

COURT FILE NUMBER 1601-06765  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF ENDURANCE  
ENERGY LTD.  
DOCUMENT **TWELFTH REPORT OF FTI CONSULTING  
CANADA INC., IN ITS CAPACITY AS  
MONITOR OF ENDURANCE ENERGY LTD.**

**June 27, 2017**

ADDRESS FOR SERVICE AND  
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## INTRODUCTION

1. On May 30, 2016, Endurance Energy Ltd. (the “**Applicant**” or “**Endurance**”) sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”). The proceedings commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order, *inter alia*, appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”).
3. On November 21, 2016, this Honourable Court granted the following orders:
  - (a) an order which, *inter alia*, approved the procedures outlined for the submission of claims against the directors and officers of the Applicant; and
  - (b) an order which, *inter alia*, approved a \$100 million interim distribution to the Lenders in partial satisfaction of the amounts owing by the Applicant and extended the Stay Period to and including January 31, 2017 (the “**Interim Distribution and Stay Extension Order**”).
4. On December 5, 2016, this Honourable Court granted an order (the “**Interim Distribution and Transition Order**”) which, *inter alia*, approved a further \$25 million interim distribution to the Lenders in partial satisfaction of the amounts owing by the Applicant and the expansion of the Monitor’s powers in respect of the Applicant upon the filing of the Monitor’s Certificate (the “**Monitor’s Transition Certificate**”).

5. On January 27, 2017, this Honourable Court granted an order (the “**Third Interim Distribution Order**”) which, *inter alia*, approved a further \$5 million interim distribution plus the entire D&O Claims Holdback (as defined in the Monitor’s Eleventh Report) to the Lenders in partial satisfaction of the amounts owing by the Applicant (the “**Immediate Distribution**”) and authorized the Monitor to distribute the security deposits from the Alberta Energy Regulator (the “**AER Deposit**”) and the Saskatchewan Ministry of the Economy (the “**SME Deposit**”) when received (the “**Future Distribution**”).
  
6. Subsequent to the date of the above orders, the CCAA Proceedings have been substantially completed including the Court approved sale of substantially all of the Applicant’s assets on or around October 26, 2016, the distribution of the majority of the net sale proceeds to the Lenders in the amount of approximately \$132.5 million (net of certain holdback amounts) and the wind-up of the Applicant’s active business operations including finalizing certain accounting matters and settlement of the final statement of adjustments in accordance with the sale transaction.

## **PURPOSE**

7. The purpose of this twelfth report of the Monitor (the “**Twelfth Report**”) is to provide this Honourable Court with the Monitor’s summary and comments with respect to:
  - (a) the activities of the Monitor since the Eleventh Report of the Monitor dated January 27, 2017, including a statement of receipts and disbursements;
  - (b) the Monitor’s request for relief to make a final distribution to the Lenders (the “**Final Distribution**”);

- (c) seeking approval of the fees and expenses of the Monitor and Bennett Jones LLP (the “**Monitor’s Counsel**”); and
- (d) seeking an order terminating the CCAA Proceedings.

## TERMS OF REFERENCE

8. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant’s books and records, certain financial information prepared by the Applicant and discussions with various parties, including senior management (“**Management**”) of the Applicant (collectively the “**Information**”). Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
9. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management’s assumptions regarding future events and actual results may vary from forecast and such variations may be material.
10. Further background and information regarding the Applicant’s and these CCAA Proceedings can be found on the Monitor’s website (the “**Monitor’s Website**”) at <http://cfcanada.fticonsulting.com/endurance>.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein have the meaning defined in the Initial Order.

## ACTIVITIES OF THE MONITOR

12. Since the Eleventh Report of the Monitor dated January 27, 2017, the Monitor has:
- (a) completed the Immediate Distribution to the Lenders on behalf of the Applicant in accordance with the Interim Distribution and Stay Extension Order;
  - (b) completed various administrative matters in connection with the CCAA Proceedings including:
    - (i) assisted the Applicant in completing the final statement of adjustments in connection with the sale of the Applicant's assets. The final statement of adjustments was agreed to on May 26, 2017 and paid on June 7, 2017;
    - (ii) facilitated the substantial wind-down of the Company's operations;
    - (iii) had discussions with the relevant parties with respect to the AER Deposit and the SME Deposit; and
    - (iv) attended to various administrative matters including facilitating a detailed listing of corporate records and arranging for storage of same and completing and filing corporate returns for 2016 to ensure no tax liability existed.

### **Expansion of the Monitor's Powers**

13. As more fully described in the Monitor's Tenth Report dated November 30, 2016 and the Interim Distribution and Transition Order, the Applicant sought and obtained relief expanding the Monitor's powers in respect of the Applicant, upon the filing of the Monitor's Transition Certificate.
14. The Monitor filed the Monitor's Transition Certificate with this Honourable Court on January 17, 2017.
15. Since the filing of the Monitor's Transition Certificate, the Monitor has exercised, or will exercise, such expanded powers to collect funds on behalf of the Applicant, make distributions on behalf of the Applicant, sign documents on behalf of Applicant and instruct advisors to assist in completing the remaining matters and assign the Applicant into bankruptcy (if the Monitor deems it appropriate).
16. The Applicant has terminated all employees and the Monitor has retained the services of one former employee on a contractual basis and whose services are now substantially completed.

### **Canada Revenue Agency**

17. The Applicant has an outstanding GST/HST liability owing to the Canada Revenue Agency (the "CRA") in the amount of \$332,655.62 (the "GST Arrears") as at February 6, 2017 resulting from a GST/HST examination for the period of January 2015 to May 2015 for obligations that arose prior to the Initial Order.

18. The Monitor anticipates commencing a bankruptcy of the Applicant's estate prior to making the proposed Final Distribution discussed below and accordingly is not proposing any holdback for the above noted GST Arrears (for clarity, a holdback from the proposed Final Distribution for the specific GST Arrears will be made until a bankruptcy is commenced). The bankruptcy will have the effect of subordinating the GST Arrears as an unsecured obligation, ranking behind the secured claim of the Lenders.

### PROPOSED FINAL DISTRIBUTION

19. Upon filing the Monitor's Transition Certificate, the Applicant retained sufficient funds in its bank account to cover any outstanding cheques and transferred the remaining funds to the Monitor's trust account on January 13, 2017.
20. On June 13, 2017, the remaining funds were transferred from the Applicant's bank account to the Monitor's trust account and the Applicant's bank accounts were closed.
21. The statement of receipts and disbursements from the Monitor's trust account since the Eleventh Report of the Monitor dated January 27, 2017 to June 26, 2017 is presented in the table below.

<b>Statement of Receipts and Disbursements</b>	
As at June 26, 2017	
<b>Receipts</b>	
Opening Cash	7,514,652
AER Deposit	2,208,548
Other	476,479
Transfer from Applicant's bank account	128,966
<b>Total - Receipts</b>	<b>10,328,646</b>
<b>Disbursements</b>	
Interim Distributions	7,501,848
Settlement of Final Statement of Adjustments	360,807
Professional Fees	117,460
Operating Expenses	85,526
Other	48,156
<b>Total - Disbursements</b>	<b>8,113,798</b>
<b>Net Cash on Hand</b>	<b>2,214,848</b>

22. A summary of sources and uses of the cash on hand from the Monitor's trust account is presented in the table below.

<b>Proposed Final Distribution Distribution (CAD)</b>		<b>Note</b>
<b>Cash on Hand</b>		
Monitor's Trust Account	\$ 2,214,848	a
<b>Total - Cash on Hand</b>	<b>2,214,848</b>	
<b>Disbursements</b>		
Holdback	174,422	b
<b>Total - Disbursements</b>	<b>174,422</b>	
<b>Proposed Final Distribution</b>	<b>\$ 2,040,426</b>	<b>c</b>

23. The table above summarizes the cash on hand and the various holdbacks:
- (a) the Monitor currently holds approximately \$2.2 million in its trust account;
  - (b) an estimate of \$174,422 for the remaining expenses and general and administrative matters in connection with the wind-down of the Applicant's business and associated professional fees; and
  - (c) the proposed Final Distribution to the Lenders of \$2,040,426.
24. The Monitor is proposing the Final Distribution as set out above and will distribute the SME Deposit (approximately \$205,500 as previously authorized by Order of this Court) once received based on the following:
- (a) as outlined in the Ninth Report of the Monitor dated November 15, 2016, counsel to the Monitor provided an opinion on the security granted by the Applicant to the Lenders under the laws of Alberta and British Columbia, concluding that the security is valid and enforceable;



- (b) a sufficient reserve has been retained to complete the wind down of the Applicant's affairs;
- (c) no party has contacted the Applicant nor the Monitor asserting a claim in priority to the Lenders, and the Monitor is not aware of any party asserting priority to the Lenders' security; and
- (d) after completing the proposed Final Distribution, the Lenders will still be owed approximately \$61.5 million which is significantly in excess of the proposed Final Distribution of approximately \$2.0 million.

**APPROVAL OF FEES**

25. Invoices rendered by the Monitor from the date of the Initial Order to May 31, 2017 total \$615,948.19 for fees and expenses inclusive of GST (the “**Monitor’s Fees**”). A summary of the Monitor’s Fees is provided below and the accounts will be made available upon request.

<b>Summary of Monitor's Fees and Expenses</b>					
<b>Invoice Date</b>	<b>Invoice Number</b>	<b>Fees</b>	<b>Expenses</b>	<b>GST</b>	<b>Total</b>
23-Jun-16	29002115	127,468.00	-	6,373.40	<b>133,841.40</b>
30-Jun-16	29002148	44,229.00	-	2,211.45	<b>46,440.45</b>
31-Jul-16	29002177	60,756.00	894.17	3,082.51	<b>64,732.68</b>
31-Aug-16	29002224	66,140.00	1,952.63	3,404.63	<b>71,497.26</b>
30-Sep-16	29002265	44,692.50	-	2,234.63	<b>46,927.13</b>
31-Oct-16	29002319	51,725.00	-	2,586.25	<b>54,311.25</b>
30-Nov-16	29002367	79,655.00	3,684.12	4,166.96	<b>87,506.08</b>
31-Dec-16	29002408	17,192.00	4,914.05	1,105.30	<b>23,211.35</b>
31-Jan-17	29002464	39,810.50	165.85	1,998.82	<b>41,975.17</b>
28-Feb-17	29002506	15,022.50	-	751.13	<b>15,773.63</b>
31-Mar-17	29002561	11,429.50	-	571.48	<b>12,000.98</b>
30-Apr-17	29002590	8,074.00	-	403.70	<b>8,477.70</b>
31-May-17	29002657	8,812.50	-	440.63	<b>9,253.13</b>
		<b>\$ 575,006.50</b>	<b>\$ 11,610.82</b>	<b>\$ 29,330.87</b>	<b>\$ 615,948.19</b>

26. Invoices rendered by the Monitor's Counsel from the date of the Initial Order to May 31, 2017 total \$88,782.25 for fees and disbursements inclusive of GST (the "**Monitor's Counsel Fees**"). The accounts will be made available upon request.
27. The Monitor is of the opinion that the Monitor's Fees and the Monitor's Counsel's Fees are reasonable and appropriate in the circumstances.
28. The Monitor and the Monitor's Counsel expect to bill additional accrued fees associated with work completed in June 2017 and with future work in completing the remaining administrative matters in connection with the CCAA Proceedings.


#### **TERMINATION OF THE CCAA PROCEEDINGS**

29. The Stay Period has been extended until and including June 30, 2017. The Monitor is not seeking an extension to the Stay Period given that the Applicant no longer has any assets, the majority of the proceeds have been distributed to the Lenders, the remaining cash is held in trust in the Monitor's accounts, and the Monitor has substantially completed the administrative matters of the estate.
30. The Monitor requests that this Honourable Court grant an order terminating the CCAA Proceedings and discharging the Monitor of its duties and obligations conditional upon the Monitor filing a Monitor's certificate (the "**Monitor's Termination Certificate**").
31. As outlined above, the Monitor advises that the majority of the administrative tasks have now been completed.

## RECOMMENDATIONS

32. The Monitor respectfully recommends that this Honourable Court:
- (a) grant an Order approving the proposed Final Distribution of \$2,040,426 to the Lenders;
  - (b) grant an Order approving the activities of the Monitor including the Monitor's Fees and the Monitor's Counsel's Fees up to and including May 31, 2017; and
  - (c) an Order terminating the CCAA Proceedings and discharging the Monitor of its duties and obligations upon the Monitor filing the Monitor's Termination Certificate.

All of which is respectfully submitted this 27<sup>th</sup> day of June, 2017.



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