

ENTERED



COURT FILE NUMBER 2001-09604
 COURT COURT OF QUEEN'S BENCH OF ALBERTA
 JUDICIAL CENTRE CALGARY
 PLAINTIFF HALIBURTON GLOBAL AFFILIATES HOLDINGS
 B.V.
 DEFENDANT RAPTOR RIG LTD.

Justice Ho
 COM
 June 28, 2021

DOCUMENT SECOND REPORT OF FTI CONSULTING CANADA
 INC., IN ITS CAPACITY AS COURT APPOINTED
 RECEIVER AND MANAGER OF RAPTOR RIG
 LTD.

June 21, 2021

ADDRESS FOR SERVICE AND
 CONTACT INFORMATION OF
 PARTY FILING THIS
 DOCUMENT

RECEIVER'S COUNSEL
 Osler, Hoskin & Harcourt LLP
 Brookfield Place, Suite 2700
 225 – 6th Ave SW
 Calgary, AB T2P 1N2
 Randal Van de Mosselaer
 Telephone: (403) 260-7000
 Fax: (403) 260-7024
 Email: RVandemosselaer@osler.com

SECOND REPORT OF THE RECEIVER

Table of Contents

INTRODUCTION	3
TERMS OF REFERENCE	5
BACKGROUND AND OVERVIEW OF RECEIVER’S ACTIVITIES	6
SALES AND SOLICITATION PROCESS UPDATE.....	10
PROPOSED TRANSACTIONS.....	19
PRIORITY REVIEW.....	21
RECEIPTS AND DISBURSEMENTS	22
BANKRUPTCY ASSIGNMENT.....	24
RECEIVER’S CONCLUSION AND RECOMMENDATION	26

Appendix A – GD Auctions & Appraisals Inc. –VR Rig Auction Proposal

INTRODUCTION

1. On August 10, 2020 (the “**Appointment Date**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**” or “**Business**”) of Raptor Rig Ltd. (“**Raptor**” or the “**Company**”) pursuant to an Order of the Honourable Justice Douglas R. Mah (the “**Receivership Order**”).
2. The Company’s primary business was the construction, delivery and operation of oilfield drilling rigs, including a coiled tubing rig which was developed and built by the Company (“**CT Rig**”) and a proprietary type of land drilling rig known as the Velociraptor Rig (“**VR Rig**”).
3. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the Business of the Company, to market any or all of the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
4. On June 7, 2021, this Honourable Court granted an order authorizing the Receiver to sell certain of the Property by way of public auction (the “**Auction Approval Order**”), pursuant to the terms of an auction proposal dated May 19, 2021 (the “**Auction Proposal**”), between the Receiver and G.D. Auctions & Appraisals Inc. (“**GD Auctions**”).
5. In conjunction with this Report (the “**Second Report**”), the Receiver filed an Application returnable on June 28, 2021, seeking the following relief from this Honourable Court:
 - a. granting of an order (the “**VR Rig Auction Order**”) authorizing the Receiver to sell a partially constructed VR Rig and associated parts by way of public auction, pursuant to the terms of an auction proposal dated

June 18, 2021 (the “**VR Rig Auction Proposal**”) between the Receiver and G.D. Auctions & Appraisals Inc. (“**GD Auctions**”).

- b. approval of the actions, conduct and activities of the Receiver since the Date of Appointment;
 - c. approval of the Receiver’s interim statement of receipts and disbursements for the period from the Appointment Date to June 18, 2021 (the “**Interim R&D**”); and
 - d. expansion of the Receiver’s powers to allow the Receiver to assign Raptor into bankruptcy.
6. The purpose of this Second Report is to provide this Honourable Court with an update with respect to the following:
- a. the status of the Receivership proceedings, including the Receiver’s activities since the date of the First Report of the Receiver dated May 31, 2021 (the “**First Report**”);
 - b. an overview of the Sale Process (as that term is defined below);
 - c. the Receiver’s summary and recommendations with respect to the VR Rig Auction Proposal;
 - d. a summary of the Receiver’s review of Halliburton Global Affiliates Holdings B.V. (“**Halliburton**” or the “**Secured Lender**”) security over the Property;
 - e. a summary of the Interim R&D;

- f. the Receiver's comments with respect to assigning Raptor into bankruptcy; and
 - g. the Receiver's conclusion and recommendations.
7. This Second Report 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/raptorrig/>

TERMS OF REFERENCE

8. In preparing this Second 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 Second 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 Chartered Professional Accountants of Canada 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 Chartered Professional Accountants of Canada Handbook.
10. Future oriented financial information reported or relied on in preparing this Second Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

11. The Receiver has prepared this Second Report in connection with its application returnable on June 28, 2021, and it should not be relied upon for any other purpose.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order and the First Report.

BACKGROUND AND OVERVIEW OF RECEIVER'S ACTIVITIES

13. As described in the First Report, the Company's operations primarily consisted of two separate activities:
 - a. providing services to a drilling contractor pursuant to the terms of an operations and maintenance contract for the CT Rig located in the middle east (the "**O&M Contract**"); and
 - b. conducting the design, development and construction of the VR Rig (the "**VR Rig Division**").
14. The O&M Contract was fulfilled through Raptor Rig (USA) Inc., Raptor's wholly owned subsidiary. The O&M Contract required the Company to provide all operational and maintenance support, including personnel, in connection with the operation of the CT Rig.
15. Raptor had previously sold the CT Rig to a third party but maintained ownership of all intellectual property relating to the CT Rig and necessary to its operation. The CT Rig is currently located and operating in Saudi Arabia.
16. As detailed in the Receiver's First Report, at the request of the drilling contractor, the Receiver agreed to extend the term of the O&M Contract to provide it with additional time to transition to a new operator.

17. The O&M Contract was successfully completed on December 1, 2020. However, there are some outstanding receivables remaining to be collected with respect to this contract. The Receiver expects to collect the full balance of the outstanding receivables relating to the O&M Contract in the coming months.
18. The VR Rig Division's operations are related to the design, development and building of the Company's proprietary VR Rig. As at the Appointment Date, the VR Rig Division was in the final stages of constructing and programming the VR Rig. However, the VR Rig had not yet been completed or tested.
19. Since the date of the First Report, the Receiver's activities have included, among other things, the following:
- a. Overseeing a sales and solicitation process for certain of the Property (the "**Sale Process**") including the negotiations with interested parties with respect to the possible sale of the CT Rig IP, VR Rig IP, Rig Control IP, Raptor Trademarks, VR Rig 1 and VR Rig 2 Parts (the "**Sale Process Assets**");
 - b. responding to creditor enquiries;
 - c. overseeing the preparation of various tax filings to recover amounts available through the Canada Revenue Agency's scientific research and experimental development program ("**SR&ED Program**") (which provides Canadian businesses with tax incentives to conduct research and development in Canada).
 - i. As part of the Company's tax filings for the fiscal year of 2019, the Company has collected approximately \$790,000 of refundable tax credits from the SR&ED Program; and

- ii. the Company filed for additional refundable tax credits from the SR&ED Program pertaining to fiscal 2020. The Receiver is awaiting a response from the Canada Revenue Agency on the status of the Company's 2020 tax year credits.

- d. continuing with general and administrative tasks as pertaining to the Company's finance and accounting functions;

- e. securing and backing up all of the Company's financial and employee information;

- f. termination of all remaining employees of Raptor;

- g. wrapping up the operations and entity of Raptor Rig (USA) Inc. including completing final tax and annual filings and dissolving the corporation;

- h. working with GD Auctions to prepare for and commence the auction of certain miscellaneous equipment owned by the Company (the "**Equipment Auction**") pursuant to the Auction Approval Order granted by this Honourable Court; and

- i. preparing this Second Report.

THE PROPERTY

20. The Property owned by the VR Rig Division consists of certain intellectual property (including patents and trademarks) as well as physical assets relating to the VR Rig.

21. The Company's intellectual property consists of the following:

- a. CT Rig intellectual property ("**CT Rig IP**") which is comprised of: (i) patents registered in numerous jurisdictions (including Canada and the

United States), (ii) computer generated design drawings, and (iii) computer programming and related design materials developed by Raptor with respect to the CT Rig;

- b. Velociraptor Rig intellectual property (“**VR Rig IP**”) which is comprised of: (i) patents and trademarks registered in numerous jurisdictions (including Canada and the United States), (ii) computer generated design drawings, and (iii) computer programming and related design materials developed by Raptor with respect to the VR Rig;
- c. rig control system intellectual property (“**Rig Control IP**”) which is comprised of partially completed computer programming developed to automatically operate the VR Rig; and
- d. trademarks (the “**Raptor Trademarks**”) which consist of trademarks with respect to the name ‘Raptor Rig,’ the Raptor logo and names of the registered patents all of which are registered in Canada and the United States.

22. The physical assets of Raptor consist of the following:

- a. a substantially constructed VR Rig (“**VR Rig 1**”);
- b. parts designated to be used in the fabrication of a second VR Rig (the “**VR Rig 2 Parts**”) for which construction had yet to commence;
- c. equipment required to support the construction and operations of the VR Rig Division (the “**Support Equipment**”), including, pick-up trucks, front end loaders, mobile rig shacks and living quarters and sea containers; and

- d. miscellaneous other items including but not limited to, hand tools, personal protective gear, office computers, office phones and office furniture (the “**Other Property**”).

SALES AND SOLICITATION PROCESS UPDATE

- 23. As described in the First Report, the Receiver engaged a sale agent team consisting of GD Auctions and Connect Energy Company (collectively, the “**Sale Agent**”) to complete the Sale Process.

- 24. Prior to launching the Sale Process, the Sale Agent prepared a marketing plan which included the following key highlights with respect to how to maximize value for the Sale Process Assets:
 - a. the VR Rig 1 was originally designed to operate in warm weather markets and as such would be best suited to drillers in the southern American, Middle Eastern, Northern African or Asian markets;

 - b. any party who would purchase VR Rig 1 would likely require the VR Rig IP as part of their purchase to allow such purchaser to build additional VR Rigs;

 - c. the technology developed for and included as part of the CT Rig IP and VR Rig IP are both distinct and best utilized in different drilling situations, which may result in parties only interested in one of the two packages;

 - d. the design of the VR Rig and current build status of VR Rig 1 were well known in the North America drilling industry due to the small number of market players and the Company’s previous efforts to seek additional financing. Accordingly, it would be unlikely that North American parties would require detailed due diligence to determine their interest in the Sale Process assets;

25. As result, in the course of its marketing efforts the Sale Agent recommended focusing on the fit and end use possibilities as opposed to selling the technology and designs of VR Rig 1 and the other Sale Process Assets.
26. The timeline for the Sale Process was initially contemplated to be as follows:
- a. October 26, 2020 - kick-off and distribution of marketing materials;
 - b. January 12, 2021 – Phase 1 bid deadline for submission of non-binding expressions of interest; and
 - c. January 26, 2021 – Phase 2 bid deadline for submission of a binding asset purchase agreement.
27. A summary of the key elements of the Sale Process including marketing and advertising were as follows:
- a. re-branding of the Company’s website to reflect the Receivership Proceedings and the Sale Process including the launch of a virtual data room;
 - b. placement of advertisements in the following digital publications:
 - i. the Canadian Association of Oilwell Drilling Contractors (“CAODC”);
 - ii. International Association of Drilling Contractors (“IADC”);
 - iii. Drilling Contractor magazine;
 - iv. EnergyNow online energy industry news website; and
 - v. LinkedIn posts by Sale Agent team members;

- c. targeted phone calls to key industry players, including all known North American drilling contractors;
- d. targeted email blast to members of the CAODC and IADC;
- e. requirement for all interested parties to execute a non-disclosure agreement (“NDA”) prior to gaining access to the virtual data room or being granted site tours of VR Rig 1. A total of 23 parties signed a non-disclosure agreement as a part of the Sale Process;
- f. in-person tours of VR Rig 1 were offered to all interested parties, however due to COVID restrictions (which included a 14 day quarantine for all parties entering Canada) this was primarily limited to interested parties with a presence in Canada. In total the Sale Agent completed 11 rig tours;
- g. Sale Agent hosting a booth in the Abu Dhabi International Petroleum Exhibition & Conference 2020, which was held virtually. The conference is widely considered to be the largest drilling conference in the Middle East and Northern Africa and is attended by approximately 8,000 conference delegates, with 26 exhibiting country pavilions, and 2,000 exhibiting companies; and
- h. a template asset purchase agreement (the “**Draft APA**”) was added to the virtual data room on March 9, 2021 and copies were provided to all parties who had expressed interest in making an offer to purchase any of the Sale Process Assets.

28. As the Sale Process progressed it became apparent to the Sale Agent and the Receiver that as a result of a number of factors including the COVID-19 pandemic, the oil and gas markets were undergoing a period of significant uncertainty making it difficult to gain traction with the targeted buyer group.

29. Prior to the original Phase 1 bid deadline, which was planned to be on January 12, 2021, the Receiver and Sale Agent concluded it would be in the best interest of the estate to extend the Sale Process bid deadlines. The Sale Process Phase 1 bid deadline was therefore extended to April 15, 2021.
30. As part of extending the Sale Process bid deadline to April 15, 2021, (the “**New Bid Deadline**”) the Sale Agent made the following efforts to mitigate factors which were believed to be limiting interest in a potential purchase:
- a. a virtual rig tour was filmed and added to the data room on or around January 27, 2021. This provided all interested parties with the ability to do a virtual walk through of VR Rig 1 in order to complete due diligence without attending the Company’s premises in person; and
 - b. the Sale Agent followed up with all parties who had expressed interest in the Sale Process to advise them of the New Bid Deadline extension and to gauge their interest. This group included approximately 40 parties who were located around the world.
31. The Receiver and Sale Agent prepared a qualified bidder checklist which was added to the data room. The checklist outlined the following information that any expression of interest (“**EOI**”) needed to include:
- a. an indication of which of the Sale Process Assets the EOI related to;
 - b. identity of the bidder;
 - c. purchase price (including nature of consideration);
 - d. written commitment to close the transaction within 10 days of the transaction receiving Court approval;

- e. written evidence of (i) sufficient cash on hand to satisfy the purchase price or (ii) sources of immediately available funds that are not conditional on third-party approvals or commitments, in each case, to allow for reasonable determination of the bidder's financial and other capability to consummate the transaction;
- f. blackline version of proposed changes to the Draft APA; and
- g. the EOI needed to be received by the Sale Agent on or prior to 5:00 PM MDT on April 15, 2021.

32. At the New Bid Deadline, the Sale Agent received (6) six EOI which can be broken down into the following groups based on consideration offered:

- a. four (4) cash offers to purchase various combinations of the Sale Process Assets. Of the four cash offers, only one (1) provided recoveries above estimated liquidation value of VR Rig 1 and the VR Rig 2 Parts and satisfied all of the qualified bid requirements:
 - i. the only cash offer which met most the qualifying bid requirements was submitted by AtyrauEnergoTechService LLP (“AETS”) for the purchase of the VR Rig IP, Rig Control IP, Raptor Trademarks, VR Rig 1 and VR Rig 2 Parts (the “**VR Rig Offer**”). However, the VR Rig Offer only included a summary letter describing the key offer details and did not include any form of the Draft APA; and
- b. two (2) credit bids. The bids were submitted by Halliburton and were exclusive offers to purchase: (i) the CT Rig IP (the “**Halliburton CT Rig Offer**”) and (ii) the VR Rig IP, Rig Control IP and Raptor Trademarks (the “**Halliburton VR Rig Offer**”). Both the Halliburton CT Rig Offer and the Halliburton VR Rig Offer included a draft asset purchase agreement that was in a form consistent with the Draft APA. The

Halliburton VR Rig Offer included a provision by which the offer would be withdrawn if another offer exceeded cash consideration of \$2.0 million.

33. The Receiver and the Sale Agent reviewed the submitted EOI, specifically giving consideration to:
- a. the proposed purchase prices and the combination of offers which would result in the highest cumulative proceeds for the Sale Process Assets;
 - b. statutory, regulatory or internal approvals which would be required, if any;
 - c. key dates including the proposed effective date and the closing date of the transaction; and
 - d. closing risk including any remaining due diligence or financing conditions, if any.
34. In determining the best combination of the EOI, the Receiver and the Sale Agent noted that the VR Rig Offer and the Halliburton VR Rig Offer were of similar value. However, the VR Rig Offer contemplated the acquisition of VR Rig 1 while the Halliburton VR Rig Offer was only for intellectual property. Accordingly, the Halliburton VR Rig Offer would result in additional recoveries from liquidating the VR Rig 1 and the VR Rig 2 Parts.
35. Given the above recovery analysis, the Halliburton VR Rig Offer was considered to be superior. However, the Halliburton VR Rig Offer included a condition wherein Halliburton would withdraw their bid in the event there was a competing bid for VR Rig 1. Accordingly, the Receiver approached Halliburton to discuss if they would like to proceed to close the Halliburton VR Rig Offer or if they would withdraw their superior bid in order to allow the Receiver to accept the VR Rig Offer.

36. As the Halliburton VR Rig Offer was limited to the VR Rig IP, Halliburton sought to negotiate a license agreement with AETS for the VR Rig IP as a form of consideration for Halliburton to withdraw the Halliburton VR Rig Offer.
37. Ultimately, Halliburton and AETS were not able to come to a mutual agreement regarding the license. Nevertheless, Halliburton agreed to withdraw the Halliburton VR Rig Offer in order to allow VR Rig 1 and the VR Rig IP to be sold to AETS in one package.
38. Following the withdrawal of the Halliburton VR Rig Offer, the Receiver and Sale Agent were left with two EOI which, in combination, would result in the sale of all of the Sale Process Assets. The two EOI which the Receiver and Sale Agent sought to close were as follows:
- a. the Halliburton' CT Rig Offer to purchase the CT Rig IP; and
 - b. the VR Rig Offer from AETS to purchase the VR Rig IP, Rig Control IP, Raptor Trademarks, VR Rig 1 and VR Rig 2 Parts.
39. AETS is based in Kazakhstan. Due to the inability of its representatives to travel to Calgary for the purpose of completing an in person review of VR Rig 1 prior to the New Bid Deadline, AETS requested additional time to complete its due diligence.
40. On May 11, 2021, the Receiver and AETS entered into a twenty-one day exclusivity agreement (the “**Exclusivity Agreement**”), which required AETS to post a deposit, a portion of which was non-refundable. The parties agreed the additional time would be used for AETS to complete its due diligence with respect to the VR Rig 1 and the VR Rig IP, including detailed reviews of the engineering and design documents, and for AETS and the Receiver to negotiate a binding asset purchase agreement (the “**VR Rig APA**”).

41. At the expiry of the exclusivity period under the Exclusivity Agreement on June 1, 2021, AETS and the Receiver had not yet finalized a mutually agreeable version of the VR Rig APA. As a result, AETS requested that the Receiver provide it with more time to complete its due diligence. The Receiver agreed to extend the expiry date of the Exclusivity Agreement to June 15, 2021.
42. Although an amendment to the Exclusivity Agreement was prepared by the Receiver's counsel and forwarded to AETS for signature, it was not signed and returned to the Receiver.
43. On June 10, 2021, the Receiver provided written notice to AETS (by way of email) outlining the timeline for the events required to finalize the VR Rig APA and indicating that if an executable copy of the VR Rig APA was not submitted by June 15, 2021, the Receiver would terminate the exclusivity period under the Exclusivity Agreement and pursue other realization options.
44. On June 14, 2021, AETS sent an email to the Receiver indicating it was seeking a material revision to the proposed purchase price in the VR Rig Offer and outlining a number of remaining unresolved issues.
45. On June 15, 2021, the Receiver responded to AETS by way of email indicating that the Receiver was not agreeing to any of the proposed changes to the VR Rig Offer and that AETS had until the close of business on June 15, 2021, to submit an executable version of the VR Rig APA, for the Receiver's consideration, in addition to its proposed agreement to assume responsibility for Raptor's leased premises subsequent to closing the VR Rig APA.
46. On the afternoon of June 16, 2021, AETS, through its legal counsel, advised the Receiver they were not proceeding with negotiating the VR Rig Offer, would not be submitting a proposed form of the VR Rig APA. In addition, AETS requested the return of its deposit.

47. Following the termination of discussions with AETS, the Sale Agent and the Receiver re-visited the other submitted EOI and analyzed alternative realization methods to maximize the recoveries to the estate.
48. In addition to re-considering the EOI the Receiver asked GD Auctions to provide a proposal for the sale of VR Rig 1 and the VR Rig 2 Parts by public auction. GD Auctions provided the Receiver with the VR Rig Auction Proposal on June 18, 2021.
49. In comparing the VR Rig Auction Proposal against the EOI submitted during the Sale Process, the Receiver considered the following:
- a. net estimated auction proceeds;
 - b. the costs associated with continuing the Sale Process to locate an “as is” purchaser for the VR Rig 1 including the holding costs associated with Raptor’s leased premises; and
 - c. the closing risk associated with other potential “as is” offers for the VR Rig 1.
50. The Receiver is of the view that the Sale Process Assets had been sufficiently marketed during the Sale Process and that extending the Sale Process was unlikely to identify a party that was capable of closing a sale within a timeframe in which the additional costs could reasonably be expected to be recovered in excess of the net proceeds expected from the VR Rig Auction Proposal.
51. The Receiver consulted with the Secured Lender regarding the VR Rig Auction Proposal and to confirm that it still wanted to close on the Halliburton CT Rig Offer and the Halliburton VR Rig Offer.

52. Accordingly, the VR Rig Auction Proposal in combination with the Halliburton CT Rig Offer and the Halliburton VR Rig Offer, and in light of the lack of other interest for the purchase of VR Rig 1 and the VR Rig 2 Parts, appears to provide the highest and best estimated recoveries in the circumstances.

PROPOSED TRANSACTIONS

HALLIBURTON OFFERS

53. As a result of being a Secured Lender to Raptor, the consideration for each of the Halliburton CT Rig Offer and the Halliburton VR Rig Offer are to be fully satisfied through a partial reduction of its secured debt due from Raptor.

54. The terms of the Halliburton CT Rig Offer are outlined in an asset purchase agreement between the Receiver and Halliburton (the “**Halliburton CT Rig APA**”). A summary of the key terms of the Halliburton CT Rig APA are as follows:

- a. assets to be purchased: CT Rig IP;
- b. purchaser: Halliburton Global Affiliates Holdings B.V.;
- c. effective and closing date: 5 days after receiving Court approval; and
- d. not subject to any material conditions other than Court approval.

55. The terms of the Halliburton VR Rig Offer are outlined in an asset purchase agreement between the Receiver and Halliburton (the “**Halliburton VR Rig APA**”). A summary of the key terms of the Halliburton VR Rig APA are as follows:

- a. assets to be purchased: VR Rig IP, Rig Control IP and Raptor Trademarks;
- b. purchaser: Halliburton Global Affiliates Holdings B.V.;

- c. effective and closing date: 5 days after receiving Court approval; and
- d. not subject to any material conditions other than Court approval.

56. The Receiver's counsel is reviewing Halliburton's revisions to the Draft APA with respect to the Halliburton CT Rig Offer and the Halliburton VR Rig Offer and expects to be back before this Honourable Court to seeking their approval at a subsequent application.

VR RIG AUCTION PROPOSAL

57. As detailed in previous sections of this report, the Sale Agent was asked to provide an auction proposal for the VR Rig 1 and VR Rig 2 Parts. Due to their familiarity with the Company and the assets gained through its conduct of the Sale Process, the Receiver believes GD Auctions is well positioned to conduct this process.
58. The Receiver is of the view that the proposed multi-platform, uniquely developed marketing strategy to be implemented by GD Auctions, together with the proposed timed online auction outlined in VR Rig Auction Proposal, is fair and reasonable in the circumstances. The Receiver believes that such process will result in a fulsome canvassing of the market, and a maximization of available recoveries, all for the benefit of the Company's estate.
59. Based on its previous experience with similar asset auctions, the Receiver is respectfully of the view that the commercial terms of the VR Rig Auction Proposal are in line with what would typically be expected in the market for an auction of this size and complexity.
60. A copy of the VR Rig Auction Proposal is attached to this Second Report as Appendix A. The VR Rig Auction Proposal includes the following key terms:
- a. GD Auctions will operate a public timed online auction;

- b. a two day viewing period for prospective bidders to inspect and view all items;
- c. GD Auction shall continue to carry a \$2 million Comprehensive General Liability insurance policy covering personal injury and property damage that may occur during the auction;
- d. GD Auction will be responsible for all sale receipts and will guarantee payment once collected. All sale proceeds shall be deposited into a trust account; and
- e. Within 21 days of the sale, GD Auction shall provide a full report of all sales and distribute net receipts from the auction to the Receiver.

61. The Receiver seeks the approval of this Honourable Court of the VR Rig Auction Proposal.

62. Included in the VR Rig Auction Order is a provision to vest the parts of VR Rig 1 and the VR Rig 2 Parts to a purchaser free and clear of any claims or encumbrances.

PRIORITY REVIEW

63. Raptor is indebted to Halliburton in the amount of \$28,871,916, plus interest, costs and associated disbursements.

64. The Receiver's Counsel has provided the Receiver with an independent opinion on the validity and enforceability of Halliburton's security as against Raptor.

65. Based on its counsel's review, Halliburton's security is perfected over all of Raptor's Property.

66. The Receiver's Counsel has identified one registration against specific equipment which was installed on VR Rig 1.
67. The specific property registration was effected by Hoisting Ltd. (the "**Hoisting Lien**") subsequent to the Secured Lender's registration of its *AllPAAP*. The Receiver's Counsel is reviewing the Hoisting Lien and its priority in relation to that of the Secured Lender in respect of the VR Rig 1.
68. The Receiver is not seeking a distribution at this time of any of the proceeds to be received from the VR Rig Auction Proposal and accordingly the cash will stand in place of the security subject to the Hoisting Lien.
69. The Receiver's counsel is in discussions with counsel representing the Hoisting Lien and notes that this priority issue will require resolution prior to any distribution.

RECEIPTS AND DISBURSEMENTS

70. The Receiver's cash receipts and disbursements in respect of the Property from August 10, 2020 to June 18, 2021, are summarized as follows:

Schedule of Receipts and Disbursements
As of June 18, 2021
CAD\$

Receipts

Opening cash	\$ 1,471,763
O&M Receipts	5,928,898
Parts Receipts	1,488,239
SR&ED Receipts	789,288
Other Receipts	551,596
Total Receipts	10,229,784

Disbursements

Payroll, benefits, and consulting fees	2,375,515
Operating expenses	1,224,198
Income taxes	407,253
Insurance	329,033
Rent and utilities	311,480
General and administration	84,192
Receiver's fees	519,179
Other Professional fees	209,917
Legal fees	127,199
Total Disbursements	5,587,966

Total Cash on Hand	\$ 4,641,818
---------------------------	---------------------

- a. O&M Receipts - relate to the O&M Contract;
- b. Parts Receipts - relate to revenue derived from the markup of purchased parts as outlined in the O&M Contract;
- c. SR&ED Receipts - include provincial and federal SR&ED receipts related to fiscal 2019;
- d. Other Receipts - primarily include tax refunds, an initial bid deposit based on the Exclusivity Agreement, net gains in foreign exchange, and sales of non-core assets;

- e. Payroll, benefits, and consulting fees – include employee payroll and benefits and the retention of key employees as consultants;
- f. Operating expenses – primarily include parts purchased to fulfill the O&M contract in Saudi Arabia, withholding taxes, and freight costs associated with part purchases;
- g. Income taxes – relate to income taxes paid for Raptor Rig (USA) Inc.;
- h. Insurance – relate to expenses paid for asset insurance, and general liability insurance;
- i. Rent and utilities – relate to the Company’s main office and rental of yard in Calgary;
- j. General and administration – primarily include the payment of GST and bank charges;
- k. Receiver’s fees - relate to FTI's fees and disbursements in respect of the Receivership Proceedings;
- l. Other Professional fees – include payments to professionals who assisted with tasks such as the preparation of SR&ED returns, Raptor’s patent applications and continuations, tax filings, wind-up of Raptor Rig (USA) Inc.; and
- m. Legal fees - relate to Osler's fees and disbursement in respect of the Receivership Proceedings.

BANKRUPTCY ASSIGNMENT

71. Halliburton has requested that Raptor be assigned into bankruptcy. It is the Receiver’s view that bankrupting Raptor would be beneficial as it would help

facilitate the crystallization of claims and the streamlined administration of the Raptor estate.

72. The Receiver has identified approximately 91 unsecured creditors with potential unsecured claims against the Company of approximately, \$15.7 million. The Company is accordingly an “insolvent person” within the meaning of the BIA, which has failed to meet its obligations generally as they become due.
73. The Receiver is willing and able to act as bankruptcy trustee for Raptor.
74. The Receiver believes that assigning Raptor into bankruptcy is reasonable for the following reasons:
 - a. paragraph 3(h) of the Receivership Order specifically empowers and authorizes the Receiver to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver’s name or in the name of Company, for any purpose pursuant to the Receivership Order;
 - b. paragraph 29 of the Receivership Order provides that nothing in the Receivership Order shall prevent the Receiver from acting as the trustee in bankruptcy of the Company;
 - c. Raptor Rig Ltd. is currently in receivership and are considered insolvent persons within the meaning of the *Bankruptcy and Insolvency Act*, and have failed to meet their respective obligations generally as they became due;
 - d. a bankruptcy of Raptor will allow for the aligning of priority claims and the crystallizing of various creditor claims; and

- e. Halliburton supports the Receiver's intention to assign Raptor into bankruptcy.

75. FTI is the Court-appointed receiver and manager of Raptor and has been administering these receivership proceedings. In this role, FTI has been in consultation with various of Raptor's creditors. FTI is knowledgeable with respect to the Company and its business and is well positioned to assume the role as the licensed insolvency trustee for this estate.

76. As noted previously, an independent security review has already been provided which indicates that FTI would not be in any conflict of interest in acting as the trustee in bankruptcy.

RECEIVER'S CONCLUSION AND RECOMMENDATION

77. Based on the foregoing, the Receiver respectfully recommends this Honourable Court to approve the granting of the following orders:

- a. an Order approving the VR Rig Auction Proposal; and
- b. an Order approving the Receiver's activities, the Interim R&D and granting the Receiver the power to assign the Company into bankruptcy.

All of which is respectfully submitted this 21st day of June 2021.

FTI Consulting Canada Inc.
in its capacity as receiver and manager of
Raptor Rig Ltd.
and not in its personal capacity



Craig Munro
Managing Director

Appendix A



AUCTION PROPOSAL

OF



RAPTOR RIG

For



June 18, 2021

Edmonton - Calgary



105, 11500-29 Street SE
Calgary, AB T2Z 3W9
June 18, 2021

FTI Consulting Canada Inc.
1610, 520-5th Avenue SW
Calgary, AB T2P 3R7

Via email: Robert.kleebaum@fticonsulting.com

Attention: Mr. Robert Kleebaum

RE: AUCTION PROPOSAL FOR RAPTOR RIG LTD. VR1 and VR2 COMPONENTS

Dear Sir:

Thank you for the opportunity to provide you with this Proposal. G.D. Auctions & Appraisals Inc. (“GDA”) have reviewed the VR1 Rig and the Components of VR2 of the above-noted Company, as viewed and as per the listings attached, and propose the following proposal:

**PROPOSAL (STRAIGHT COMMISSION)
expenses or actual costs**

0% plus costs estimated at \$300,000 for

This Proposal is subject to the following General Limiting Conditions and Critical Assumptions:

SALE STRATEGY

1. GDA offers its services to operate a Timed Online Auction in July 2021, or other mutually agreed upon date.
2. The Assets are free and clear of all liens and encumbrances. GDA shall be indemnified and held harmless by FTI Consulting Canada Inc. against any claim or action arising as a result of dealing with said Assets that were represented as being free and clear.
3. GDA will be permitted the use of “Raptor Rig Ltd.” and “FTI Consulting Canada Inc.” in advertising a Receivership auction.

-
4. GDAA will sell the 2013 JD 644K Wheel Loader, 2011 Hyundai HL740-9 TM Wheel Loader and Attachments for both in the June 29, 2021, Auction with the condition that they are not to be removed until July 30, 2021, to assist with the demobilization of the VR1 Rig.
 5. GDAA will setup, inventory, clean as needed, catalogue, and photo the assets for auction to post to the Timed Online Auction. The lists attached are a general description of the components of VR Rig 1 and 2 and are not intended to be used as a list of the lots to be sold at auction. Prior to an auction occurring, a final and more descriptive and accurate list of the components of VR Rig 1 and 2 will be prepared. Further the final lot list to be sold in the auction may differ from the below listing. GDAA will have a 2-day viewing period, for prospective bidders to inspect and view all items. The Timed Online Auction will be scheduled to close in July 2021, or other mutually agreed upon date.
 6. GDAA will have free use of the premises which shall include rent, occupancy costs, property taxes, utilities, telephone, business tax, etc. until August 30, 2021, or other mutually agreed upon date.
 7. GDAA will advertise an Online Auction Sale through a multi-platform, uniquely developed marketing strategy that will best work for an Online Auction Sale relevant to the assets included. Common strategies deployed by GDAA are social media campaigns, relevant daily, weekly and trade specific publications that include both print and online options. Multi-channel exposure on the world wide web, as well as through pamphleteering to trade related companies, and mail to relevant potential purchasers.
 8. GDAA does not assume responsibility for disposal or proper treatment of any hazardous materials as defined by municipal, provincial or federal legislation.
 9. FTI Consulting Canada Inc. shall be responsible for clean-up and garbage disposal costs incurred and will be deducted from Auction proceeds.
 10. GDAA will be responsible for charging, collecting and remitting the GST where it has been notified said tax is applicable.
 11. GDAA shall continue to carry a \$2 million Comprehensive General Liability insurance policy covering personal injury and property damage that may occur during the Auction/Liquidation Sale as described above. FTI Consulting Canada Inc. shall satisfactorily insure the Assets GDAA is liquidating.
 12. GDAA will be responsible for collection of monies for all sales and will guarantee payment once collected. All sale proceeds shall be deposited in a trust account.
 13. FTI Consulting Canada Inc. will be responsible for all merchant charges associated with the auction sale.
 14. GDAA reserves the right to charge a 15% Buyer's Premium. GDAA will credit 5% of the Buyer's Premium to FTI Consulting Canada Inc..
 15. GDAA will have the option of adding other assets to enhance the sale.
 16. Within 21 days of the sale, GDAA shall provide a full report of all sales of the Assets together with sale proceeds in the form of a cheque.

17. GDAA reserves the right to amend these Proposals in the event that between the date of this letter and the date or proposed date of the auction or sale there occurs an event of *force majeure* which shall include, but not be limited to, flu, epidemic, serious illness or plagues, disease, emergency or outbreak acts of God, riots, civil disturbances, strikes, lock-outs, acts of war, terrorism, insurrection and the like.

In order to comply with the timetable as outlined, the above offer is open until 5:00 PM Thursday June 24, 2021, unless extended by mutual agreement.

We trust the above is to your satisfaction. We are ready to proceed immediately.

Respectfully yours,
GD Auctions & Appraisals Inc.

FTI Consulting Canada Inc.,



James Carlson
Senior Vice President

Robert Kleebaum

~ PLEASE SIGN AND RETURN ~

GST Number for Raptor Rig Ltd.



Raptor Rig Ltd. VR1 Components

Description

The below list is a general description of the components of VR Rig 1 and is not intended to be used as a list of the lots to be sold at auction. Prior to an auction occurring, a final and more descriptive and accurate list of the components of VR Rig 1 will be prepared. Further the final lot list to be sold in the auction may differ from the below listing.

1. (2) Bottom Sub Units.

2. Left Mid Side Section.

3. Right Mid Side Section.

4. Upper Left Side Section.

5. Upper Right Side Section.

6. Drill Floor.

7. Spacer Floor.

Raptor Rig Ltd. VR1 Components

Description

8. **Drillers Cabin.**

9. **(2) Catwalks.**

10. **Outer Generator.**

11. **Transfer Tank.**

12. **BOP Handler.**

13. **Rig Mats.**

14. **Upper Mast and Associated Parts.**

15. **(2) Lower Masts.**

16. **(4) Walkers and Associated Parts.**

Raptor Rig Ltd. VR1 Components

Description

17. **(2) Mud Tanks.**

18. **Shale Bin.**

19. **Mixing Skid.**

20. **(2) Pump Houses.**

21. **Generator Building.**

22. **Combination Building.**

23. **Plumbing Skid and Associated Plumbing Parts.**

24. **Ramp.**

25. **Shaker Skids.**

Raptor Rig Ltd. VR1 Components

Description

26. **(2) Top Drives.**

27. **Gantry.**

28. **(2) Hoists.**

29. **(2) Hoist Racks.**

Raptor Rig VR2 Components List

Lot	Image	Description
-----	-------	-------------

The below list is a general description of the components of VR Rig 2 and is not intended to be used as a list of the lots to be sold at auction. Prior to an auction occurring, a final and more descriptive and accurate list of the components of VR Rig 2 will be prepared. Further the final lot list to be sold in the auction may differ from the below listing.

700.



Catwalk.

701.



Catwalk.







702.









Skid Mounted Accumulator Shack.









Raptor Rig VR2 Components List

Lot	Image	Description
703.	 	Skid Mounted Manifold Shack.
704.		Rack and Pinion.
705.		(2) Veritracks.
706.		Continental Rig Supply Hardwall WP 20 Bar BP 60 Bar-M Hose.
707.		(2) Stabbing Guides.

Raptor Rig VR2 Components List

Lot	Image	Description
708.		Prefabs.
709.		(2) Pipe Shifting Trays.
710.		(2) Raise Cylinders.
711.	  <p>FORUM - PO 10268 PN 11699 500 Ton Set (2EA) of Elevator Tanks 132' -3171327 QTY - 1 Set</p>	Set of (2) 500-ton 132' Elevator Links.
712.		(8) Drawworks Frames.








Raptor Rig VR2 Components List

Lot	Image	Description
713.		(2) Crown Sections.
714.	 	(2) 7,500psi Kicker Hoses.
715.		High Pressure Hose.
716.		(12) Levelling Jacks.
717.		(6) Turn Buckles.






Raptor Rig VR2 Components List

Lot	Image	Description
718.		Power Tong Gantry.
719.		Set of (2) 500-ton 132' Elevator Links.
720.		Hydraulic Control Panel.
721.		(4) Hydraulic Rams.
722.		Rig Walker Track.
723.		Teflon Slides.







Raptor Rig VR2 Components List

Lot	Image	Description
724.		(2) Veritracks.
725.	 	Northstar Fluid Power Power Pak. Kohler Command Pro 37hp Motor.
726.		Wichita Clutch and Clutch Assembly.
727.	 	Crate of Communication Cable.
728.		Pallet of Asst. Communication Cable.






Raptor Rig VR2 Components List

Lot	Image	Description
729.		(3) Crates Cavotec Communication Plugs.
730.		Electrical Panel.
731.		(5) Crates Shoe Pads.
732.		Rotary Table w/ Controls.
733.		(3) Walker Lift Cylinders.

Raptor Rig VR2 Components List

Lot	Image	Description
734.		(3) Pallets Hydraulic Equipment for Iron Roughneck, Slip and Rotary Table.
735.		(3) Pallets Hydraulic Cylinders.
736.		Witchita Clutch and Clutch Assembly.
737.		(2) Witchita Clutch Carriage Assemblies.
738.		Camp Transformer.
739.		(8) Hydraulic Cylinders.



Raptor Rig VR2 Components List

Lot	Image	Description
740.		(8) Pins and (4) Flanges.
741.		(9) Boxes Asst. Mud Pump Components, etc.
742.		(2) Iron Roughnecks.
743.		Hydraulic Rams and Valves.
1613.		Explosion Proof Encoders, Plastic Gore Track, UPS, Seals, Valve Control, etc.




Raptor Rig VR2 Components List

Lot	Image	Description
1614.		Hydraulic Accuator, Accumulators, Filter Inserts, Dry Seals, Adjustable Supports, Hydraulic Rams, Rollers, Safety Pins, Lifting Eyes, etc.
1615.		Rotary Table/ Power Slip.
1616.		Pump Parts, Hydraulic Components, Electrical Cable, etc.
1617.		LED Light Fixtures, Safety Cables, Electrical Supplies, Hydraulic Rams, Rockwell Seals, Seal Kits, etc.
1618.		Top Drive Seal Kit, Spare Parts and Rockwell Unit Insert.

Raptor Rig VR2 Components List

Lot	Image	Description
1619.		(8) Wichita Clutch Sets.
1620.		Electrical Parts and Components.
1621.		Eaton Hydraulic Components and Fittings, Electrical Breakers, Hydraulic Filters, Multi-Core Cable, etc.
1622.		Electrical Cables, Wire Rope, Seals, Safety Pins, Pump Pistons, Arc Flash Kit, etc.
1623.		Load Runners, Springs, Washers, Cables, Cart, Top Drive Components, Electrical Components, etc.







Raptor Rig VR2 Components List

Lot	Image	Description
1624.		Dies, Flanges, Top Drive Components, CleVICES, Mounting Hardware, etc.
1625.		Safety Pins, Hydraulic Rams and Fittings, Hose Reel, Electrical Bulbs, etc.
1626.		Electrical Fittings, Cable Tensioners, Ram CleVICES, Stainless Electrical Strips, Collars, Fasteners, Breaker Panel, Space Sheaves, etc.
1627.		Industrial Lifting Eyes, Hydraulic Filters, Hydraulic Hardware, Accumulators, etc.
1628.		Hydraulic Fittings and Hoses.
1629.		Bulk Hydraulic Hose.

Raptor Rig VR2 Components List

Lot	Image	Description
1630.		Hydraulic Fittings, Actuators and Accumulators.
1631.		Hydraulic Fittings, 1/4" Air Line, Accuator Rods, etc.
1632.		Hydraulic Components and 45deg Angle Hydraulic Motor Drives.
1633.		(2) Crates Hannay Reels Spare Parts.
1634.		(5) 32" ICD Monitors.
1635.		Red Wing 1" Hose.

Raptor Rig VR2 Components List

Lot	Image	Description
1636.		(8) AC Drive 600V/3Ph transformers.
1637.		Lot of Approximately 27 Derrick Pins.
1638.		Lot of Assorted Bolts.
1639.		Pallet of Tapered Bushings and Drive Sprockets.
1640.		Electric Accuator and Triple Conductor Electrical Cable.
1641.		Clevise Pins, Locking Ring , Electrical Hardware, etc.







Raptor Rig VR2 Components List

Lot	Image	Description
1642.		Crate of Chiller Parts for Mud Pumps 3 and 4.
1643.		Crate of Spare Parts for Mud Pumps 3 and 4.
1644.		Water Pumps, DEF Filters, etc.
1645.		Wire Basket with Assorted Fittings.
1646.		Wire Cables and Turnbuckles.
1647.		PTO's, Hydraulic Rams and Electrical Cables.







Raptor Rig VR2 Components List

Lot	Image	Description
1648.		Stucchey and HySpec Hydraulic Bearings, Cylinders, Rams and Seals.
1649.	 	Timken "T16050-902A1" Bearing.
1650.		Timken "T16050-902A1" Bearing.
1651.		Pallet of Timken Oil Seals, Wiper Seals, O-Packs, Check Valve, Fittings, etc.
1652.		Pallet of Timken Bearings.




Raptor Rig VR2 Components List

Lot	Image	Description
1653.		Bush Clamps, Spacers and Bolts.
1654.		Hi-Kalibre Mud Savor and Accuator.
1655.		(2) Pop Valve Assemblies.
1656.		(2) Load Measure Shackles.
1657.		Gear and Spur for Hoisting Carriage.
1658.		(2) Wash Pipe Assemblies.






Raptor Rig VR2 Components List

Lot	Image	Description
1659.		Electrical Cabling.
1660.		Cable Shleps.
1661.		Hoisting Carriage Lifting Lugs.
1662.		Timken Hoisting Carriage Bearing Assemblies.
1663.		Aluminum Air Guide Venting and Electrical Cable.
1664.		Electric High Pressure Accumator, Electrical Fittings and Bolts.

Raptor Rig VR2 Components List

Lot	Image	Description
1665.		(4) Pallets Assorted Tech Cabling.
1666.		Electrical Control Panel and Parts.
1667.		PowerFlex "753" VFD
1668.		Hytorc Torque Gun and Accessories.
1669.		Cavotec Electrical Plugs and Fittings.
1670.		(2) Allen Bradley SMC Flex Drives and Walker Pins.

Raptor Rig VR2 Components List

Lot	Image	Description
1671.		(4) Crates and Loose Boxes Cavotec Fittings, etc.
1672.		(10) Spools Electrical Cable.
1673.		(11) Rockwell Automation Breakers.
1674.		(16) Rockwell Automation VFD's.
1675.		(2) Technology Transfer Inc. "RR502015" Main Control Panels.