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MAR 20 2017
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER 1601-11552
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA, IN ITS
CAPACITY AS ADMINISTRATIVE AGENT
RESPONDENTS TWIN BUTTE ENERGY LTD.
DOCUMENT **FIFTH REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF TWIN BUTTE ENERGY LTD.**

March 20, 2017

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

FTI Consulting Canada Inc.
Suite 720, 440 – 2nd Avenue S.W.
Calgary, AB T2P 5E9
Deryck Helkaa / Dustin Olver
Telephone: (403) 454-6031 / (403) 454-6032
Fax: (403) 232-6116
E-mail: deryck.helkaa@fticonsulting.com
dustin.olver@fticonsulting.com

COUNSEL

Norton Rose Fulbright Canada LLP
3700, 400 – 3rd Avenue S.W.
Calgary, AB T2P 4H2
Howard A. Gorman, Q.C. / Aditya M. Badami
Telephone: (403) 267-8144 / (403) 267-8122
Fax: (403) 264-5973
Email: howard.gorman@nortonrosefulbright.com

INTRODUCTION

1. On September 1, 2016 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of Twin Butte Energy Ltd. (“**Twin Butte**” or the “**Company**”) pursuant to an Order of the Honourable Madam Justice Romaine (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, amongst other things, to manage, operate and carry on the business of the Company, to market any or all the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. On October 11, 2016, an order (the “**SISP Order**”) was granted approving the Receiver’s proposed sales and investor solicitation process (“**SISP**”), which was attached as Appendix A to the Second Report of the Receiver. The SISP Order also authorized the Receiver to engage CIBC World Markets (“**CIBC**”) and Peters & Co. Limited (“**Peters**”) (collectively the “**Selling Agents**”) as selling agents to market all of the assets and properties of Twin Butte in accordance with the terms of the SISP.
4. On January 18, 2017 an order (the “**Sale Approval and Vesting Order**”) was granted approving the Receiver’s proposed en bloc sale of all of Twin Butte’s oil and gas assets (“**HOC Sale**”) to Henenghaixin Operating Corp (“**HOC**”) pursuant to the terms of the purchase and sale agreement between the Receiver and HOC dated December 23, 2016 (“**HOC PSA**”).
5. The Receiver’s reports and other publically available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/twinbutte> (the “**Receiver’s Website**”).

6. The purpose of this report ("**Fifth Report**") is to inform the Court of the following:
- (a) the Receiver's activities since the Receiver's Fourth Report dated February 14, 2017, including the status of the HOC Sale;
 - (b) the Receiver's receipts and disbursements from the Date of Appointment to March 10, 2017;
 - (c) to the status of the HOC Sale;
 - (d) the Receiver's proposed distribution to Twin Butte's senior secured banking syndicate ("**Banking Syndicate**") that would only occur upon the closing of the HOC Sale; and
 - (e) the Receiver's anticipated next steps.
7. The Receiver is requesting the following relief from this Honourable Court:
- (a) approval of the activities of the Receiver since the Date of Appointment including its receipts and disbursements; and
 - (b) approval of the proposed distribution to the Banking Syndicate.

TERMS OF REFERENCE

8. In preparing this Fifth Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").

9. Except as described in this Fifth 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 Fifth Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
10. Future oriented financial information reported or relied on in preparing this Fifth Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
11. The Receiver has prepared this Fifth Report in connection with the Receiver's Application dated March 27, 2017. This Fifth Report should not be relied on for other purposes.
12. Information and advice described in this Fifth Report that has been provided to the Receiver by its legal counsel, Norton Rose Fulbright Canada LLP (the "**Receiver's Counsel**"), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

RECEIVER'S ACTIVITIES

14. Since the date of the Receiver's Fourth Report the Receiver has continued with the following initiatives:
 - (a) continued to operate Twin Butte's business in the normal course with no material adverse change;
 - (b) worked in consultation with Twin Butte employees, the Receiver's Counsel, the Selling Agents and HOC to prepare for the closing the HOC Sale; and
 - (c) corresponded with creditors and ongoing suppliers on a regular basis.

Correspondence with the Ad Hoc Group

15. The Receiver has received a series of questions and information requests from Bennett Jones LLP, counsel for certain holders of unsecured debentures (the "Ad Hoc Group"). The Receiver understands that the Ad Hoc Group represents a material portion of the unsecured debenture holders. Furthermore, the Ad Hoc Group has been represented by counsel throughout these receivership proceedings.
16. The Receiver has and is attempting to provide answers, when appropriate, to the Ad Hoc Group regarding various aspects of these receivership proceedings including questions on receipts and disbursements and other matters.

The Secure Agreements

17. As more fully described in the Receiver's Fourth Report, there were certain agreements that Twin Butte had with Secure Energy Services Inc. ("Secure Agreements") that were undesirable to potential purchasers. The winning bidder, HOC, required the Secured Agreements to be excluded from the HOC PSA.

18. Accordingly, the Receiver intended to seek the Court's approval to terminate the Secure Agreements at an application scheduled for February 22, 2017. However before the February 22, 2017 application, the Receiver continued discussions with Secure Energy Services Inc. ("Secure") and ultimately reached a full and final settlement for the termination of the Secure Agreements in exchange for a settlement payment to Secure from the Receiver ("**Settlement Payment**").
19. The Settlement Payment reflected full and final settlement of:
 - (a) pre-receivership debts owing by Twin Butte to Secure in relation to the Secure Agreements;
 - (b) any damages or claims incurred by Secure in relation to terminating the Secure Agreements (for both past and future amounts);
 - (c) any amounts potentially owing by the Receiver to Secure in respect of the Secure Agreements for services provided since the granting of the Receivership Order; and
 - (d) any claim by Secure that the Secure Agreements created any interest in Twin Butte's land.
20. In addition, Secure agreed to extinguish the right of first refusal under the Secure Agreements.
21. The Receiver determined that the Settlement Payment was fair and reasonable and in the best interests of maximizing value to the Twin Butte estate. The settlement also avoided costs of potential litigation regarding the Secure Agreements and allowed for the orderly termination of the Secured Agreements along with a settlement of all amounts owed by Twin Butte to Secure (including any claims for amounts owed or termination amounts).

SUMMARY OF RECEIPTS AND DISBURSEMENT

22. Receipts and Disbursements from the Date of Appointment to March 10, 2017, are summarized as follows:

Schedule of Receipts and Disbursements	
Date of Appointment to March 10, 2017	
<i>\$000's CAD</i>	
Operating Receipts	
Receiver's Borrowings	8,800,000
Revenue	80,331,180
GST Collected	3,757,345
Royalty & Misc Revenue	1,487,860
Total - Operating Receipts	94,376,385
Operating Disbursements	
Repayment of Reciever's Borrowings	8,800,000
Royalty Expense	4,513,450
Operating Expense	45,086,798
Capital Maintenance & Expenditures	4,275,868
Contract Operators	4,641,919
Occupation Rent (G&A)	1,112,808
Payroll - Employee Related Obligations	5,383,656
Insurance	1,640,859
GST/HST/PST Paid	1,828,963
GST Remitted	1,540,663
Bank & Interest Charges	200,908
Professional Fees	1,590,865
Total - Operating Disbursements	80,616,757
Net Cash on Hand	13,759,629

- (a) "Receiver's Borrowings" means borrowings under the Receiver's certificate in order to provide working capital to fund ongoing operations. The Receiver's Borrowings were originally incurred to fund initial working capital requirements required immediately following the granting of the Receivership Order;

- (b) “Revenue” means funds collected by the Receiver in respect of the revenue from the Company’s producing oil and gas assets and collection of pre-filing accounts receivable;
- (c) “GST Collected” arise from tax credits collected on the revenue generated throughout the receivership period;
- (d) “Royalty and miscellaneous revenue” relate mainly to revenue received from Twin Butte’s gross overriding and freehold royalty interests in various non-operated properties;
- (e) “Repayments of Receiver Borrowings” relate to the repayment of funds borrowed by the Receiver (see (a) above);
- (f) “Royalty” means royalties paid to the Crown, freehold and gross overriding royalty owners related to ongoing oil and gas production;
- (g) “Operating Expenses” arise from the payments of ongoing operating costs;
- (h) “Capital and Maintenance expenditures” arise from various maintenance and capital projects completed to maximize ongoing production and to preserve various mineral interest;
- (i) “Contract Operators” arise from amounts paid to third party field operators who operate the properties;
- (j) “Occupation rent” comprises rent paid related to the Company’s head office and various field locations;
- (k) “Payroll” means amounts paid to Twin Butte employees who are assisting the Receiver in running the operations;

- (l) “Insurance” means amounts disbursed in respect of insurance for employees as well as operating insurance for field properties;
 - (m) “GST/HST paid” comprises sales taxes paid on goods and services provided to the Receiver;
 - (n) “GST remitted” means amounts paid to the Canada Revenue Agency for monthly GST filings;
 - (o) “Bank interest and charges” means interest and fees paid on the Receiver’s borrowings; and
 - (p) “Professional Fees” comprise the Receiver’s Fees, Receiver’s Counsel’s fees and fees paid to the Selling Agents in respect of the Receivership Proceedings.
23. Cash on Hand – at March 10, 2017 the Receiver held \$13,759,629 in operating cash, note this does not include deposits paid by HOC held in trust by the Receiver related the HOC Sale.

UPDATE ON HOC SALE

24. Since the granting of the Sale Approval and Vesting Order, the Receiver has been working in consultation with Twin Butte employees, the Receiver’s Counsel, the Selling Agents and HOC towards closing the HOC Sale.
25. Pursuant to the terms of the HOC PSA, the outside closing date was February 28, 2017. However, HOC had the option to request a 30 day closing date extension (extending the outside closing date to March 30, 2017) if certain regulatory approvals (including approvals from the State Administration of Foreign Exchange, the Ministry of Commerce, Qingdao Branch and the Qingdao Development and Reform Commission, each of the People’s Republic of China)

have not been obtained and have not been denied by a non-appealable decision. In order to be granted the closing date extension, HOC was required to pay an additional deposit of \$5,000,000 (“**Additional Deposit**”) to the Receiver.

26. On or around February 27, 2017, HOC advised that in accordance with the HOC PSA, they were extending the closing from February 28, 2017 to March 30, 2017 and HOC paid the Additional Deposit to the Receiver. Accordingly, the outside closing date is now March 30, 2017 and cannot be automatically extended further under the HOC APA. The initial deposit plus the Additional Deposit will be forfeited by HOC if the closing does not occur by March 30, 2017.

SECURITY REVIEW AND PROPOSED DISTRIBUTION

27. As at March 30, 2017 Twin Butte will owe the Banking Syndicate approximately \$200.6 million plus accruing interest (“**Bank Debt**”) pursuant to the terms of a senior secured credit agreement (“**Credit Agreement**”) between the Banking Syndicate and Twin Butte dated January 15, 2016.
28. The Receiver’s Counsel has reviewed the Credit Agreement including amendments thereto (collectively “**Loan Documents**”) and related security documents (“**Security Documents**”) to determine if the Banking Syndicate has a valid and enforceable security over Twin Butte’s assets.
29. After completing their review, the Receiver’s Counsel determined that the Loan Documents constitute a legal, valid and binding obligation of Twin Butte, enforceable against Twin Butte and the Security Documents create valid security in favour of the Banking Syndicate.

30. Based on the above, the Receiver has determined that the Banking Syndicate has a valid and enforceable first secured charge against Twin Butte's assets and accordingly the Receiver is requesting approval from this Honourable Court to make a distribution ("**Banking Syndicate Distribution**") to repay the Bank Debt to the Banking Syndicate upon the closing of the HOC Sale and the receipt of the net purchase price proceeds.
31. Repaying the Bank Debt as soon as the funds become available upon the closing of the HOC Sale will benefit the remaining creditors as it will eliminate further interest from accruing on the Bank Debt.
32. There are certain liens that have been filed that may have priority over the Bank Debt, however a full review of the validity, enforceability and priority of the liens has not been completed at this time. The Receiver is aware of 299 liens filed by 21 parties totaling approximately \$2.6 million (the "**Potential Liens**").
33. The Banking Syndicate Distribution will only be made by the Receiver if the HOC Sale closes and the proceeds are collected by the Receiver.
34. The Receiver will also hold adequate funds from the HOC Sale to satisfy all of the Potential Liens until further analysis of these liens are completed. Therefore any priority lienholders would not be prejudiced by the Receiver making the Banking Syndicate Distribution. The Receiver confirms that the net proceeds to be received from the HOC Sale will be more than sufficient to repay the Bank Debt in full (including accrued interest) and satisfy all the Potential Liens.

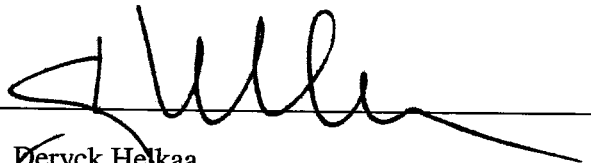
RECOMMENDATIONS

35. The Receiver respectfully requests that this Honourable Court grant the following relief:

- (a) approval of the activities of the Receiver since the Date of Appointment including its receipts and disbursements; and
- (b) approval of the proposed Banking Syndicate Distribution that will be made upon the closing of the HOC Sale.

All of which is respectfully submitted this 20th day of March, 2017.

FTI Consulting Canada Inc.,
in its capacity as receiver and manager
of the assets, undertakings and properties of
Twin Butte Energy Ltd.



Deryck Helkaa
Senior Managing Director, CA, CPA, CIRP



Dustin Olver
Managing Director, CA, CPA