

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

February 20, 2018

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On September 1, 2016 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) all of the assets, undertakings and properties (the “**Property**”) of Twin Butte Energy Ltd. (“**Twin Butte**” or the “**Company**”) pursuant to an Order of the Honourable Madam Justice Romaine (the “**Receivership Order**”).
2. The purpose of this report (“**Supplemental Report**”) is to provide this Honourable Court with;
 - (a) an update on the settlement of the Geocap Claim, as defined and described in the Receivers thirteenth report dated February 12, 2017 (“**Thirteenth Report**”);
 - (b) a revised distribution/holdback analysis; and
 - (c) a revised proposed distribution amount given the settlement of the Geocap Claim.

TERMS OF REFERENCE

3. The Receiver has prepared this Supplemental Report in connection with its application (“**February 20th Application**”) scheduled to be heard on February 20, 2018. This Supplemental Report should be read in conjunction with and based on the same assumptions and limitations as set out in the Receiver’s Thirteenth Report.

GEOCAP CLAIM SETTLEMENT

4. At the time of filing the Receiver's Thirteenth Report, the Amended claim ("**Geocap Claim**") from Geocap Energy Corporation and Sutton Energy Ltd. (collectively "**Geocap**") in the amount of \$2,027,018 (originally \$2,040,927) was unresolved. After filing its Thirteenth Report the Receiver and its counsel in consultation with the Ad Hoc Group continued negotiations with Geocap.
5. On February 17, 2018 the Receiver, in consultation with the Ad Hoc Group, agreed to a settlement amount of \$700,000 for full and final settlement of the Geocap/Sutton Group Claim including a release of all claims between Geocap/Sutton Group and Twin Butte/Receiver.
6. The Receiver currently holds the full amount of the Geocap Claim \$2,040,927 pending resolution. The settlement of the Geocap Claim results in an additional \$1,340,927 (\$2,040,927 - \$700,000) available for distribution to the Subordinate Debenture Holders plus a reduction in costs reserves.
7. Settling the Geocap Claim also increases the cash available for distribution because it reduces the amount of funds required to be held back for professional fees to resolve the dispute over the Geocap Claim. As noted in the Thirteenth Report, counsel for Geocap had previously expressed concerns that the Receiver had not held back a sufficient reserve to provide for potential professional fees to litigate the Geocap Claim. With the Geocap Claim settlement this additional professional fee reserve to deal the Geocap Claim is no longer necessary and can be released to the Subordinate Debenture Holders. In the table below the Receiver has reduced its reserve for professional fees or potential costs awards by \$700,000 as compared to the reserve contemplated in the Thirteenth Report.

REVISED DISTRIBUTION

8. Given the settlement of the Geocap Claim the Receiver has revised its proposed distribution and hold back amounts. The Receiver’s revised proposed additional distributions total \$11,009,729 (“**Revised Proposed Additional Distributions**”) as presented below. The table below replaces the table presented in paragraph 22 of the Receiver’s Thirteenth Report.

Schedule of Holdbacks and Revised Proposed Additional Distribution	
\$000's CAD	
Net Cash on Hand	13,088,089
Required Holdbacks	
<u>Remaining Disputed Claims</u>	
Former Executives Claims	1,230,500
Alberta Finance	247,860
<u>Operational/Administrative Holdbacks</u>	
Joint Venture Expenditures	200,000
Receiver Fees and Legal Counsel	300,000
G&A	100,000
Required Holdbacks	2,078,360
Distributable Funds	11,009,729
Proposed Additional Distributions	
Settled Unpaid Remaining Claims (CRA)	547,633
Settlement of Geocap Claim	700,000
Additional Distribution to Subordinate Debenture Holders/Counsel	9,762,097
Proposed Additional Distributions	11,009,729

9. The following table provides a summary of the recoveries to the Subordinate Debenture Holders with the initial distribution and the revised proposed additional distribution.

Recovery of Subordinate Debentures Claim	
Subordinate Debenture Claim	88,584,758
Initial Distribution to Subordinate Debentures	58,042,584
Proposed 2nd Distribution to Subordinate Debentures	9,762,097
Unpaid Amount of Subordinate Debentures Claim	20,780,077
% Recovery of Subordinate Debentures Claim *	76.54%
% Recovery of face value of Subordinate Debentures *	79.77%

* Before payment to counsel or financial advisor fees.

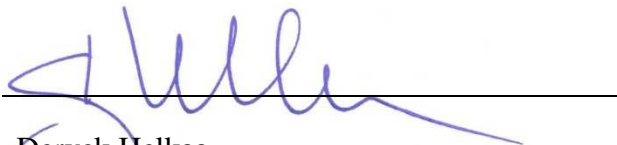
10. The distribution mechanics to Subordinate Debenture Holders will be made in accordance with the protocol established in the September 20, 2017 Distribution Order.

RECEIVER'S RECOMMENDATIONS


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

All of which is respectfully submitted this 20th day of February 2018.

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



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