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

September 15, 2016

ADDRESS FOR SERVICE AND
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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**”) of all of the assets, undertakings and properties (the “**Property**”) of Twin Butte Energy Ltd. (“**Twin Butte**” or the “**Company**”) pursuant to an Order of the Honourable Madam Justice Romaine (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Company, to market any or all the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other publically available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/twinbutte> (the “**Receiver’s Website**”).
4. The purpose of this report (“**First Report**”) is to inform the Court of the following:
 - (a) the activities of the Receiver since the Date of Appointment;
 - (b) the Receiver’s comments and recommendations on the process to engage a financial advisor to market and solicit restructuring proposals or offers to purchase the Company’s operations or its assets; and
 - (c) The Receiver’s comments and recommendations with respect to a proposed sales and investor solicitation process (the “**SISP**”). The procedures for the SISP (“**SISP Procedures**”) provide details outlining timelines and participation requirements for interested parties to participate in the SISP and are attached as Appendix A.

5. The Receiver is requesting the following relief from this Honourable Court:
 - (a) approval of the activities of the Receiver since the Date of Appointment;
 - (b) approval of the engagement of Peters and Co. Limited (“**Peters**”) and CIBC Capital Markets (“**CIBC**”) to act as co-financial advisors (collectively, the “**Financial Advisors**”); and
 - (c) approval of the proposed SISP and SISP Procedures.

TERMS OF REFERENCE

6. In preparing this First 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**”).
7. Except as described in this First Report:
 - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
 - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
8. Future oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary *from forecasts and such variations may be material.*

9. The Receiver has prepared this First Report in connection with the Receiver's Application dated September 21, 2016. This First Report should not be relied on for other purposes.
10. Information and advice described in this First 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.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

CURRENT STATUS OF THE RECEIVERSHIP PROCEEDINGS

Background

12. Twin Butte is a public corporation incorporated under the laws of the Province of Alberta with its registered office in Calgary, Alberta.
13. The shares of Twin Butte are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "**TBE**". The convertible debentures of Twin Butte are listed for trading on the TSX under the symbol "**TBE.DE**".
14. Twin Butte's principal line of business is the acquisition, exploration, development and production of high working interest petroleum and natural gas reserves in the Western Canadian Sedimentary Basin.
15. Twin Butte's production is derived from the following regions:
 - (a) the Provost medium grade oil region (the "**Provost Region**");
 - (b) the Lloydminster heavy oil region (the "**Lloydminster Region**"); and

- (c) non-core properties in the Plains region, West Central Alberta region and Pincher Creek region, (the “**Non-core Regions**” and collectively with the Provost Region and Lloydminster Region, the “**Assets**”).
16. Twin Butte’s production is substantially oil weighted (approximately 90% of current production) and geographically concentrated with 90% of current production of approximately 11,500 boe/day derived from the Provost Region and the Lloydminster Region.
 17. Before the Date of Appointment, the Company experienced various financial challenges due to the extended depressed commodity price environment and was unsuccessful in completing a transaction which resulted in certain events of default under its credit facility provided by a syndicate of financial institutions (the “**Lenders**”), with the National Bank of Canada acting as administrative agent (the “**Agent**”) for the Lenders.
 18. As at July 31, 2016, Twin Butte’s unaudited consolidated financial statements indicated the following:
 - (a) book value of assets of \$357.3 million;
 - (b) liabilities of \$513.2 million including the following amounts:
 - (i). accounts payable and accrued liabilities of \$31.3 million;
 - (ii). Bank indebtedness of \$198.9 million; and
 - (iii). Amounts owing in respect of convertible debentures of \$81.1 million.

19. According to information provided by the Agent, as of August 30, 2016, the total indebtedness owing to the Lenders is approximately \$205.4 million with interest accruing thereafter and all legal and other costs and expenses incurred by the Agent and Lenders.
20. On August 30, 2016, the Agent issued a demand for payment and a notice of intention to enforce security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”) as described in the Affidavit of Murray D’Angelo sworn August 31, 2016.

Custody and Control

21. On the Date of Appointment, the Receiver attended the Company’s leased premises at 410, 396 – 11th Avenue SW, Calgary, Alberta to meet with its management, employees and consultants to advise them that the Receivership Order had been granted and to take possession of the Company’s Property in accordance with the terms of the Receivership Order. The Receiver indicated its intent to continue the Company’s operations in order to facilitate an orderly sale of the operations or Assets to maximize the return for all of the Company’s stakeholders.
22. On the Date of Appointment, the Receiver met with the Company’s executive team and management (collectively, the “**Management**”) in order to ensure the continued service from suppliers and contract operators. With the assistance of Management, the Receiver has maintained operations without any material disruptions since the Date of Appointment.
23. The Receiver, with the assistance of Management, prepared a cash flow statement to determine the immediate liquidity needs of the Company. In connection with the foregoing the Receiver has requested an initial draw of \$3.5 million under the Receiver’s Certificate Financing Term Sheet in accordance with the Receivership Order.

24. On or around the Date of Appointment, the Receiver also completed the following administrative tasks:
- (a) prepared the notice and statement of the receiver as required under section 245 and 246 of the BIA, mailed the notice to all known creditors, and posted all relevant documents to the Receiver's website;
 - (b) notified the Company's oil and gas marketers to facilitate the payment of the Company's oil and gas revenue to the Receiver's trust account going forward;
 - (c) investigated the status of the Company's insurance coverage;
 - (d) contacted the Company's landlord to facilitate discussions surrounding the Company's occupied leased office premises; and
 - (e) communicated with numerous creditors and stakeholders regarding the Receivership Proceedings.

Termination of Lease

25. On September 7, 2016, the Receiver provided a notice of termination for an office lease agreement ("**Terminated Lease**") between Twin Butte and its landlord Aspen Properties Northland Place Ltd. ("**Landlord**"). The Terminated Lease had previously been assigned to Twin Butte from a predecessor of Twin Butte known as Blackshire Energy Inc. The premises ("**Blackshire Premises**") covered by the Terminated Lease were not occupied by Twin Butte at the Date of Appointment as the space was not required given the size of Twin Butte's current operation. Twin Butte had sublet a portion of the Blackshire Premises to two sub-tenants. As Twin Butte did not occupy the Blackshire Premises and the space was not required for Twin Butte's operations, the Receiver decided to terminate the Terminated Lease. The Receiver also provided the notice of termination to the two sub-tenants.

Statutory Compliance

26. On September 2, 2016, the Receiver established the Receiver's Website, where it will post periodic updates on the progress of the Receivership Proceedings, materials filed in connection with the Receivership Proceedings and other relevant information for the Company's stakeholders.
27. On September 2, 2016 the Receiver posted a toll free number and dedicated e-mail address on its website to provide contact information for creditors and/or interested parties.
28. The Receiver has notified Canada Revenue Agency (the "CRA") of the Receiver's appointment and to establish new remittance accounts for the goods and sales services tax and employee-related obligations arising subsequent to the Date of Appointment.
29. On September 9, 2015, the Receiver mailed the notice and statement of receiver in accordance with subsection 245(1) and 246(1) of the BIA to the Superintendent of Bankruptcy and to all known creditors of the Company.

Insurance

30. On September 7, 2016, Management advised the Receiver that the existing insurance policies which expire on December 1, 2016 had been paid in full. The Receiver contacted Twin Butte's insurance provider, Willis Towers Watson, and was advised that all premiums had been paid and the insurance is in good standing until the expiry of December 1, 2016. The Receiver also requested to be identified as the loss payee under Twin Butte's insurance policies.

Employees

31. On the Date of Appointment, the Company had approximately 175 employees and contractors. The Receiver has retained the services of each of the employees whose services were deemed necessary to assist the Receiver through the Receivership Proceedings. Each of the retained employees was retained on terms and conditions substantially the same as prior to the Date of Appointment.
32. After the Date of Appointment, the Company's President and Chief Executive Officer notified the Receiver of his intention to resign. However, he indicated that he would be available to assist the Receiver with the SISP on a consulting basis as required. The Receiver and the former President and Chief Executive Office have entered into a consulting agreement in this regard.
33. The Receiver continues to review staffing requirements to ensure appropriate levels are maintained to assist the Receiver with ongoing operations and executing the SISP.

RETAINING A FINANCIAL ADVISOR

34. The Receiver, in consultation with the Agent and the Lenders, determined that a selling agent should be retained to market the operations and/or Assets in order to maximize the return for all stakeholders.

35. Twin Butte previously ran a strategic alternatives process (“**Pre-Receivership Marketing Process**”) that was launched publicly on December 9, 2015. Peters and National Bank Financial Inc. were engaged as Twin Butte’s financial advisors during this process which sought to solicit investment and/or purchase proposals for Twin Butte or its assets. The process ran approximately seven months and on June 24, 2016 Twin Butte announced that they had entered into a definitive arrangement agreement (“**Arrangement Transaction**”) with Reignwood Resources Holding Pte. Ltd. Ultimately the Arrangement Transaction could not be closed due to a failed debenture holder vote which was announced on August 29, 2016. The Receiver notes that the Pre-Receivership Marketing Process was a full and open public process. However, several months have passed since the commencement of the Pre-Receivership Marketing Process; accordingly, the Receiver in consultation with the Lenders determined a further marketing process is required to solicit interest in Twin Butte and/or its assets to maximize value for all stakeholders.
36. On or around September 1, 2016, the Receiver requested proposals from four selling agents. The Receiver contacted parties with the expertise, experience and resources required to sell the Assets and maximize the return for all stakeholders. Furthermore, the Receiver discussed the selection of potential advisors with Twin Butte’s senior management to solicit their views on logical parties that would be most appropriate to market the Company’s assets and operations.
37. The Receiver received four detailed proposals from proposed financial advisors (“**FA Proposals**”). A summary of the key terms of the FA Proposals is provided to this Honourable Court as Confidential Appendix B due to the commercially sensitive nature of their contents.

38. The Receiver reviewed the FA Proposals and discussed them with the Lenders. The Receiver recommends that Peters and CIBC be engaged as the co-advisors (the “Co-Advisors”) to lead the SISP on behalf of the Receiver and the Company. The Receiver’s recommendation is based on a review and comparison of the various proposals submitted by the selling agents, guidance from relevant stakeholders including Management, combined with the Receivership’s knowledge of the selling agents based on previous engagements. More specifically, the Receiver’s recommendation was based on the following:

- (a) general industry knowledge and experience;
- (b) familiarity with the Assets or similar type of assets;
- (c) proposed timelines for the SISP;
- (d) the benefit to the SISP of employing a Co-Advisor approach which leverages Peters’ pre-receivership work and relationship with Management, correspondence with interested parties and work setting up a data room and marking materials, combined with CIBC’s additional expertise and global network with respect to these types of selling mandates; and
- (e) despite having two advisors the fee structure for the co-advisor engagement is comparable with the market and other fee proposals received.

39. The Receiver advises that the Lenders support the Receiver’s proposed engagement of the Co-Advisors.

40. The Receiver advises that during the course of the selection of a financial advisor, the Receiver was contacted by Bennett Jones LLP, the legal counsel and ad hoc group of convertible debenture holders (the “**Ad Hoc Group**”) who expressed certain concerns and views regarding retention of a financial advisor and on any sales process. The Receiver was further contacted by Bennett Jones LLP on September 9, 2016 requesting the Receiver to include one further financial advisor in the request for proposals. The Receiver contacted Bennett Jones LLP on September 12, 2016 advising that it was not prepared to contact the additional party given that proposals had already been requested, received and reviewed from four qualified advisors and at the time of the request on September 9, 2016, the Receiver was already in discussions regarding fee structures and proposed timelines.
41. Regarding the Ad Hoc Group, the Receiver advises that it has provided the Ad Hoc Group’s counsel with an overview of the proposal process, rationale for selecting a financial advisor, the proposed fee structure and the proposed SISP timelines (discussed below). The Receiver believes that it has attempted to reasonably address the concerns of the Ad Hoc Group, to the extent possible.

PROPOSED SALES AND INVESTOR SOLICITATION PROCESS

42. Appendix A contains the detailed SISP Procedures that set out the timelines and parameters pursuant to which the Co-Advisors, on behalf of, and in consultation with the Receiver, will market and solicit restructuring proposals and/or offers to purchase the Company, its operations or its Assets. The SISP was developed in consultation with the Receiver, its proposed Co-Advisors, the Receiver’s Counsel and the Lenders and has been designed to set broad parameters allowing interested parties to advance any sort of restructuring or purchase proposal for consideration by the Receiver with the goal of maximizing value to the Company’s stakeholders.

43. Generally, the SISP contemplates 6 weeks from formal launch to non-binding bids and an additional 3.5 weeks to obtain binding restructuring agreements or offers to purchase, for an overall 9.5 week process. The following summarizes the proposed timeline for the major steps contemplated in the SISP:
- (a) September 12 to 22, 2016 – collect data to update virtual data room and prepare for marketing presentations; prepare marketing materials, teaser, and confidential information memorandum such that process can be launched shortly following Court approval;
 - (b) September 23, 2016 – Formally launch sales process, targeted phone calls, e-mail blast, post teaser, open virtual data room;
 - (c) September 26 to November 3, 2016 – work with interested parties towards submitting bids, complete management presentations, field questions from interested parties;
 - (d) November 4, 2016 – Phase I bid deadline for non-binding letters of intent;
 - (e) October 31 to November 29, 2016 – negotiate formal binding purchase and sale agreement or restructuring proposal with interested parties, assist with final due diligence;
 - (f) November 30, 2016 – Phase II bid deadline to submit binding offers or restructuring proposals with deposit; and
 - (g) December 2016 – seek Court approval and close transaction or sanction the restructuring proposal.

44. The Receiver believes that the proposed SISP timeline is sufficient to fully market the assets and/or operations of Twin Butte for the purposes of a sale or restructuring proposal. As the Company was previously marketed, an argument could be made that an expedited SISP timeline could be implemented, however, the above-noted timeline was recommended by the Co-Advisors to ensure the potential buyer market was fully re-canvassed and to provide sufficient time for parties who may not have participated in the previous marketing efforts.

Marketing and Advertising

45. The SISP contemplates that as soon as reasonably practicable after obtaining Court approval the Co-Advisors shall formally launch the SISP by:
- (a) posting marketing materials on the Receiver's and Co-Advisors' websites;
 - (b) distributing a teaser by way of e-mail blast to the Co-Advisors' data base of potential interested parties;
 - (c) posting advertisements in the Daily Oil Bulletin;
 - (d) initiating targeted phone calls;
 - (e) Twin Butte press release; and
 - (f) establishing a confidential virtual data room ("VDR") describing the opportunity that will be made available by the Co-Advisors to prospective purchasers that have executed a non-disclosure agreement with the Receiver. The VDR will be available by September 23, 2016.

Participation Requirements

46. In order to participate in the SISP, each potential bidder must deliver to the Co-Advisors an executed non-disclosure agreement in form and substance satisfactory to the Receiver and the Co-Advisors at which time the potential bidder shall be deemed a qualified bidder (“**Qualified Bidder**”).
47. The Co-Advisors shall provide any person deemed to be a Qualified Bidder with access to the VDR.

Timing and Status

Phase 1 – Qualified Bids

48. A Qualified Bidder wishing to submit a bid, will deliver written copies of a non-binding proposal, including a restructuring proposal(a “**Qualified Bid**”) by no later than 5:00 p.m. (Mountain Standard Time) on November 4, 2016, or such other date or time as may be agreed by the Receiver (the “**Qualified Bid Deadline**”);
49. A Qualified Bid will be considered as such only if the Qualified Bid complies at a minimum with the following:
 - (a) it includes a term sheet describing the terms and conditions of the proposed transaction or restructuring, including identification of the assets or property (including any liabilities to be assumed) proposed to be acquired or restructured, the purchase price for the assets or property proposed to be acquired as applicable (the “**Purchase Price**”), the effective date or timeline of the proposed transaction or restructuring and the structure and financing of the proposed transaction or restructuring;

- (b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction or restructuring that will allow the Receiver to make a reasonable determination regarding the bidder's financial and other capabilities to consummate the transaction contemplated by their bid or restructuring proposal;
- (c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (d) it contains an outline of any additional due diligence required to be conducted in order to submit a final and binding offer or restructuring proposal;
- (e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid or restructuring proposal and the complete terms of any such participation;
- (f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
- (g) it is received by the Phase 1 Bid or Restructuring Proposal Deadline (as defined in the SISP Procedure).

50. The Receiver, in consultation with the Co-Advisors and the Lenders, may, following the receipt of any Qualified Bid, seek clarification with respect to any of the terms or conditions of such Qualified Bid and/or request and negotiate one or more amendments to such Qualified Bid before determining whether any of the Qualified Bids may advance to Phase 2.
51. The Receiver may waive any of the Qualified Bid or Restructuring Proposal requirements outlined above and advance any bidder to Phase 2 if the Receiver determines it to be appropriate.

Phase 2 – Due Diligence and Definitive Purchase Agreement

52. Once a Qualified Bid has been chosen to advance to Phase 2, the bidders (“**Phase 2 Bidders**”) will be informed that their bids were selected and will be invited to participate in Phase 2. Phase 2 Bidders will be granted continued access to the data room, due diligence materials, management presentations and site visits.
53. Phase 2 Bidders that wish to present a binding restructuring proposal or binding offer to purchase (collectively “**Binding Phase 2 Bid**”) will be required to present their Binding Phase 2 Bid to the Co-Advisors by November 30, 2016.
54. Except in the case of a Credit Bid the Binding Phase 2 Bid must be accompanied by a 10% deposit or other amount acceptable to the Receiver in the event of a restructuring proposal (“Deposit”) and comply with all of the requirements in paragraph 24 of the SISP Procedures.
55. The Deposit will only be refundable if the Phase 2 Bidder’s Binding Phase 2 Bid is not selected or, if selected, Court approval is not obtained.
56. The Receiver reserves the right to request that Phase 2 Bidders revisit their offers or restructuring proposals in the event several competitive Binding Phase 2 Bids are received.

57. The Receiver will review the Binding Phase 2 Bids in consultation with the Co-Advisor and the Lenders. If a Binding Phase 2 Bid is determined to be acceptable (“**Successful Bid**”) the successful bidder (“**Successful Bidder**”) will be notified by the Receiver who will seek Court approval for the Successful Bid. Deposits received from Phase 2 Bidders who are not selected as the Successful Bidder will have their Deposits refunded according to the SISP Procedures.

RECOMMENDATIONS

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

- (a) approving the Receiver's actions, conduct and activities since the Date of Appointment;
- (b) approving the engagement of Peters and CIBC to act as the Co-Advisors in respect of the SISP; and
- (c) approving the proposed SISP and SISP Procedures.

All of which is respectfully submitted this 15th day of September, 2016.

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



Deryck Helkaa
Senior Managing Director, CA, CPA, CIRP



Dustin Olver
Managing Director, CA, CPA

Appendix A

SISP Procedures

Procedures for the Sale and Investment Solicitation Process

1. On September 1, 2016, the Court of Queen's Bench of Alberta (the "**Court**") made an order (the "**Receivership Order**") appointing FTI Consulting Canada Inc. ("**FTI**") as Receiver and Manager (the "**Receiver**") of Twin Butte Energy Ltd. ("**Twin Butte**"), under Section 243(1) of the *Bankruptcy and Insolvency Act*. The Receiver is requesting Court approval of the sale and investment solicitation process (the "**SISP**") set forth herein at a Court application scheduled on September 21, 2016.
2. Pursuant to Section 3 (d) of the Receivership Order, the Receiver engaged Peters & Co. Limited and CIBC World Markets Inc. to work collaboratively as selling agents (collectively the "**Selling Agent**"), pursuant to an engagement letter dated September 12, 2016 to act as the exclusive marketing agents in the SISP.
3. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP to be undertaken to seek a successful bid or restructuring proposal, and if there is a successful bid or restructuring proposal, to complete the transactions contemplated by the successful bid or restructuring proposal.

Defined Terms

4. Capitalized terms shall have the meanings given to them below. Any capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order.

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

"**Credit Agreement**" means that amended and restated credit agreement dated as of January 15, 2016, as amended from time to time, among Twin Butte, as borrower, certain financial institutions, as lenders, and National Bank of Canada, as administrative agent;

"**Credit Bid**" means a bid on behalf of a creditor of Twin Butte under which all or a portion of the consideration being offered under the bid includes the compromise of all or a portion of indebtedness owing from Twin Butte to the creditor including, without limitation, any claim arising as the result of the disclaimer or resiliation of any contract, where such disclaimer is contemplated by a Phase I or Phase II Bid or Restructuring Proposal. Any Credit Bid must provide for cash payment of all obligations in priority to the indebtedness to the Credit Bid Party;

"**Credit Bid Party**" means a person submitting a Credit Bid. For further clarity, a Credit Bid Party is still required to execute a confidentiality agreement to qualify as a Qualified Phase I Bidder and meet the requirements of Paragraph 24 to qualify as a Qualified Phase II Bidder. Furthermore, a Credit Bid Party is required to participate in Phase I of the SISP in order to potentially qualify as a Qualified Phase II Bidder;

"**Lenders**" means the syndicate of secured lenders who are owed approximately \$205,375,284 plus accruing interest and costs in accordance with the Credit Agreement by Twin Butte;

"Property" means the undertakings, property and assets of Twin Butte or any portion thereof; "Secured Lender Debt" means the debt owed by Twin Butte to the secured syndicate of Lenders, including all principal, interest and costs, all in accordance with the Credit Agreement.

Solicitation Process and Timeline

5. The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning Twin Butte, its business and operations (the "Business") and its assets, undertakings and properties (collectively, the "Property"), the manner in which a bid becomes a Qualified Phase I Bid or Restructuring Proposal or a Qualified Phase II Bid or Restructuring Proposal (each as defined herein), the receipt and negotiation of bids received, the ultimate selection of a Successful Bid or Restructuring Proposal (as defined herein), if any, and the approval thereof by the Court.

6. The Selling Agent shall implement these SISP Procedures with the assistance and supervision of the Receiver. Twin Butte is required to assist and support the efforts of the Selling Agent and the Receiver, as provided herein. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.

7. The following table sets out the key milestones under this SISP, subject to extension by the Receiver pursuant to and in accordance with these SISP Procedures:

Milestone	Deadline
Phase I Bid or Restructuring Proposal Deadline	November 4, 2016
Phase II Bid or Restructuring Proposal Deadline	November 30, 2016

Solicitation of Interest

8. As soon as practicable following the issuance of the Court approval of the SISP, the Receiver, in consultation with the Selling Agent, shall cause a notice of the SISP to be published in the *Daily Oil Bulletin* and issue a press release setting out relevant information from such notice with Canada Newswire designating dissemination in Canada and major financial centres in the United States.

9. A non-confidential teaser letter prepared by the Selling Agent (the "Teaser") describing the opportunity to acquire some, all or substantially all of the Business or Property will be made available by the Selling Agent to prospective purchasers or prospective strategic or financial investors and will be posted on the Receiver's website and Selling Agent's website as soon as practicable following the issuance of the Court approval of the SISP.

10. In order to participate in the SISP, each person (a "Potential Bidder") must deliver to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto and prior to granting of access to the electronic data room containing confidential information concerning the Business and Property (the "Data Room") and the distribution of any such confidential information by the Selling Agent or the Receiver to a Potential Bidder, an executed confidentiality agreement, in form and substance satisfactory to the Receiver.

Phase I

11. All Potential Bidders that are parties to a confidentiality agreement with the Receiver in accordance with these SISP Procedures shall be deemed to be a qualified Phase I bidder (a "**Qualified Phase I Bidder**") and, upon notification from the Receiver to the Selling Agent, will be promptly notified of such classification by the Selling Agent.

12. Qualified Phase I Bidders shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Receiver, a management presentation, together with such further information as the Selling Agent and the Receiver may deem appropriate. The Selling Agent and the Receiver make no representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room.

13. A Qualified Phase I Bidder, if it wishes to submit a bid or restructuring proposal, must deliver written copies of a non-binding letter of intent (a "**Phase I Bid or Restructuring Proposal**") to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto (including by email or fax transmission) so as to be received by each of them no later than 5:00 p.m. (Mountain Time) on November 4, 2016, or such other date or time as may be agreed by the Receiver (the "**Phase I Bid or Restructuring Proposal Deadline**").

14. A Phase I Bid or Restructuring Proposal will be deemed to be a "**Qualified Phase I Bid or Restructuring Proposal**" only if the Phase I Bid or Restructuring Proposal complies with all of the following:

- (a) it includes a term sheet describing the terms and conditions of the proposed transaction or restructuring, including identification of the Business or Property (including any liabilities to be assumed) proposed to be acquired or restructured, the purchase price for the Business or Property proposed to be acquired as applicable and expressed in Canadian dollars (the "**Purchase Price**"), the effective date or timeline of the proposed transaction or restructuring and the structure and financing of the proposed transaction or restructuring;
- (b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction or restructuring that will allow the Receiver to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by its Phase I Bid or Restructuring Proposal;
- (c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (d) it contains an outline of any additional due diligence required to be conducted by the Qualified Phase I Bidder in order to submit a final and binding offer or restructuring proposal;
- (e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid or restructuring proposal and the complete terms of any such participation;

- (f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
- (g) it contains such other information as may reasonably be requested by the Selling Agent or the Receiver; and
- (h) it is received by the Phase I Bid or Restructuring Proposal Deadline.

15. The Receiver, in consultation with the Selling Agent and Lenders, will consider any Phase I Bid or Restructuring Proposal.

16. The Receiver, in consultation with the Selling Agent and Lenders, will assess the Phase I Bids or Restructuring Proposals and/or Credit Bids received by the Phase I Bid or Restructuring Proposal Deadline and determine which of such bids or proposals constitute Qualified Phase I Bids or Restructuring Proposals. The Receiver may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase I Bids or Restructuring Proposals.

17. Should any creditor submit a bid (including by way of a Credit Bid) to acquire the Business or Property; such creditor shall be barred from receiving any confidential data regarding the bids received prior to the Phase I Bid or Restructuring Proposal Deadline or the Phase II Bid or Restructuring Proposal Deadline, as may be applicable and will not be consulted by the Receiver in the selection of the Phase II Bidders or the Successful Bid or Restructuring Proposal (as defined herein).

18. The Receiver may reject any Phase I Bid or Restructuring Proposal or Credit Bid if it determines that such bid does not constitute a Qualified Phase I Bid or Restructuring Proposal, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the receivership estate, Twin Butte or any of its creditors or other stakeholders.

19. If it is determined by the Receiver that a person that has submitted a Qualified Phase I Bid or Restructuring Proposal (including where compliance with the bid requirements has been waived) has a bona fide interest in completing a transaction pursuant to these SISP Procedures and such bid has not been rejected pursuant to Paragraph 19, then such person shall be deemed to be a **"Phase II Bidder"**. Notwithstanding anything else in this paragraph, any person that submits a Qualified Phase I Bid or Restructuring Proposal which contemplates payment in full in cash of the Secured Lender Debt (and which Qualified Phase I Bid or Restructuring Proposal is not subject to financing) shall be deemed to be a Phase II Bidder.

20. The Selling Agent or the Receiver shall notify each Phase I Bidder as to whether or not such person has been determined to be a Phase II Bidder and is permitted to proceed to Phase II.

Phase II

21. The Selling Agent and the Receiver shall allow each Phase II Bidder such further access to confirmatory due diligence materials and information regarding mineral titles, contracts and environmental diligence items as the Receiver deems appropriate in its reasonable business judgment and subject to competitive and other business considerations.

22. If requested by a Phase II Bidder, the Selling Agent shall arrange for a site visit, subject to compliance with health, safety and security measures reasonably required by the Receiver.

23. Phase II of the SISP will be limited to those persons, including a Credit Bid Party, that were identified by the Receiver as a Phase II Bidder. No person, including a Credit Bid Party, shall be permitted to participate in Phase II of the SISP without having participated in Phase I of the SISP and having been designated as a Phase II Bidder herein.

24. A Phase II Bidder that wishes to make a formal offer to purchase the Business or Property or a formal Restructuring Proposal shall submit a binding offer (a "**Phase II Bid or Restructuring Proposal**") and a copy of the purchase and sale agreement or restructuring agreement they are prepared to sign ("**Definitive Agreement**") to the Selling Agent and the Receiver at the addresses specified in Exhibit "A" hereto (including by email or fax transmission) so as to be received by each of them no later than 12:00 p.m. (Mountain Time) on **November 30, 2016**, or such other date or time as may be agreed to by the Receiver (the "**Phase II Bid or Restructuring Proposal Deadline**"). Such Phase II Bid or Restructuring Proposal shall be a "**Qualified Phase II Bid or Restructuring Proposal**" and such Phase II Bidder shall be a "**Qualified Phase II Bidder**" only if its Phase II Bid or Restructuring Proposal complies with all of the following:

- (a) it complies with all of the requirements in respect of Qualified Phase I Bids or Restructuring Proposals, other than the requirements set out in Paragraphs 14(c), 14(d) and 14(h);
- (b) it clearly identifies the form of consideration being proposed to satisfy the Purchase Price and estimated value of the consideration in Canadian dollars. The Receiver's preference is for cash consideration; however, the Receiver will consider securities or other forms of consideration;
- (c) it clearly identifies the contracts, agreements or other arrangements held by Twin Butte that are to be assumed by the Phase II Bidder under its Phase II Bid or Restructuring Proposal;
- (d) it includes a letter stating that its Phase II Bid or Restructuring Proposal is irrevocable until the earlier of: (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures; and (ii) thirty (30) calendar days following the Phase II Bid or Restructuring Proposal Deadline, provided that if such Phase II Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
- (e) it includes written evidence of a firm irrevocable commitment for all required financing, or other evidence of the financial ability of such Phase II Bidder to consummate the proposed transaction or restructuring, that will allow the Receiver to make a reasonable determination as to the Phase II Bidder's financial and other capabilities to consummate the transaction or restructuring contemplated by its bid;
- (f) it is not conditioned on: (i) the outcome of unperformed due diligence; and/or (ii) obtaining financing;
- (g) it includes an acknowledgement and representation that the Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Business or Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation

of law or otherwise), regarding the Business or Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;

- (h) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Phase II Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid or Restructuring Proposal, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (i) except in the case of a Credit Bid, it is accompanied by a refundable deposit (the "Deposit") in the form of a wire transfer (to a bank account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to ten percent (10%) of the total consideration set out in its Phase II Bid or in the case of a Phase II Restructuring Proposal some other amount mutually agreed to with the Phase II Bidder;
- (j) in the case of a Credit Bid, it is accompanied by a Deposit in the form of a wire transfer (to a bank account specified by the Receiver), or such other form acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to ten percent (10%) of the total consideration set out in its Phase II Bid, less the value of the consideration allocated to the credit portion of the Credit Bid, or in the case of a Phase II Restructuring Proposal some other amount mutually agreed to with the Credit Bid Party;
- (k) the Phase II Bid or Restructuring Proposal includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Receiver), together with a blackline against the draft form of Definitive Agreement which will be prepared by the Receiver and posted in the Data Room;
- (l) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment; and
- (m) it contains such other information as may reasonably be requested by the Receiver.

25. The Receiver, in consultation with the Selling Agent and Lenders, will consider the Qualified Phase II Bids or Restructuring Proposals. The Receiver reserves the right to request that Qualified Phase II Bidders revisit their Qualified Phase II Bids or Restructuring Proposals in the event several competitive Qualified Phase II Bids or Restructuring Proposals are received. The Receiver reserves the right not to accept any of the Qualified Phase II Bids or Restructuring Proposals if no acceptable Qualified Phase II Bids or Restructuring Proposals are received. If the Receiver, in consultation with the Selling Agent and Lenders determines a Qualified Phase II Bid or Restructuring Proposal is acceptable and provides superior value to the Twin Butte estate such Qualified Phase II Bid or Restructuring Proposal will be selected as the successful bid ("**Successful Bid or Restructuring Proposal**") with the proponent of such Successful Bid or Restructuring Proposal being a "**Successful Bidder**". The Qualified Phase II Bidder who submitted the Successful Bid or Restructuring Proposal will be notified and the Receiver will seek Court approval of and close or implement the Successful Bid or Restructuring Proposal.

Court Approval

26. The Receiver shall apply to the Court (the "**Approval Motion**") for an order approving the Successful Bid or Restructuring Proposal and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bid or Restructuring Proposal, as well as an order vesting title to the Business or Property in the name of the Successful Bidder or, in the case of a restructuring proposal, a restructuring order to sanction and authorize the implementation of the restructuring proposal.

27. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Receiver. The Approval Motion may be adjourned or rescheduled by the Receiver without further notice.

28. All Qualified Phase II Bids (other than a Successful Bid or Restructuring Proposal) shall be deemed rejected on and as of the date of approval of the Successful Bid or Restructuring Proposal by the Court.

Deposits

29. All Deposits shall be retained by the Receiver and deposited in a trust account. If there is a Successful Bid or Restructuring Proposal, the Deposit paid by the Successful Bidder whose bid is approved by the Court at the Approval Motion shall be applied to the Purchase Price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction or restructuring proposal and will be non-refundable. The Deposits of Phase II Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid or Restructuring Proposal is approved by the Court. If there is no Successful Bid or Restructuring Proposal, then all Deposits shall be returned to the Phase II Bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with these SISP Procedures.

No Amendment

30. There shall be no amendments to the SISP Procedures, including for greater certainty, the process and procedures set out herein, without the consent of the Receiver.

"As Is, Where Is"

31. Any sale of the Business or Property will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Receiver or the Selling Agent or any of their respective affiliates, advisors, agents or representatives, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Receiver. Neither the Receiver nor the Selling Agent nor any of their respective affiliates, advisors, agents or representatives make any representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Receiver.

Free Of Any And All Claims and Interests

32. In the event of a sale of the Business or the Property, to the extent permitted by law, all of the rights, title and interests of Twin Butte in and to the Business or the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests on or against the Property (collectively, the "**Claims and Interests**") such Claims and Interests to attach only to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in a Definitive Agreement with a Successful Bidder.

No Obligation to Conclude a Transaction

33. The Receiver has no obligation to agree to conclude a sale or investment arising out of this SISP and it reserves the right and unfettered discretion to reject any offer or other proposal made in connection with this SISP. In addition, at any time during this SISP, the Receiver may determine to terminate these SISP Procedures, in consultation with the Lenders, and shall provide notice of such a decision to all Qualified Phase I Bidders or Qualified Phase II Bidders, as applicable.

Further Orders

34. At any time during this SISP, the Receiver or the Selling Agent may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.