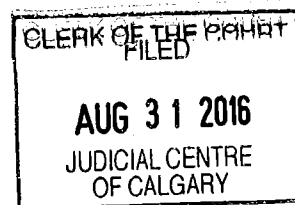


Clerk's stamp:



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 UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JANUARY 15, 2016, AS AMENDED

RESPONDENTS TWIN BUTTE ENERGY LTD.

DOCUMENT **AFFIDAVIT (Appointment of Receiver)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT BLAKE, CASSELS & GRAYDON LLP
3500, 855 - 2nd Street S.W.
Calgary, AB T2P 4J8

Attention: Kelly Bourassa / James Reid
Tel: 403-260-9697/9731
Fax: 403-260-9700
Email: kelly.bourassa@blakes.com / james.reid@blakes.com
File Ref: 65306/39

AFFIDAVIT OF MURRAY D'ANGELO

Sworn on August 31, 2016

I, **MURRAY D'ANGELO**, of the City of **CALGARY**, in the Province of **ALBERTA**, SWEAR AND SAY THAT:

1. I am Vice President, Western Canada, Special Loans with the National Bank of Canada ("**National Bank**"). I have been directly involved with the Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Borrower**") account since approximately December of 2015 and have also had the opportunity to review the business records of National Bank relevant to the Twin Butte account. I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based upon information, in which case I believe the same to be true.

2. I am authorized to make this Affidavit on behalf of National Bank as the administrative agent (the "**Agent**") on behalf of a syndicate of financial institutions, including National Bank, HSBC Bank Canada, Canadian Imperial Bank of Commerce, JPMorgan Chase Bank, N.A., Toronto Branch, Wells Fargo Bank, N.A., Canadian Branch, Alberta Treasury Branches, ICICI Bank Canada and Goldman Sachs Lending Partners LLC (collectively, the "**Lenders**") pursuant to the credit agreement (amended and restated) dated as of January 15, 2016 among the Borrower, the Agent and the Lenders, as amended by the limited waiver and agreement made as of April 11, 2016, the waiver and first amending agreement made as of April 30, 2016, the second amending agreement made as of May 26, 2016, the third amending agreement made as of May 31, 2016, the fourth amending agreement made as of June 1, 2016, the fifth amending agreement made as of June 2, 2016, the sixth amending agreement made June 8, 2016 with effect from and as of June 7, 2016, the seventh amending agreement made as of June 9, 2016, the eighth amending agreement made as of June 21, 2016, the ninth amending agreement made as of June 22, 2016, the forbearance and tenth amending agreement (the "**Forbearance and Tenth Amending Agreement**") made as of June 23, 2016 and the eleventh amending agreement (the "**Eleventh Amending Agreement**") made as of August 12, 2016 (collectively, the "**Credit Agreement**"). Attached hereto and marked as Exhibit "**A**" is a copy of the Credit Agreement together with all amendments thereto.

3. Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the Credit Agreement.

A. Overview

4. Twin Butte is a company incorporated pursuant to the laws of the Province of Alberta with its registered office in Calgary, Alberta. Attached hereto and marked as Exhibit "**B**" is a copy of the Alberta corporate search report for Twin Butte.

5. Twin Butte is a Calgary-based intermediate oil and natural gas company focused on development, exploration and production in the Western Canadian Sedimentary Basin.

6. The shares of Twin Butte are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "TBE". The Convertible Debentures (as defined below) of Twin Butte are listed and posted for trading on the TSX under the symbol "TBE.DB".

7. As discussed further below, Twin Butte has been experiencing financial difficulties for several months as a result of the extended depressed market prices for oil and gas.

8. Twin Butte ran a comprehensive strategic review process over nine months, seeking out both domestic and international counterparties, in order to pursue a transaction to reduce debt.

9. Twin Butte was unsuccessful in completing a transaction and it has committed certain Events of Default under the Credit Agreement such that, as a result of the expiration of the Forbearance Period (as defined below), the Borrower's access to the Credit Facility and Commitments has been terminated in accordance with the terms of the Credit Agreement.

10. Twin Butte currently has no access or availability under the Credit Facility and the Agent and the Lenders are not prepared to extend any further credit to it under the Credit Facility or otherwise. As a result, Twin Butte is not able to meet its obligations generally as they become due and Twin Butte is no longer able to make payments to its creditors.

11. The Agent has demanded repayment of the entire amount of the Credit Facility and Twin Butte is unable to repay the Agent and the Lenders in full. The Agent and the Lenders believe that the appointment of a receiver will be the most effective and efficient way to realize on the value of the assets and minimize the costs associated with this process.

12. I believe it is appropriate in all of the circumstances that a receiver ("**Receiver**") be appointed over the assets, undertakings and properties of Twin Butte pursuant to section 243 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**").

B. The Loan

13. In accordance with the Credit Agreement, the Agent and the Lenders have extended credit under the following facilities to Twin Butte:

- (a) Non-Revolving Facility – a non-revolving reducing term credit facility in the amount of \$85,000,000;
- (b) Production Facility – an extendable revolving credit facility with a limit up to \$115,000,000;
- (c) Operating Facility – an extendable revolving credit facility with a limit up to \$25,000,000; and
- (d) MasterCard Facility – a business expense card facility in the amount of \$250,000.

14. The Non-Revolving Facility matured on June 23, 2016 and remains due and owing.

15. As of August 30, 2016, the total indebtedness of the Borrower to the Agent and the Lenders pursuant to the Credit Agreement is \$205,375,283.65 (the "**Outstanding Indebtedness**") with interest accruing thereafter at the rates set out in the Credit Agreement, plus all legal and other costs and expenses incurred by the Agent and the Lenders in respect of the Credit Agreement.

C. The Security

16. As security for all amounts owing from the Borrower to the Agent and the Lenders, the Borrower entered into an amended and restated demand debenture on January 15, 2016, as amended and supplemented by a first supplemental debenture made effective March 2, 2016 (collectively, the "**Demand Debenture**"), granting the Agent, on behalf of itself, the Lenders, the Hedging Affiliates and the Cash Managers, security over all of the Borrower's present and after-acquired property, assets and undertaking, of every nature and kind, both real and personal, and all proceeds therefrom and all accretions, accessions and substitutions thereto (the "**Security**"). Attached hereto and marked as Exhibit "C" is a copy of the Demand Debenture, as amended and supplemented.

17. In addition, the Borrower, entered into an amended and restated pledge agreement (the "**Pledge Agreement**") dated January 15, 2016 and an amended and restated general assignment of book debts (the "**Assignment of Book Debts**" and together with the Pledge Agreement and the Demand Debenture, the "**Security Documents**") dated January 15, 2016, each in favour of the Agent and the Lenders. Attached hereto and marked as Exhibits "**D**" and "**E**" is a copy of the Pledge Agreement and the Assignment of Book Debts.

18. The Agent has registered the Security against Twin Butte at the Alberta Personal Property Registry. Attached hereto and marked as Exhibit "**F**" is a copy of the Alberta Personal Property Registry search report in respect of the Borrower dated August 29, 2016.

19. The Agent has also registered its Security at the personal property registries in Saskatchewan and British Columbia. Attached hereto and marked collectively as Exhibit "**G**" is a copy of the Saskatchewan and British Columbia personal property registry search reports in respect of the Borrower dated August 29, 2016.

20. In addition, the Agent has registered fixed charges against the interests of Twin Butte at Alberta Land Titles, Alberta Department of Energy, Department of Indian Affairs and Northern Development Canada, Saskatchewan Land Registry and Saskatchewan Ministry of Economy. Copies of the Agent's registrations at these departments and agencies are attached hereto as Exhibits "**H**", "**I**", "**J**", "**K**" and "**L**", respectively.

D. Operational Background

21. Twin Butte's production mix is substantially oil weighted (89% of total production) and 50% of overall production is medium oil weighted. Twin Butte's oil and natural gas properties are located primarily in the Lloydminster and Provost areas with approximately 90% of its current production being produced in these areas.

22. Twin Butte's current Liability Management Rating ("**LMR**") in Alberta is 2.40, the LMR in Saskatchewan is 2.48 and the LMR in British Columbia is 0.99. The Company currently has a letter of credit with the Province of British Columbia of \$1.5 million to maintain that LMR.

23. Due to lower natural gas prices, Twin Butte has had over 5 mmcf/d of gas shut in over various stages in the second quarter of 2016. In addition, due to the low oil prices and restricted liquidity, no new wells were drilled and brought on stream in the first 6 months of the year as Twin Butte minimized capital expenditures to focus on field maintenance and operating cost reduction projects.

24. As a result of the forgoing, Twin Butte has not been able to invest in new development projects on its asset base resulting in the decline in Twin Butte's production since December 2015 from approximately 15,300 boe/d to its current production levels of approximately 11,500 boe/d.

25. Given the current market conditions and Twin Butte's debt position, Twin Butte, despite being given a significant amount of time, has been unable to raise funds or secure sources of financing on acceptable terms, or at all, to continue to fund development of its oil and natural gas properties and further production declines are inevitable.

E. Unsecured Creditors

(i) Trade Creditors

26. The Agent understands that Twin Butte has, at or around August 30, 2016, approximately \$28 million of unsecured accounts payable to trade creditors and accrued liabilities.

27. The trade creditors are made up primarily of service providers and suppliers who work on specific sites or supply goods to support the operation of the assets. The trade creditors are made up primarily of energy service, transportation and construction companies who have provided goods or services to Twin Butte.

28. The Agent is not aware of any builders' liens that have been registered against the property of Twin Butte. There are several companies who have leased equipment or office products to Twin Butte, including Jim Peplinski Leasing Inc. (vehicles) and GE VFS Canada Limited Partnership (copier). The Agent is not aware of any other secured creditors of Twin Butte.

29. Twin Butte currently has approximately 175 employees and field contractors that operate the assets. The Agent understands that, if appointed, the Receiver will complete an analysis to determine what if any staff or employees are redundant or whose services are no longer required in order to operate the assets of Twin Butte.

(ii) Convertible Debentures

30. In December 2013, the Borrower issued convertible unsecured subordinated debentures for gross proceeds of \$85 million at a price of \$1,000 per debenture (the "**Convertible Debentures**"). The Convertible Debentures pay interest at a rate of 6.25% per annum, payable in arrears on a semi-annual basis on June 30 and December 31 of each year. The Convertible Debentures mature on December 31, 2018.

F. Current Financial Circumstances

(i) The Strategic Alternatives Process

31. On December 9, 2015, Twin Butte announced the initiation of a strategic alternatives process ("**SAP**"). Twin Butte engaged Peters & Co. Ltd. and National Bank Financial (the "**Financial Advisors**") in order to assist Twin Butte with the SAP and a special committee of non-management directors (the "**Special Committee**") was formed to consider all potential courses of action.

32. The SAP was intended to identify proposed counter-parties to a debt restructuring, a sale of all or a material portion of the assets of Twin Butte, either in one transaction or in a series of transactions, the outright sale of Twin Butte or merger, or any other transaction involving Twin Butte and a third party.

33. In conducting the first stage of the SAP, the Financial Advisors contacted over 400 parties and distributed a sales teaser to those parties. Throughout the SAP there was a total of 54 confidentiality agreements executed and management made 13 presentations to prospective purchasers.

34. On or about March 11, 2016, approximately 13 parties delivered either corporate proposals (3) or proposals for the purchase of certain of Twin Butte's assets (10). Twin Butte

began negotiating a transaction with at least one of the interested parties, Reignwood Resources Holding Pte. Ltd. (the "**Prospective Purchaser**"), who submitted a corporate proposal for the purchase of all of the issued and outstanding shares of Twin Butte through a plan of arrangement under the *Business Corporations Act*, RSA 2000, c B-9 ("**ABCA**").

35. From March through to June, the Prospective Purchaser and the Borrower continued to negotiate the terms of an arrangement agreement, which the Agent and the Lenders supported through several amendments to the Credit Agreement, extending the deadline for, among other things: (i) an executed form of arrangement agreement; (ii) the maturity date for the Non-Revolving Facility; and (iii) the Revolving Period on the revolving facilities until June 23, 2016.

(ii) The Arrangement Agreement & Transaction

36. On June 24, 2016, Twin Butte and the Prospective Purchaser entered into a definitive arrangement agreement (the "**Arrangement Agreement**") pursuant to which the Prospective Purchaser agreed to acquire: (i) all of the outstanding common shares of Twin Butte for cash consideration of \$0.06 per share; and (ii) all of the Convertible Debentures for cash consideration of \$140 per \$1,000 principal amount of Convertible Debentures, plus accrued and unpaid interest thereon.

37. The proposed transaction pursuant to the Arrangement Agreement (the "**Prospective Transaction**") was to be completed by way of a plan of arrangement under the ABCA and was subject to various closing conditions, including approval from Twin Butte's shareholders and the holders of the Convertible Debentures (the "**Debentureholders**") pursuant to annual and special meetings of Twin Butte's shareholders and the Debentureholders (the "**Company Meetings**").

(iii) The Forbearance Period

38. On June 23, 2016, the Non-Revolving Facility matured and became repayable in full, which, after the passing of two Banking Days, constituted an Event of Default under the Credit Agreement (the "**NRF Payment Default**").

39. To enable the Borrower to pursue the Prospective Transaction, the Agent and the Lenders and Twin Butte entered into the Forbearance and Tenth Amending Agreement.

40. Pursuant to the Forbearance and Tenth Amending Agreement, it was acknowledged that the continuance of the NRF Payment Default for at least two Banking Days constituted an Event of Default under section 13.1(a) of the Credit Agreement.

41. In addition, in the Forbearance and Tenth Amending Agreement, Twin Butte acknowledged that as a result of the NRF Payment Default, pursuant to section 5.5 of the Indenture, it was not permitted to make the semi-annual interest payment on the Convertible Debentures due on June 30, 2016.

42. The failure of Twin Butte to make the June 30, 2016 interest payment on the Convertible Debentures for 30 days constituted an "Event of Default" under the terms of the Indenture, which also constituted an Event of Default pursuant to section 13.1(g) of the Credit Agreement (the "**Debenture Interest Payment Cross-Default**" and together with the NRF Payment Default, the "**Events of Default**").

43. Despite the Events of Default, pursuant to the Forbearance and Tenth Amending Agreement, the Agent and the Lenders agreed to, among other things, forbear from exercising any of their rights and remedies under the Credit Agreement and the Security Documents until the earlier of the closing of the Prospective Transaction, subject to certain milestones being met, and termination of the Arrangement Agreement (the "**Forbearance Period**").

44. The Forbearance Period milestones provided in the Forbearance and Tenth Amending Agreement were extended pursuant to the Eleventh Amending Agreement, including, among other things, the date by which Twin Butte was required to hold the Company Meetings.

(iv) The Company Meetings

45. Twin Butte held the Company Meetings on August 29, 2016, pursuant to which Twin Butte's shareholders and the Debentureholders proceeded to vote on a plan of arrangement (the "**Plan of Arrangement**") by which the Proposed Transaction would be implemented.

46. The Plan of Arrangement required the approval by 66²/₃% of the votes cast by Twin Butte's shareholders and 66²/₃% of the principal amount of the Convertible Debentures held by the Debentureholders, in each case present in person or by proxy at the Company Meetings.

47. The Plan of Arrangement ultimately did not receive the requisite approval of the Debentureholders at the Company Meetings. Attached hereto and marked as Exhibit "M" is a copy of the August 29, 2016 press release of the Borrower announcing the results of the Company Meetings.

48. The failure of the Debentureholders to approve the Plan of Arrangement at the Company Meetings established the Lenders Outside Date under the Forbearance and Tenth Amending Agreement, as amended by the Eleventh Amending Agreement, as August 29, 2016. Accordingly, the Forbearance Period expired on August 28, 2016 and the Agent and the Lenders are entitled to exercise their rights and remedies under the Credit Agreement and Security Documents, including, among other things, to apply for the appointment of a receiver.

49. Despite being given a significant period of time to complete an investment and solicitation process and the Proposed Transaction, the Borrower was unsuccessful. The Borrower has been given every opportunity to complete this process and secure a transaction. No such transaction has been capable of being consummated during the Forbearance Period and the Agent and the Lenders now seek to enforce their rights under the terms of the Credit Agreement and Security Documents.

(iv) The Lenders are the only economic Stakeholder

50. On March 14, 2016, the Financial Advisors provided a presentation to the Special Committee containing a review of transaction proposals (the "**FA Report**"), which FA Report was provided to the Agent and the Lenders at a meeting held on March 17, 2016 among representatives and advisors of Twin Butte and representatives and advisors of the Agent and the Lenders. The FA Report showed that, the Proposed Transaction was the only proposal received that had the potential to provide recoveries to the broadest group of stakeholders. Now shown to me and marked as Confidential Exhibit "1", but not attached due to the confidential nature of its contents, is a copy of the FA Report.

51. Prior to the Company Meetings, Canaccord Genuity Corp. ("**Canaccord**") was engaged by Twin Butte to deliver its opinion as to the fairness, from a financial point of view (the "**Canaccord Fairness Opinion**"), of the consideration to be received by the Debentureholders pursuant to the Plan of Arrangement. On August 9, 2016, Canaccord released the Canaccord Fairness Opinion, which provided that the consideration to be received by the Debentureholders pursuant to the Plan of Arrangement was fair. Attached hereto and marked as Exhibit "N" is a copy of the Canaccord Fairness Opinion.

52. Based on the forgoing, I believe that the Agent and the Lenders are the only economic stakeholder of Twin Butte.

Demand and Default

53. In accordance with the Credit Agreement, the Credit Facility is payable in full upon the occurrence of an Event of Default by the Borrower. The Borrower has committed the Events of Default (which were acknowledged by the Borrower) in the Forbearance and Tenth Amending Agreement and the Eleventh Amending Agreement.

54. On August 30, 2016, the Agent sent a letter and a notice of intention to enforce its security in accordance with section 244 of the BIA (collectively, the "**Demand**") to the Borrower, demanding full payment of the Outstanding Indebtedness, together with a form to facilitate the Borrower's waiver of the 10-day notice period under section 244(2) of the BIA (the "**BIA Notice Waiver**"). Attached hereto and marked as Exhibit "O" is a copy of the Demand.

55. The Borrower is unable to pay the Outstanding Indebtedness which is due and owing to the Agent and the Lenders.

56. The failure of the Borrower to pay amounts owed to the Agent and the Lenders when due and owing is a further Event of Default under the terms of the Demand Debenture and the Credit Agreement.

57. The Demand Debenture provides that upon an Event of Default by the Borrower, the Agent and the Lenders are entitled to, among other things, apply for the appointment of a receiver.

58. On August 30, 2016, R. Alan Steele and Robb Wollmann, the V.P. Finance and Chief Financial Officer and the President and Chief Executive Officer, of the Borrower, respectively, executed the BIA Notice Waiver, waiving the 10-day notice period provided for under Section 244(2) of the BIA. Attached hereto and marked as Exhibit "P" is a copy of the executed BIA Notice Waiver.

Necessity of the Appointment of a Receiver

59. As a result of the foregoing, I believe that the appointment of a Receiver pursuant to section 243 of the BIA over the assets, undertakings and properties of Twin Butte is just and convenient, and necessary to protect the interests of the Agent and the Lenders and to preserve and realize on the Security in an orderly fashion.

60. The Borrower no longer has any credit available under the Credit Facility and does not have any funds available to it after August 29, 2016 to continue its operations or pay its debts generally as they become due.

61. However, notwithstanding the termination of the Credit Facility, in order to avoid disruptions from critical suppliers and to ensure the continued safety and operation of Twin Butte's assets, the Agent, with the consent of the Lenders, has determined to allow payables in the approximate amount of \$712,000, identified by Twin Butte as critical, to be processed and to be included in the total amount of financing the Agent and the Lenders anticipate providing to fund the Receiver through the proposed receivership proceedings.

62. I believe that FTI Consulting Canada Inc. ("**FTI**") is a licensed trustee in bankruptcy and has consented to being appointed receiver of Twin Butte. Attached hereto and marked as Exhibit "**Q**" is a copy of the consent of FTI to act as receiver of Twin Butte.

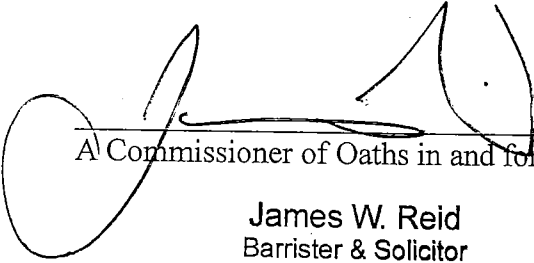
63. The Agent and the Lenders are seeking requisite approvals to provide financing in the amount of up to \$7.25 million to fund the Receiver through the proposed receivership

proceedings of Twin Butte as well as a \$250,000 MasterCard Facility to fund field expenses and up to \$1 million of credit exposure in respect of cheque clearing, wire transfers and other cash management services.

64. I swear this Affidavit in support of the Agent's Application for the appointment of FTI as receiver with respect to Twin Butte.

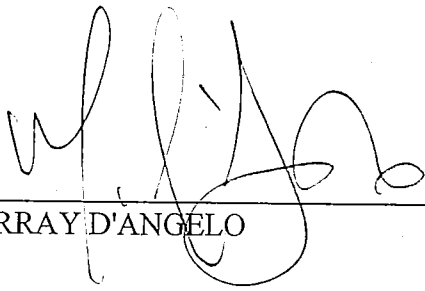
SWORN BEFORE ME at the City of
Calgary, in the Province of Alberta,
this 31st day of August, 2016.

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A Commissioner of Oaths in and for Alberta

James W. Reid
Barrister & Solicitor



MURRAY D'ANGELO