(83)	(94)	(11)
Ad Valorem	-	(0)	(0)
Operating Costs	(3,599)	(1,075)	2,524
G&A	(1,386)	(1,092)	294
Capital Expenditures	(545)	(32)	513
Bank debt interest payments	(467)	(645)	(178)
Interim Loan Interest/Fees	(180)	(166)	14
Professional Fees	(1,332)	(1,880)	(548)
Total - Operating Disbursements	(8,082)	(5,484)	2,598
Net Cash flow before financing	(5,413)	(3,087)	2,325
Opening Cash before Interim Loan	1,600	1,600	-
Ending Cash before Interim Loan	(3,813)	(1,487)	2,325
Interim Loan Advances	3,900	1,800	(2,100)
Cumulative Interim Loan Advances	3,900	1,800	(2,100)
Ending Cash after Interim Loan	87	313	225

41. A summary of the variances for the Reporting Period are as follows:

- (a) Product revenue - is approximately \$310,000 less than budget. The variance is mainly due to 38 barrels of oil equivalent per day less production than expected over the Reporting Period. Additionally several joint venture partners on Argent's non-operated wells have withheld Argent's share of revenue to offset against unpaid debts for unpaid operating and capital expenditures owing from Argent to its partners.

- (b) Other Receipts - revenue \$38,000 ahead of budget relates to the sale of certain miscellaneous idle or unneeded assets. These sales were not included in the forecast cash flow.
- (c) Royalties – materially in line with budget
- (d) Severance tax – materially in line with budget
- (e) Ad Valorem – in line with budget
- (f) Operating Costs - \$2.5 million positive variance mainly due to timing. The cash flow forecast assumed cash on demand payments however several of the Applicants’ creditors are continuing to provide credit, therefore there is a delay between when service is provided to when invoices are received and paid by the Applicants. The Applicants expect the majority of this positive variance to reverse in future weeks.
- (g) G&A - \$294,000 positive variance mainly due to timing and expected to reverse in future weeks.
- (h) Capital Expenditures - \$513,000 positive variance as the Applicants incurred less capital than expected.
- (i) Bank debt interest - \$178,000 negative variance as the cash flow forecast incorrectly calculated interest at 5.5%, whereas the correct interest rate is 7.5%.
- (j) Interim loan interest and fees – materially in line with budget.

- (k) Professional fees - are \$548,000 greater than budget due to additional professional time considering and responding to various adjournments that were not anticipated when the original cash flow forecast was prepared.

REVISED CASH FLOW FORECAST

42. The Applicants, in consultation with the Monitor, have prepared a revised weekly cash flow forecast (the “Cash Flow Forecast”) for the period April 18, 2016 to June 3, 2016 (the “Forecast Period”).
43. A summary of the Cash Flow Forecast for the Forecast Period is summarized in the table below.

\$ USD	Week Ending	Projected to close BXP PSA						Total Forecast Period	
		Week 10 22-Apr	Week 11 29-Apr	Week 12 6-May	Week 13 13-May	Week 14 20-May	Week 15 27-May		Week 16 3-Jun
Production (boe/d)		3,312	3,312	3,223	3,223	3,223	3,223	3,142	3,336
Cash Receipts									
Product Revenue		1,506	429	-	-	-	1,871	624	4,430
Other		-	-	-	-	-	-	-	-
Total - Operating Receipts		1,506	429	-	-	-	1,871	624	4,430
Cash Disbursements									
Royalty Expense		-	(401)	-	-	-	(426)	-	(826)
Severance Taxes		-	(55)	-	-	-	(68)	-	(122)
Ad Valorem		-	(1,000)	-	-	-	-	-	(1,000)
Operating Costs		(339)	(375)	(375)	(395)	(395)	(387)	(393)	(2,659)
G&A		(21)	(398)	(181)	(30)	(224)	(210)	(112)	(1,177)
Capital Expenditures		(6)	-	-	-	-	-	-	(6)
Bank debt interest payments		-	-	(343)	-	-	-	(343)	(686)
Interim Loan Interest/Fees		(9)	(3)	(3)	(3)	(3)	(3)	(3)	(27)
Professional Fees		-	(890)	(303)	(303)	(103)	(103)	(260)	(1,960)
Total - Operating Disbursements		(375)	(3,121)	(1,204)	(731)	(725)	(1,196)	(1,112)	(8,463)
Net Cash flow before financing		1,131	(2,692)	(1,204)	(731)	(725)	675	(488)	(4,033)
Opening Cash before Interim Loan		(1,487)	(356)	(3,048)	(4,252)	(4,983)	(5,708)	(5,032)	(1,487)
Ending Cash before Interim Loan		(356)	(3,048)	(4,252)	(4,983)	(5,708)	(5,032)	(5,520)	(5,520)
Interim Loan Advances		-	1,300	1,200	700	700	-	-	3,900
Cummulative Interim Loan Advance:		1,800	3,100	4,300	5,000	5,700	5,700	5,700	5,700
Ending Cash after Interim Loan		1,444	52	48	17	(8)	668	180	180

44. The Cash Flow Statement indicates the following for the Forecast Period:

- (a) total cash receipts excluding advances under the proposed Interim Loan of \$4.4 million;
 - (b) total cash disbursements of \$8.5 million;
 - (c) total disbursements relating to the professional fees and restructuring costs of \$2.0 million; and
 - (d) total estimated draws under the Interim Loan of approximately \$3.9 million, bringing the total draws under the Interim Loan to \$5.7 million.
45. Significant assumptions made by Argent in preparing the Cash Flow Forecast are as follows:
- (a) Revenue based on current production levels of approximately 3,312 barrels of oil equivalent per day declining to 3,142 over the Forecast Period multiplied by expected realized pricing. April production to be received in May was based on benchmark pricing of \$40 per barrel West Texas Intermediate, less the Company's historical differential off benchmark pricing.
 - (b) Royalty expenses relate to royalties paid to freehold landowners. Rates are based on historical averages.
 - (c) Severance taxes relate to taxes paid monthly to US States based on a percentage of actual oil and gas sales.
 - (d) Ad Valorem relates to an annual tax paid to the US States based on property valuation of leases and tangible assets.
 - (e) Operating costs based on the Company's annual operating cost budget.

- (f) G&A relates to employee costs, rent and other miscellaneous office and general administration costs for Argent Energy Trust, Argent Canada and Argent US.
 - (g) Capital expenditures has been reduced as capital expenses have been suspended given the proposed sale to BXP.
 - (h) Bank debt interest payments relate to interest on Argent's pre-filing credit facility.
 - (i) Interim loan interest/fees relate to the fees and interest on Argent's Interim Loan.
 - (j) Professional/legal fees include estimates for the Monitor, Monitor's counsel (Canadian and U.S.), Argent's counsel (Canadian and U.S.), OGAC and for the Syndicate's counsel (Canadian and U.S.) and financial advisor.
46. The Monitor has reviewed the assumptions supporting the Cash Flow Forecast and is of the view that the assumptions are reasonable.

47. The Monitor notes that the financing available from the Interim Loan is expected to provide Argent with adequate funding to operate through the Forecast Period. The Applicants expect that by the week of June 3, 2016 the proceeds from closing the proposed sale of the O&G Assets to BXP will have been received and therefore net proceeds from the sale will be used to fund wind-down operations post-closing and through the requested Second Stay Extension period. The Applicants have provided a wind-down budget contemplating a hold back of a portion of net proceeds from the BXP PSA in an amount sufficient to wind-down the operations, complete closing items related to the BXP PSA and complete the CCAA and Chapter 15 Proceedings. The Monitor has reviewed the wind-down budget and determined that it is reasonable and sufficient to allow the Applicants to operate through June 30, 2016, the Second Stay Extension period.

DISTRIBUTION OF THE NET PROCEEDS

48. The Applicants are seeking authorization and approval for the Monitor to hold the net proceeds from the sale of the O&G Assets to BXP and make various distributions on behalf of the Applicants. The distributions can be summarized into three separate categories:
- (a) Repayment of borrowings owing by the Applicants to the Syndicate under the Interim Financing Credit Agreement;
 - (b) Payment of various holdback amounts (“Holdbacks”) as they become payable to be determined by the Applicants in consultation with the Monitor. The Holdbacks are described in further details below;
 - (c) Repayment (in part) of obligations owing by the Applicants to the Syndicate under the credit agreement dated October 25, 2012 (“Pre-filing Credit Agreement”).

Borrowing under the Interim Financing Credit Agreement

49. Pursuant to the Interim Financing Credit Agreement, the Maturity Date of the Interim Financing Credit Agreement (as defined in Section 1.1 therein) is the earlier of five dates, the earliest of which is anticipated to be the closing of the BXP PSA. Pursuant to Section 4.1 of the Interim Financing Credit Agreement, Argent US is required to pay all Borrowings, as defined in Section 1.1 of the Interim Financing Credit Agreement, and all accrued and unpaid interest and fees then outstanding, on the Maturity Date. The Applicants estimate total amounts owing under the Interim Financing Credit Agreement to be approximately \$5.7 million upon closing the BXP PSA.
50. Paragraph 34 of the Amended and Restated Initial Order authorized and directed the Applicants to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the Syndicate pursuant to the terms of the Interim Financing Credit Agreement. Therefore repayment of such debt upon the Maturity Date being trigger has already been authorized by this Honourable Court.

Borrowings under the Pre-filing Credit Agreement and Holdbacks

51. Repayment of the borrowings under Pre-filing Credit Agreement is not to exceed the maximum amount of the Pre-filing Credit Agreement. The proposed Interim Distribution is to be calculated based off of the net proceeds from the sale of the O&G Assets as contemplated in the BXP PSA less various Holdbacks described below.
52. The following holdbacks have been contemplated in the proposed Interim Distribution:

- (a) Completion Costs – includes operational costs, sales taxes, transfer taxes, legal and professional fees and other costs associated with closing the proposed O&G Asset sale to BXP, completing the CCAA Proceedings and completing the Chapter 15 Proceedings. For greater certainty these expenses include amounts that will become due and payable to The Oil & Gas Clearinghouse, LLC, in accordance with their engagement to market and sell the O&G Assets. Additionally the completion costs includes a holdback pursuant to 9.02(a)(v) of the BXP PSA which contemplates a holdback of \$500,000 to ensure satisfactory funds are available to satisfy any unpaid obligations of Argent US with respect to the Final Accounting Statement as defined in the BXP PSA (collectively “Completion Cost Holdback”).

- (b) Post-filing Expenses – includes a holdback to satisfy claims or potential claims under the Court ordered charges which are defined in paragraph 41 of the Amended and Restated Initial Order (collectively, the “Post-Filing Expense Holdback”).

- (c) Liens – as of April 14, 2016 there were 12 liens totaling \$96,114 (“Current Liens”) registered against the O&G Assets. At closing there will have been no analysis undertaken to determine or confirm the validity, priority or amounts of the Current Liens. As such the holdback for liens contemplates holding back funds sufficient to satisfy the full amount of Current Liens as well as any additional liens filed (“Potential Future Liens”) prior to, or on, the closing date of the BXP PSA (collectively “Lien Holdback”). Despite the Lien Holdback, Argent US shall without prejudice reserve all rights and remedies in relation to the Current Liens and Potential Future Liens, including but not limited to, all rights to challenge the validity, priority and amounts of the Current Liens and Potential Future Liens.
- (d) Cure costs – as part of the BXP PSA, BXP has the ability to assume contracts from Argent US. Prior to the assumption of any contract Argent US must cure the contract by paying any indebtedness owing related to the contract. The cure cost holdback (“Cure Cost Holdback”) provides a provision to hold back funds in an amount necessary to satisfy cure payments up to an amount outlined in schedule C to the Interim Distribution Order or an amount otherwise agreed upon by the Monitor, the Syndicate and the Applicants.
- (e) Tax claims – several counties have asserted secured tax claims against the Argent US. At closing there will have been no analysis undertaken to determine or confirm the validity, priority or amounts of the tax claims. As such the Applicants propose a hold back (“Tax Claim Holdback”) in an amount necessary to satisfy the claimed tax amounts. Argent US shall without prejudice reserve all rights and remedies in relation to tax claim amounts, including but not limited to, all rights to challenge the validity, priority and amounts of the Current Liens and Potential Future Liens.

53. Norton Rose Fullbright LLP, the Monitor's US counsel, is currently preparing a security review to determine the validity and enforceability of the Syndicate's Pre-filing Credit Agreement. However, due to the numerous real property leases, counsel was not able to complete the analysis prior to issuing this report. The Monitor will file a supplemental report to this Court advising the results of the review once it has been completed. The Monitor supports the proposed Syndicate Interim Distribution subject to confirmation that the Syndicate's security under the Pre-filing Credit Agreement is valid and enforceable.

Release of Holdbacks

54. The Applicants are requesting authorization from this Honourable Court to have the Holdbacks be released by the Monitor in the following manner:
- (a) Completion Cost Holdback, Post-Filing Expense Holdback and Cure Cost Holdback to be released from time to time by the Monitor as directed by the Applicants.
 - (b) Tax Claim Holdback and Lien Holdback to be disbursement by the Monitor as directed by the Applicants however only after the Agent to the Syndicate has been provided at least 7 days' notice setting out the quantum and scheduled date of payment. The Agent will be given opportunity to object and must advise the Monitor of any objection in writing at least one day prior to the payment. If an objection is received by the Monitor the payment shall not be made unless the objection is resolved or by further Order of the Court.
55. Unless otherwise authorized by the Sale Approval and Vesting Order, the Monitor shall make no distributions from the Net Proceeds except by further Order of this Court.

56. The Monitor has provided a sources and uses of funds table outlining the estimated net sales proceeds, the estimated Holdback amounts and an estimate of the proposed Interim Distribution to the Syndicate. This table is presented in the Confidential Supplement to this Report as it contains commercially sensitive information with respect to the sales price contemplated in the BXP PSA. Note these are currently estimates and various items will change leading up to and after closing the BXP PSA however for illustrative purposes and to understand the quantum of the various items the Monitor has presented the analysis.

THE APPLICANTS' REQUEST FOR AN EXTENSION TO THE STAY PERIOD

57. The Stay Extension Order provided for an extension to the Initial Stay Period to and including May 17, 2016. The Applicants are seeking an extension to the stay period up to and including June 30, 2016 (the "Second Stay Extension").
58. As discussed above, with the funding provided by the Interim Loan and/or proceeds from closing the BXP PSA, the Monitor has determined that the Applicants will have sufficient liquidity to operate their business through the Second Stay Extension Period. It is the Monitor's view that the Second Stay Extension is necessary to allow the Company to complete the transaction as proposed in the BXP PSA and to conduct an orderly wind-down.
59. In the Monitor's view, the Applicants are continuing to act with due diligence and in good faith.

CONCLUSIONS AND RECOMMENDATIONS

60. The Monitor respectfully recommends that this Honourable Court grant the Applicants' request for:
- (a) Sale Approval and Vesting Order;

- (b) Approval to distribute the net proceeds received from the sale of the O&G Assets. In the case of the Syndicate Interim Distribution subject to confirmation that the Syndicate's security under the Pre-filing Credit Agreement is valid and enforceable; and
- (c) the Stay Extension and Sealing Order.

All of which is respectfully submitted this 21st day of April, 2016.

FTI Consulting Canada Inc.
in its capacity as the Monitor of Argent



Deryck Helkaa
Senior Managing Director,
FTI Consulting Canada Inc.