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JUDICIAL CENTRE
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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 **THIRTEENTH REPORT OF FTI
CONSULTING CANADA INC., IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF TWIN
BUTTE ENERGY LTD.**

February 12, 2018

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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INTRODUCTION

1. On September 1, 2016 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) 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 purpose of this report (“**Thirteenth Report**”) is to provide this Honourable Court with the following:
 - (a) an update on the activities of the Receiver since the Receiver’s Twelfth Report;
 - (b) a summary of receipts and disbursements from the Date of Appointment to February 9, 2018;
 - (c) an update on the Disputed Claims and Claims Under Review (collectively the “**Remaining Claims**”) that were identified and discussed in the Receiver’s tenth report dated September 7, 2017 (“**Tenth Report**”); and
 - (d) the Receiver’s revised recovery analysis including the required holdback of funds and the proposed second distribution.

3. The Receiver’s reports and other publicly 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**”).

TERMS OF REFERENCE

4. In preparing this Thirteenth 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").

5. Except as described in this Thirteenth 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 nor reviewed financial forecasts and projections referred to in this Thirteenth Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.

6. Future oriented financial information reported or relied on in preparing this Thirteenth Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.

7. The Receiver has prepared this Thirteenth Report in connection with its application ("**February 20th Application**") scheduled to be heard on February 20, 2018. The main purpose of the February 20th Application is to allow the Ad Hoc Group and three former executives ("**Former Executives**") to provide further arguments with respect to the claims of Former Executives ("**Former Executives Claims**"). However, the Receiver has made significant progress in settling or resolving several of the Remaining Claims since the Receiver's Tenth Report and accordingly the Receiver wishes to use the opportunity of the February 20th Application to seek approval to make an additional distribution of the remaining funds to the creditors as discussed in further detail below.
8. The Receiver has already presented its position on the Former Executive Claims, by accepting the Former Executives Claims within the Claims Process. The Ad Hoc Group disagreed with the Receiver's position to accept the Former Executives Claims and have made arguments in opposition to the Former Executives Claims. After hearing the Ad Hoc Group's arguments this Honourable Court requested that the Receiver provide additional information in relation to the Former Executives and the Former Executives Claims. The Receiver filed a confidential report in this regard dated November 22, 2017 ("**Receiver's Confidential 12th Report**").
9. Information and advice described in this Thirteenth 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

RECEIVER'S ACTIVITIES SINCE THE TENTH REPORT

11. Since filing the Tenth Report the Receiver has, among other things:
 - (a) Attended to various post-closing items in relation to the HOC Sale; and
 - (b) Made the Initial Distributions to creditors with accepted claims as approved by this Honourable Court and outlined in the Receiver's Tenth Report.
 - (c) In relation to the claim submitted by Sutton Energy Ltd. and GeoCap Energy Corporation ("**Geocap Claim**"), attended and obtained an Order significantly reducing the Geocap Claim while granting the opportunity for the claimant to refile its claim, which it has done;
 - (d) Prepared and filed the Receiver's Confidential 12th Report in relation to the Former Executives Claims. Made several unsuccessful attempts to broker a settlement between the Former Executives and the Ad Hoc Group;
 - (e) Settled/resolved several of the Remaining Claims; and
 - (f) Prepared an estimated recovery analysis, holdback and proposed additional distribution as discussed in further detail below.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

12. Receipts and Disbursements from the Date of Appointment to February 9, 2018, are summarized as:

Schedule of Receipts and Disbursements
As at Feb 9, 2018
\$000's CAD

Operating Receipts	
Receiver's Borrowings	8,800,000
Proceeds from Sale to HOC	262,805,729
Final Statement of Adjustments	(44,289)
Revenue	108,394,439
Royalty & Misc Revenue	1,756,999
Interest Income	527,157
GST Collected	5,024,861
Total - Operating Receipts	387,264,895
Operating Disbursements	
Repayment of Receiver's Borrowings	8,800,000
Royalty Expense	8,843,975
Operating Expense	53,808,810
Capital Maintenance & Expenditures	6,161,424
Contract Operators	5,323,712
Occupation Rent (G&A)	1,290,730
Payroll - Employee Related Obligations	6,053,770
Insurance	1,702,160
GST/HST/PST Paid	2,558,818
GST Remitted	2,111,242
Bank & Interest Charges	206,058
Receiver's Fees & Legal Counsel	2,977,827
Distribution to Syndicate & Legal Counsel	202,357,332
Distributions made to Creditors	69,551,569
Selling Agents & Other Professional Fees	2,429,380
Total - Operating Disbursements	374,176,806
Net Cash on Hand from Operations	13,088,089

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

- (b) “Proceeds from sale to HOC” relates to the proceeds received upon closing the HOC PSA net of the statement of adjustments;
- (c) “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;
- (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) “Interest Income” arise from interest on the cash balance held by the Receiver;
- (f) “GST Collected” arise from tax credits collected on the revenue generated throughout the receivership period;
- (g) “Repayments of Receiver Borrowings” relate to the repayment of funds borrowed by the Receiver (see (a) above);
- (h) “Royalty Expense” means royalties paid to the Crown, freehold and gross overriding royalty owners related to ongoing oil and gas production;
- (i) “Operating Expenses” arise from the payments of ongoing operating costs;
- (j) “Capital and Maintenance expenditures” arise from various maintenance and capital projects completed to maximize ongoing production and to preserve various mineral interests;
- (k) “Contract Operators” arise from amounts paid to third party field operators who operate the properties;

- (l) “Occupation Rent” comprises rent paid related to the Company’s head office and various field locations;
- (m) “Payroll” means amounts paid to Twin Butte employees who are assisting the Receiver in running the operations;
- (n) “Insurance” means amounts disbursed in respect of insurance for employees as well as operating insurance for field properties;
- (o) “GST/HST Paid” comprises sales taxes paid on goods and services provided to the Receiver;
- (p) “GST Remitted” means amounts paid to the Canada Revenue Agency for monthly GST filings;
- (q) “Bank Interest and Charges” means interest and fees paid on the Receiver’s borrowings;
- (r) “Receiver’s Fees & Legal Counsel” includes professional fees paid to the Receiver and the Receiver’s Counsel relating to administration of these receivership proceedings;
- (s) “Distribution and Fees for Banking Syndicate” is the Court approved distribution to the Banking Syndicate to repay the bank debt and accrued interest and fees in full;
- (t) “Distribution made to Creditors” is the Court approved distribution to the unsecured creditors and subordinate noteholders as outlined in the Receiver’s Tenth Report.;

- (u) “Selling Agents and Other Professional Fees” includes success and work fees paid to the Selling Agents and other professional consultants in respect of the receivership proceedings.

13. Cash on Hand – at February 9, 2018 the Receiver held \$13,088,089 in cash.

UPDATE STATUS OF THE CLAIMS PROCESS AND REMAINING CLAIMS

14. The Remaining Claims can be summarized into three categories:
- (a) Remaining Claims that have been settled/resolved and the settled/resolved amounts have been distributed by the Receiver to the creditor (“**Settled and Paid Remaining Claims**”);
 - (b) Remaining Claims that have been settled/resolved but not yet paid out by the Receiver to the creditor (“**Settled Unpaid Remaining Claims**”); and
 - (c) Remaining Claims that continue to be under dispute (“**Disputed Remaining Claims**”).

Settled and Paid Remaining Claims

15. The following provides a summary of the Remaining Claims that have been settled/resolved and paid out since the Receiver's Tenth Report. The table also summarizes the amount that was held back in respect of each claim as at the Receiver's Tenth Report, the amount that was settled and paid and the amount that can now be released to the Subordinate Debenture Holders in circumstances when the amount settled and paid was less than the amount held back.

Claimant	Original Claim Amount	Amount Held back per the Tenth Report	Amount Settled and Paid to Claimant	Amount held back that can now be distributed to the Subordinate Debenture Holders	Status
Former Executive	\$ 471,510	\$ 471,510	\$ -	\$ 471,510	On July 21, 2017 the Receiver issued a notice of disallowance disallowing the claim in its entirety. On August 4, 2017 the claimant issued a notice of dispute. The dispute was heard by the Court at the September 20, 2017 application and the Court determined that the Claimants claim should be disallowed in full.
Former Employee	\$ 280,200	\$ 280,200	\$ 140,100	\$ 140,100	On August 15, 2017 the Receiver issued a notice of revision revising the claim down to \$58,050. On August 29, 2017 the claimant issued a notice of dispute. The Receiver in consultation with the Ad Hoc Group resolved the disputed claim agreeing to a settlement payment of \$140,100.
Nordcon Canada Inc.	\$ 1,070	\$ 1,070	\$ 77	\$ 993	This claim was filed on August 16, 2017 (after the claims bar date of June 1, 2017). On August 30, the Receiver has issued a notice of revision revising the claim down to \$77.13.
CEP LP Investment Corp	\$2,071,974	\$2,071,974	\$1,700,000	\$ 371,974	On August 18, 2017 the Receiver sent a notice of revision to the claimant revising this claim down to \$1,451,010. On September 1, 2017 the claimant issued a notice of dispute. On October 24, 2017 the Receiver in consultation with the Ad Hoc Group resolved the disputed claim agreeing to a settlement payment of \$1,700,000.
Total	\$2,824,754	\$2,824,754	\$1,840,177	\$ 984,577	

Settled Unpaid Remaining Claims

16. The following provides a summary of the Remaining Claims that have been settled/resolved but not yet paid. The table also summarizes the amount that was held back in respect of each claim as at the Receiver's Tenth Report, the settled amount that the Receiver intends to pay and the amount that can now be released to the Subordinate Debenture Holders in circumstances when the amount settled is less than the hold back amount.

Claimant	Original Claim Amount	Amount Held back per the Tenth Report	Amount to be paid to Claimant	Amount held back that can now be distributed to the Subordinate Debenture Holders	Status
Her Majesty the Queen in Right of Canada as Represented by the Minister of National Revenue ("CRA")	\$6,199,879	\$6,199,879	\$144,759	\$6,055,120	The Receiver filed 2016 tax returns that offset this claim. The CRA claim accepted the 2016 tax returns as filed which offset the CRA's claim in full however the CRA filed a revised claim for interest and penalties in the amount of \$144,759. The Receiver has accepted the CRA's revised claim of \$144,759. The Ad Hoc Group has agreed with the Receiver's position to accept this claim.
Her Majesty the Queen in Right of Canada as Represented by the Minister of National Revenue ("CRA")	\$805,110	\$805,110	\$402,874	\$402,237	This claim relates to GST ("GST Claim"). On January 6, 2017 the CRA issued notices of re-assessment relating to several pre-receivership months. The re-assessments resulted in an increase in pre-filing GST liability of approximately \$402,237. The Receiver disallowed the additional \$402,237 claimed by the CRA by issuing a notice of disallowance on November 27, 2017. The Receiver also provided back-up demonstrating why the \$402,237 was disallowed. At the date of this report the CRA has not disputed the Receiver's disallowance and pursuant to the terms of the Claims Process is deemed to have accepted the Receiver's disallowance.
Total	\$7,004,989	\$7,004,989	\$547,632	\$6,457,357	

Disputed Remaining Claims

17. The following provides a summary and description of the current status of the three Remaining Claims that have not yet been settled/resolved.

Claimant	Original Claim Amount	Amount Held back per the Tenth Report	Amount to be paid to creditor	Amount held back that can now be distributed to the Subordinate Debenture Holders	Status
Alberta Treasury Board and Finance Tax and Revenue Administration ("Alberta Treasury")	\$3,191,487	\$ 247,859	N/A	N/A	This claim related to 2014 and 2015 income tax that had been re-assessed by Alberta Treasury in 2016. On June 15, 2017 the receiver filed a notice of disallowance on the basis that it had filed the 2016 tax return with losses sufficient to fully offset this claim. On June 21, 2017 Alberta Treasury issued a notice of re-assessment to the Receiver advising that they had carried back the 2016 losses as filed in the 2016 tax returns filed and they offset the 2014 and 2015 re-assessed taxes owing, however they continue to claim interest and penalties on the 2014 and 2015 taxes totaling approximately \$247,859.25. The Receiver requested additional information from Alberta Treasury with respect to the interest and penalties calculation as the Receiver suspects interest was claimed past the Date of Appointment and it has been determined by this Honourable Court that the interest stops rules apply in these proceedings. Therefore no interest after the Date of Appointment can be claimed on unsecured debts. The Receiver continues to follow up with Alberta Treasury.
Sutton Energy Ltd and GeoCap Energy Corporation ("Geocap")	\$2,040,927	\$2,040,927	N/A	N/A	On July 4, 2017 the Receiver issued a notice of disallowance disallowing the claim in its entirety. On July 18, 2017 the Geocap issued a notice of dispute. The dispute was heard by the Court and on December 13, 2017 this Honourable Court issued an order reducing the Geocap Claim by \$1.595 million however providing Geocap an opportunity submit a revised proof of claim by January 12, 2018. Geocap has since submitted a revised claim for \$2,027,018. The parties are in the process of settlement discussions in consultation with the Ad Hoc Group however, to date, have not agreed on a settlement. If the claim is not settled in due course the Receiver intends to make a further application this this Honourable Court with respect to the Geocap Claim.
Former Executive Claims	\$1,230,500	\$1,230,500	N/A	N/A	The Receiver accepted the Former Executive Claims. The Ad Hoc Group disagrees with the Receiver's decision to accept the Former Executive Claims and has expressed their concerns with this Honourable Court. The matter is scheduled be heard at the February 20th Application. The Receiver intends to continue to hold back amount to satisfy the Former Executive Claims until a decision is made by this Honourable Court in respect of the Former Executive Claims and the Receiver will pay the funds held back according to the Courts direction.
Total	\$6,462,915	\$3,519,287	N/A	N/A	

Summary of Distributions made to date

18. The table below summarizes the Initial Distributions outlined in the Receiver's Tenth Report that were approved by this Honourable Court and additional distributions that were made after the Receiver's Tenth Report to satisfy the Settled and Paid Remaining Claims outlined above.

Summary of Distributions	
Receiver's approved Initial Distributions for Accepted Claims	
Secured/Trust	416,535
Unsecured - accepted	9,252,273 [1]
Subordinate Debentures	58,042,584 [2]
Total Initial Distributions for Accepted Claims	67,711,392
Distributions for Settled and Paid Remaining Claims	1,840,177
Total Distributions to creditors (other than Bank Syndicate)	69,551,569
Distirbution to Bank Syndicate	202,357,332
Total Distirbutions	271,908,901

[1] Note the unsecured accepted claim amount is lower than the amount referenced in the Tenth Report by \$2,831 due to a duplication error in the Receiver's Tenth Report;

[2] Note the distribution to Subordinate Debentures is lower than the amount referenced in the Tenth Report by \$500,000 as the Court directed that the Receiver hold back an additional \$500,000 from the distribution proposed in the Tenth Report. This reduction was a result of concerns from Geocap's counsel that the Receiver had not held back enough funds to deal with the ongoing Geocap litigation.

Additional Late Claim

19. The Receiver received a late claim (“**Surge Subsequent Claim**”) from Surge Energy Inc. (“**Surge**”) in the amount of \$45,102 on February 5, 2018 dated January 26, 2018. The claim was categorized as a subsequent claim by Surge. On February 7, 2018 the Receiver issued a notice of disallowance to Surge stating that the Surge Subsequent Claim had been disallowed in full as it did not meet the definition of a Subsequent Claim as it related to events that occurred prior to the receivership and that the Claims Bar date of June 1, 2017 had passed. To date the Receiver has not received a notice of dispute from Surge. Given the significant late filing of Subsequent Surge Claim the Receiver has not included a hold back for this amount.

PROPOSED ADDITIONAL DISTRIBUTIONS

20. The Receiver is seeking approval to make additional distributions (“**Additional Distributions**”) to creditors with Accepted Claims in the amount of \$8,268,802.
21. As outlined above there are three Disputed Remaining Claims. The Receiver intends to hold back funds sufficient to satisfy these claims as well as hold back funds required to complete the administration of these receivership proceedings.

22. The Receiver’s proposed holdbacks and proposed Additional Distributions are summarized in the table below:

Schedule of Holdbacks and Proposed Distribution	
<i>\$000's CAD</i>	
Net Cash on Hand	13,088,089
<u>Required Holdbacks</u>	
Remaining Disputed Claims	3,519,287
Joint Venture Expenditures	200,000
Receiver Fees and Legal Counsel	1,000,000
G&A	100,000
Required Holdbacks	<u>4,819,287</u>
Distributable Funds	<u>8,268,802</u>
<u>Proposed Additional Distributions</u>	
Settled Unpaid Remaining Claims	547,633
Additional Distribution to Subordinate Debenture Holders	7,721,170
Proposed Additional Distributions	<u>8,268,802</u>

23. The Receiver understands that the Ad Hoc Group will be seeking the approval of its outstanding legal fees and expenses (the “Ad Hoc Group Fees”) as contemplated in the Funding Order pronounced on May 1, 2017. The Receiver understands that the Ad Hoc Group Fees request will total approximately \$40,000.
24. The proposed Additional Distribution to the Subordinate Debentures presented above is inclusive of any Ad Hoc Group Fees that may be approved by this Honourable Court. Any court approved Ad Hoc Group Fees will be deducted from the Proposed Additional Distribution to all Subordinate Debentures. If directed to do so, the Receiver will pay any approved Ad Hoc Group Fees directly to Bennett Jones LLP from the initial distribution to Subordinate Debentures then pay the remaining amount directly to Computershare Trust Company of Canada (“Computershare”) as trustee of the Subordinate Debentures. Computershare will then be responsible as trustee to distribute the funds according to the Distribution to Debenture Holders Order previously granted by this Court.

25. The following table provides a summary of the initial distribution relative to the Subordinate Debenture Holders relative to their claim.


Recovery of Subordinate Debentures Claim	
Subordinate Debenture Claim	88,584,758
Initial Distribution to Subordinate Debentures	58,042,584
Proposed 2nd Distribution to Subordinate Debentures	7,721,170
Unpaid Amount of Subordinate Debentures Claim	<u>22,821,004</u>
<i>% Recovery of Subordinate Debentures Claim</i>	<i>74.24%</i>
<i>% Recovery of face value of Subordinate Debentures</i>	<i>77.37%</i>

RECEIVER'S RECOMMENDATIONS


26. The Receiver respectfully requests that this Honourable Court grant the Receiver's request to make the Proposed Additional Distributions.

All of which is respectfully submitted this 12th day of February, 2018.

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



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