

COURT FILE NUMBER 1301-06644
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS
AMENDED
PLAINTIFF NATIONAL BANK OF CANADA
DEFENDANT ARGOSY ENERGY INC. AND RADIUS
RESOURCES CORP.
DOCUMENT **THIRD REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER AND
MANAGER OF ARGOSY ENERGY INC. AND
RADIUS RESOURCES CORP.**

SEPTEMBER 3, 2014

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

43. On May 30, 2013 (the “Date of Appointment), FTI Consulting Canada Inc. was appointed receiver and manager (the “Receiver”) of all the assets, undertakings and properties (the “Assets”) of Argosy Energy Inc. (“Argosy”) and Radius Resources Corp. (“Radius”) (collectively, the “Company”) pursuant to an order of this Honourable Court (the “Receivership Order”).
44. The Receivership Order authorized the Receiver, *inter alia*, to carry on the business of the Company, to market and solicit offers to purchase the Assets of the Company, and to make such arrangements or agreements as deemed necessary by the Receiver.
45. The Receiver filed its First Report in respect of these proceedings (the “Receivership Proceedings”) on July 24, 2013 and its Second Report August 8, 2013. All capitalized terms not otherwise defined herein shall have the meaning given to them in the First Report and the Second Report.
46. On May 30, 2013, the Court granted an Order which authorized and directed the Receiver to finalize the LTA APA, as defined and described in the First Report. The Receiver subsequently closed the LTA APA and collected the net proceeds of approximately \$5.7 million. On August 1, 2013, the Court granted an Order approving an interim distribution to National Bank up to \$4,729,265.
47. On August 13, 2013, the Court granted the following Orders which, among other things:
 - a) Authorized and directed the Receiver to finalize the Torc Excluded Asset APA, as described in the Second Report; and

- b) Approved a further interim distribution to National Bank up to \$1,000,000, as described in the Second Report.
48. The First Report and Second Report discussing various aspects of the Receivership and the orders made in the Receivership Proceedings are posted on the Receiver's website at <http://cfcanada.fticonsulting.com/argosy/>.
49. The purpose of this, the Receiver's Third Report, is to inform the Court on the following:
- a) The status of various aspects of the Receivership Proceedings; and
 - b) Receipts and disbursements from the Date of Appointment to August 31, 2014.
50. The Receiver is requesting the following relief from this Honourable Court:
- a) Authorization for the Receiver to make a final distribution from the sale of the Assets (the "Final Distribution Order");
 - b) Approval of the fees and expenses of the Receiver and the Receiver's Counsel;
 - c) Discharging the Receiver and terminating the Receivership Proceedings upon the completion of the Receiver's remaining administrative tasks relating to this receivership; and
 - d) Authorizing the Receiver to destroy the Company's corporate books and records if not claimed by the former directors within 30 days of being discharged.

TERMS OF REFERENCE

1. In preparing this report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, Argosy's books and records and discussions with various parties (collectively, the "Information").
2. Except as described in this Report:
 - (a) The Receiver 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 Canadian Institute of Chartered Accountants Handbook; and
 - (b) The Receiver 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 Canadian Institute of Chartered Accountants Handbook.
3. Future-oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
4. The Receiver has prepared this Report in connection with the motion described in the Receiver's Notice of Application dated September 3, 2014. The Report should not be relied on for any other purposes.
5. The information and advice described in this Report as being provided to the Receiver by its counsel, Blake, Cassels & Graydon LLP (the "Receiver's Counsel") and has been provided to the Receiver to assist it in considering its course of action and is not intended as legal or other advice to, and may not be relied upon by, any other stakeholder.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

STATUS OF RECEIVERSHIP MATTERS

ASSET RELIZATIONS AND DISTRIBUTION TO CREDITORS

7. Realization of the Assets is complete there are no further assets to be realized upon or recovered.
8. The Receiver has made distributions to creditors in accordance with previous Orders of the Court and as more fully detailed in the schedule of receipts and disbursements set out below. Reserves are currently held for payment of Receiver's costs, if any funds remain after the payment of Receiver's costs, such funds will be distributed to National Bank on account of its secured claim prior to the discharge of the Receiver.
9. As previously reported, realizations will be insufficient to repay the claims of the secured creditors in full and there will be no amounts available for unsecured creditors of the Company.

SEISMIC DATA

10. On August 20, 2013, in accordance with the terms of the Torc Excluded Asset APA the Receiver collected the proceeds from the sale of the Excluded Assets on closing. On August 28, 2013 the Receiver was advised by Torc that it believed that there was a discrepancy between the seismic data delivered by the Receiver to Torc and the data expected by Torc.

11. In summary, the Receiver delivered to Torc all the seismic data related to the lands Torc acquired. However, Torc advised the Receiver that it expected additional seismic data to be delivered relating to additional lands that were not acquired by Torc (the “Additional Seismic Data”). All the seismic data originally owned by the Company was included in the LTA APA, however, the Receiver had arranged with LTA to receive a copy of the seismic data relating to the Excluded Assets (the assets not acquired by LTA).
12. Subsequent to the LTA APA Torc acquired the Excluded Assets (“Excluded Asset APA”). The value attributed to the seismic data in the Torc Excluded Asset APA was \$100,000. The Receiver’s intention was to include only the seismic data related to the Excluded Assets in the Excluded Asset APA. However, the schedule that was included in the Excluded Asset APA incorrectly outlined and included the plot of land associated with the Additional Seismic Data that was previously purchased by LTA.
13. In an attempt to resolve the discrepancy, on September 4, 2013 the Receiver contacted LTA and requested a copy of the Additional Seismic Data that Torc was seeking. Ultimately, an arrangement could not be reached with LTA to secure a copy of the Additional Seismic Data. The Receiver subsequently advised Torc that it had delivered all the seismic data that it had in its possession.
14. The Receiver has not received any further response or inquiries from Torc since discussions in January 2014 in respect of the Additional Seismic Data and has served Torc with notice of this application.

MATTERS TO BE COMPLETED

15. The following administrative matters remain to be completed in the Receivership Proceedings:
- (a) Filing of certain statutory returns and payment of outstanding goods and service tax (for which monies have been held back);
 - (b) Completion of statutory and administrative duties; and
 - (c) Payment of Receivership expenses.

RECEIPTS AND DISBURSEMENTS PERIOD ENDED AUGUST 31, 2014

16. Receipts and disbursements from the Date of Appointment to August 31, 2014 are summarized as follows:

Schedule of Receipts and Disbursements	
Proceeds from Sale of the Assets	6,516,770
Oil and Gas Revenue	285,714
Receiver Certificate	200,000
GST Collected	82,786
Bank Account Transfer	65,421
Other Collections	21,266
Total Receipts	7,171,957
Payment to Secured Creditor	5,729,265
Lien Distribution	429,847
Repayment of Receiver Certificate	200,000
Other Misc. Expenses	172,346
Commission on Asset Sale	144,510
Operating Expenses	127,975
Receiver and Legal Fees	116,794
Contracted Employees	85,046
Lease & Royalty Payments	44,863
GST Paid	26,234
Corporate Tax Returns	17,382
Rent	6,530
Total Disbursements	7,100,793
Net Cash on Hand	71,164

17. The following is a description of the major receipts and disbursements in the above table:

- (a) Proceeds from the Sale of Assets – proceeds from the LTA APA and TORC Excluded Asset APA;
- (b) Oil and Gas Revenue – revenue received from the Assets;
- (c) Receiver Certificate – amounts borrowed under the Receiver Certificate;
- (d) Bank Account Transfer – monies transferred from the Company’s pre-receivership accounts to the Receiver’s account;
- (e) Payment to Secured Creditor – amounts paid to National Bank in accordance with previous Order of the Court;
- (f) Lien Distribution – amounts paid in accordance with previous Orders of the Court;
- (g) Repayment of Receiver Certificate – satisfaction of amounts owed under the Receiver Certificate;
- (h) Other Miscellaneous Expenses – other amounts disbursed, including transfers to cover overdraft amounts and pre-receivership fees and disbursements relating to legal and advisory services pursuant to National Bank’s credit agreement;
- (i) Operating expenses – operating expenses relating to the Assets;
- (j) Lease & Royalty Payments – surface and mineral lease payments and royalty payments related to the Assets; and

(k) Corporate Tax Returns – amount paid to complete the Company’s 2012 and 2013 corporate tax returns.

(l) Net Cash on Hand – As at August 26, 2014, the Receiver holds \$71,164 in funds.

PROFESSIONAL FEES

18. Invoices rendered by the Receiver from the Date of Appointment to August 26, 2014 total \$44,757.02 exclusive of GST (the “Receiver’s Fees”). The accounts will be made available upon request.
19. The Receiver anticipates issuing a final invoice in the amount of approximately \$10,000 (the “Receiver’s Final Fees”) in connection with work completed through August 31, 2014 and additional time attending the final distribution and discharge application and final administrative matters including the issuance of final distributions, destruction of corporate records and completion of final statutory reporting to the Superintendent of Bankruptcy.
20. Invoices rendered by the Receiver’s legal Counsel from the Date of Appointment to August 26, 2014 total \$72,037.36 exclusive of GST (the “Receiver’s Counsel’s Fees”). The accounts will be made available upon request.
21. The Receiver’s Counsel anticipates issuing a final invoice in an amount of approximately \$5,000 (“Receiver’s Counsel’s Final Fees”) in connection with with work completed through August 31, 2014 and additional time expected to be incurred preparing for and attending the final distribution and discharge application.
22. The Receiver is of the opinion that the Receiver’s Fees and the Receiver’s Counsel’s Fees are appropriate and reasonable in the circumstances.

CORPORATE BOOKS AND RECORDS

23. The Company's books and records are currently located at an offsite storage facility. The Receiver is seeking this Honourable Court's authorization to destroy the remaining books and records unless they are claimed by former directors of the Company within 30 days of the Receiver providing notification. The Receiver proposes to notify the directors at the address listed on a search of the Alberta Corporation Registration system.

PROPOSED FINAL DISTRIBUTION

24. A summary of the Receiver's proposed final distribution (the "Final Distribution") is present below.

Final Distribution	
Cash on Hand	71,164
Final Statement of Adjustments from LTA	2,503
Funds Available for Distribution	73,668
Holdbacks	
GST Returns	60,000
Professional Fees	10,000
Operating Expenses	2,000
Total Available for Distribution	1,668
Transfer to Bankruptcy Accounts	1,668
Final Distribution	-

25. The Receiver does not anticipate there will be significant residual funds after the completion all administrative tasks. However, certain amounts remaining to be paid are based on estimates, therefore in the event that there are residual funds, the Receiver recommends they be distributed to National Bank without further leave of this Honourable Court, as National Bank is in the senior secured position and all claims ranking in priority to the National Bank have been satisfied.

TERMINATION OF RECEIVERSHIP PROCEEDINGS

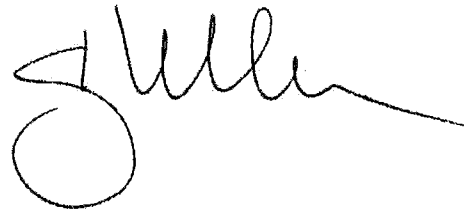
26. As described earlier in this report, the Receivership Proceedings are complete, with the exception of a smaller number of matters which are administrative in nature. In order to avoid additional costs of Court appearances, and with the support of National Bank, the Receiver seeks an Order terminating the Receivership Proceedings and discharging the Receiver, each effective upon the completion of the final administrative tasks.

RECEIVER'S RECOMMENDATIONS

1. The Receiver recommends that this Honourable Court approve an order providing for the following:
 - (a) Approving the Receiver's actions and conduct throughout the Receivership Proceedings;
 - (b) Approving the Receiver's schedule of receipts and disbursements;
 - (c) Approving the Receiver's Fees, the Receiver's Final Fees, the Receiver's Counsel's Fees and the Receiver's Counsels Final Fees;
 - (d) Approving the proposed Final Distribution;
 - (e) Authorization for the destruction of the books and records if not claimed by the former directors within 30 days; and
 - (f) The discharge of the Receiver.

All of which is respectfully submitted this 3rd day of September, 2014.

FTI Consulting Canada Inc.
in its capacity as Receiver of
the assets, property and undertaking of Argosy
Energy Inc. and Radius Resources Corp.



Name: Deryck Helkaa
Title: Senior Managing Director,
FTI Consulting Canada Inc.