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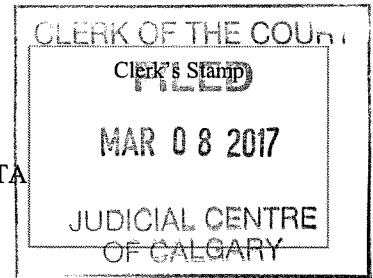
COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF ALBERTA TREASURY BRANCHES

DEFENDANT BREVIA ENERGY INC.

DOCUMENT SECOND REPORT OF THE RECEIVER



ADDRESS FOR SERVICE AND
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INTRODUCTION

1. Effective February 23, 2016 (the “Receivership Date”), pursuant to an order of the Honourable Madam Justice J. Strekaf granted in these proceedings (the “Receivership Order”), Alvarez & Marsal Canada Inc. was appointed receiver (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) of Brevia Energy Inc. (“Brevia” or the “Company”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended., (the “BIA”) and section 13(2) of the *Judicature Act*, RSA 2000, c J-2, in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of Brevia and to take possession and control of the Property of Brevia and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. The purpose of this second report of the Receiver (the “Second Report”) is to provide this Honourable Court with information in respect of the following:
 - a) the ongoing activities, generally, of the Receiver since the first report of the Receiver dated November 10, 2016 (the “First Report”);
 - b) an update on the sales process initiated by the Receiver;
 - c) approval of the final statement of receipts and disbursements of the Receiver (the “Final Statement of Receipts and Disbursements”);
 - d) approval of the Receiver and its counsel’s fees and expenditures in the Receivership Proceedings;

- e) approval of the proposed distribution of additional funds recovered by the Receiver (the “Proposed Final Distribution”);
 - f) approving the actions and conduct of the Receiver throughout the Receivership Proceedings and granting the discharge of the Receiver (the “Receiver’s Discharge”); and
 - g) authorizing the Receiver to destroy any and all documents, accounting records and other papers (the “Records”) if not required by the Receiver, purchasers of the Brevia Property or Alberta Treasury Branches (“ATB”), or not collected by any of the current or former directors of the Brevia by April 14, 2017;
4. Capitalized words or terms not defined or ascribed a meaning in the First and Second Report are as defined or ascribed a meaning in the Receivership Order and Approval and Vesting Order previously granted by this Honourable Court.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second Report, the Receiver has relied primarily upon the representations of certain former management and employees of Brevia, as well as certain financial information contained in Brevia’s books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

7. Brevia carried on business as a junior oil and gas company targeting the acquisition, exploitation and development of long-life, light oil assets in the western Canadian sedimentary basin. Founded on December 19, 2012, Brevia is a corporation registered to carry on business in the Province of Alberta and is privately owned mainly by individuals directly involved with the Company

including certain former members of its board of directors, previous management and employees.

8. Further background to Brevia and its operations is contained in the materials filed in support of and relating to the Receivership Order. These documents and other relevant information has been posted by the Receiver on its website at: www.alvarezandmarsal.com/brevia (the “Receiver’s Website”).

ONGOING ACTIVITIES OF THE RECEIVER

9. Since the First Report, the Receiver’s ongoing activities have included the following:
 - a) attending various meetings and holding various communications with ATB, the fulcrum secured creditor, concerning operational and financial updates of Brevia, providing updates on the sales process, and other Receivership matters, in general;
 - b) attending various meetings and discussions with the various oil and gas marketers to market Brevia’s oil and gas production;
 - c) attending various conference calls and meetings with the field operators of Brevia, particularly to address the various operational matters;
 - d) closing the Property transaction with Ohana Resources Ltd. (“Ohana” or the “Purchaser”) pursuant to the Brevia APA on November 30, 2016 and filing the Receiver’s Certificate with this Court on February 7, 2017, as discussed further below;
 - e) continued instructions and interaction with the Receiver’s independent legal counsel, Dentons Canada LLP (“Dentons”), in respect of the Receivership Proceedings, generally;

- f) undertaking the continued day to day management of operations of Brevia, including contractor supervision and monitoring cash flow to ensure timely payment of trade creditors for services rendered and approved by the Receiver,
- g) ensuring the statutory filing requirements of the Receiver are current and properly reported to the Canada Revenue Agency; and
- h) continuing dialogue and communications with the Alberta Energy Regulatory (“AER”) with respect to the transfer of Brevia’s licenses to the Purchaser and various other matters,
- i) attending numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver, interested parties, and other Brevia stakeholders regarding the Receivership Proceedings, generally.

SALES PROCESS UPDATE

- 10. On November 17, 2016, the Receiver sought and obtained an Order (the “Approval and Vesting Order”) from this Honourable Court for the sale to and vesting of the Property to Ohana.
- 11. On November 30, 2016, the sale of the Property closed pursuant to the Brevia APA, including certain oil and gas properties that were subject to a right of first refusal (“ROFR”), which were closed in escrow. On January 17, 2017, the escrow period expired on the certain oil and gas properties as the ROFR holder did not elect to purchase these assets.
- 12. Since the closing, the Receiver has been working closely with Ohana, its counsel, Dentons, and the Receiver’s land administrator to convey and assign Brevia’s interests in the Property to Ohana. In addition, the Receiver has spent a considerable amount of time working with the AER and the Alberta Land Titles Office representatives to ensure these agencies had the appropriate documentation

to allow for the transfer of the Property to Ohana and to effect the discharge of multiple encumbrances from title to the Properties pursuant to the Approval and Vesting Order. The majority of this work has now been completed with only certain administrative work remaining for the Receiver.

13. On February 15, 2017, the Receiver finalized the completion of the final statement of adjustments (“FSOA”) with Ohana and an interim distribution of \$2,025,000 was delivered to ATB from the net sales proceeds held by the Receiver with respect to the Brevia APA, as discussed further below. In addition, after the transaction closed with Brevia, the Receiver assigned and delivered to ATB the other non-cash consideration instruments, as fully discussed the confidential appendices to the First Report.

**FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS – FEBRUARY 23,
2016 TO MARCH 7, 2017**

14. The table below provides a summary of the actual cash flows for the Receivership period and contains the final cash receipts and disbursements relating to Brevia:

Brevia Energy Inc. - In Receivership
FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS
CADS, unaudited (\$000's)
February 23, 2016 to March 7, 2017

	Total
Opening cash balance	\$ -
Receipts	
Oil and gas sales	3,592
Net proceeds from oil and gas property sale	2,142
Miscellaneous receipts	40
	\$ 5,774
Disbursements	
Oil and gas operating costs	1,862
Royalty payments	179
Rental and transportation payments	308
Office rent paid	49
General and administrative expenses	155
Final Statement of Adjustments	22
Sales consultant work fee and costs	125
Contractor fees and costs	224
Net GST paid	12
Professional fees and costs	682
Interim distribution to secured creditor	2,025
	\$ 5,643
Total remaining cash on hand	\$ 130

15. The above chart details the following receipts and disbursements reported in the Receivership:

- a) there was no opening cash available as at the Receivership Date;
- b) receipts during the Receivership Proceedings totalled approximately \$5.77 million, which includes net cash proceeds from the oil and gas property sale to Ohana of approximately \$2.14 million; and
- c) disbursements during the Receivership Proceedings totalled \$5.64 million, which includes an interim distribution to ATB of

approximately \$2.03 million and payment of the Receiver's and its legal counsels' fees and costs up to and including January 31, 2017.

16. Brevia's ending available cash as at March 7, 2017 was approximately \$130,000.

PROPOSED FINAL DISTRIBUTION

17. On November 17, 2016, an interim distribution order was granted by this Honourable Court, whereby, upon the Receiver filing the Receiver's Certificate, the Receiver was authorized to distribute to ATB as a partial repayment of the indebtedness owing by Brevia to ATB, the net sale proceeds derived from the closing of the Brevia APA, less an amount, to be determined at the Receiver's sole discretion, to be retained to cover future costs of the administration of the estate.
18. As discussed above, on February 15, 2017, the Receiver, with the support of ATB, finalized and completed FSOA with Ohana and delivered to ATB an interim distribution totaling \$2,025,000. The Receiver held back approximately \$422,500 to cover future costs of the administration of the estate, which largely included the payment of commission fees for the Receiver's marketing consultant, along with operational and professional fee costs of the Receiver and its legal counsel.
19. The Receiver currently has cash on hand approximately \$130,000 and the Receiver estimates approximately:
 - a) \$20,000 in GST and other deposit refunds remain to be collected; and
 - b) \$75,000 in remaining forecast operational costs and professional fees and costs outstanding;

Once all the Receiver's remaining deposits have been received and costs in the administration of the estate have been paid, the Receiver respectfully recommends distributing the remaining funds available to ATB, which is estimated at approximately \$75,000 (the "Proposed Final Distribution"). The Receiver will

provide ATB with a final accounting of these remaining costs incurred upon payment of the Proposed Final Distribution, subject to court approval.

20. The Receiver is of the view that the Proposed Final Distribution is reasonable under the circumstances and respectfully recommends that this Honourable Court approve the Proposed Final Distribution as discussed above.
21. The proceeds from the Brevia APA will not be sufficient to pay the outstanding obligations to ATB in full for its secured loan and there will not be any recoveries for any remaining creditors.

APPROVAL OF THE RECEIVER'S AND ITS COUNSEL'S FEES AND EXPENDITURES

22. The Receiver seeks approval from this Honourable Court of its and those of its legal counsels fees and costs from February 23, 2016 to January 31, 2017.
23. The total paid fees and disbursements of A&M, in its capacity as the court-appointed Receiver Manager of Brevia Energy Inc., for the period of February 23, 2016 to January 31, 2017 aggregate \$466,122.18 (excluding GST). A summary of the Receiver's fees and disbursements are attached as Appendix A to this Report.
24. The total paid fees and disbursements of Dentons, the Receiver's independent legal counsel in these proceedings for the period of February 23, 2016 to January 31, 2017 aggregate \$217,127.93 (excluding GST). A summary of Dentons fees and disbursements are attached as Appendix B to this Report.
25. The Receiver and its counsel's fee accounts outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices will be made available upon request of the Court, if required.

26. The Receiver and its counsel's estimated fees and costs to complete this engagement will be approximately \$45,000 (the "Forecast Fees and Costs"), which include fees and costs incurred (but not paid) from February 1, 2017 to date.
27. The Receiver is respectfully of the view that its and its counsel's fees and costs are fair and reasonable under the circumstances and respectfully requests that this Honourable Court approve the accounts of the Receiver's and its counsel from February 23, 2016 to January 31, 2017. In addition, the Receiver respectfully requests this Honourable Court approve the Forecast Fees and Costs of the Receiver and its counsel. The Forecast Fees and Costs are considered in the Proposed Final Distribution above, subject to Court approval.

APPROVING CONDUCT AND DISCHARGE OF THE RECEIVER

28. The Receiver's administration of the estate is substantially complete and the Receiver's discharge should be granted upon the Receiver destroying the records as noted below and making the Proposed Final Distribution. The Receiver will have some miscellaneous administrative items to attend to post-discharge including the filing of GST returns with the Canada Revenue Agency, filing and some minor conveyancing matters with respect to the Property to Brevia, but these items are immaterial and should not prevent this Honourable Court from granting an unconditional discharge. It is proposed that the Receiver will file a certificate with the Court confirming the Proposed Final Distribution has been made. Upon filing the certificate, the Receiver will be automatically discharged without further Order.
29. The Receiver is of the respectful view that it has conducted itself appropriately during this receivership and is respectfully requesting that this Court approve the actions and conduct of the Receiver throughout the Receivership Proceedings.
30. The Receiver is in custody of numerous Records of Brevia and is currently incurring costs to store the Records at an offsite location. The Receiver is seeking

authorization from this Honourable Court to allow the Receiver to destroy any and all Records by April 14, 2017, if the records are not required by the Receiver, or are not requested by Ohana, Brevia or ATB, or are not collected by any of the current or former directors of Brevia.

31. Lastly, the Receiver respectfully requests that this Honourable Court approve an Order discharging absolutely, forever and unconditionally the Receiver from any claims against the Receiver arising from, relating to, or in connection with, the performance of the Receiver's duties and obligations as Receiver, save and except for claims based on gross negligence or wilful misconduct on the part of the Receiver.

RECOMMENDATION

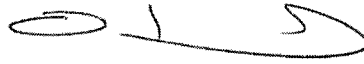
32. The Receiver respectfully recommends that this Honourable Court approve the:
- a) Final Statement of Receipts and Disbursements;
 - b) Proposed Final Distribution;
 - c) actions and conduct of the Receiver throughout the Receivership Proceedings;
 - d) Receiver's professional fees and costs and those of its independent legal counsel and the Forecast Fees and Costs;
 - e) authorization of the Receiver to destroy the Records if not required by the Receiver, or requested by Ohana, Brevia or ATB, or not collected by current or former directors of Brevia by April 14, 2017; and
 - f) discharge of the Receiver.

All of which is respectfully submitted this 8th day of March, 2017.

ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Brevia Energy Inc. and not in
its personal or corporate capacity

A handwritten signature in black ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CPA, CA, CIRP, LIT
Senior Vice-President

A handwritten signature in black ink, appearing to read 'Orest Konowalchuk', with a large, sweeping loop at the end.

Orest Konowalchuk, CPA, CA, CIRP, LIT
Vice-President

APPENDIX A

Summary of Receiver's Fees and Disbursements

Brevia Energy Inc. - In Receivership

Summary of Receiver's Fees and Disbursements

February 23, 2016 to January 31, 2017

APPENDIX A

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1	March 31, 2016	\$ 92,206.00	\$ 832.15	\$ 93,038.15	\$ 4,651.91	\$ 97,690.06
2	April 30, 2016	55,799.50	108.50	55,908.00	2,795.40	58,703.40
3	May 31, 2016	45,112.00	544.26	45,656.26	2,282.81	47,939.07
4	June 30, 2016	46,112.00	0.00	46,112.00	2,305.60	48,417.60
5	July 31, 2016	39,594.50	389.70	39,984.20	1,999.21	41,983.41
6	August 1, 2016 to August 31, 2016	31,436.00	525.78	31,961.78	1,598.09	33,559.87
7	September 1, 2016 to September 30, 2016	25,109.50	283.76	25,393.26	1,269.66	26,662.92
8	October 1, 2016 to October 31, 2016	33,784.00	496.14	34,280.14	1,714.01	35,994.15
9	November 1, 2016 to November 30, 2016	46,337.00	642.74	46,979.74	2,348.99	49,328.73
10	December 1, 2016 to December 31, 2016	24,590.50	344.65	24,935.15	1,246.76	26,181.91
11	January 1, 2017 to January 31, 2017	21,873.50	0.00	21,873.50	1,093.68	22,967.18
TOTAL		\$ 461,954.50	\$ 4,167.68	\$ 466,122.18	\$ 23,306.11	\$ 489,428.29

APPENDIX B

Summary of Denton's Fees and Disbursements

Brevia Energy Inc. - In Receivership**APPENDIX B**

Summary of the Receiver's counsel (Dentons Canada LLP) Fees and Disbursements
February 23, 2016 to January 31, 2017

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
3195675	March 31, 2016	\$ 31,121.50	\$ 847.90	\$ 31,969.40	\$ 1,587.73	\$ 33,557.13
3201794	April 30, 2016	27,357.00	430.02	27,787.02	1,389.35	29,176.37
3207771	May 31, 2016	18,017.50	598.41	18,615.91	930.80	19,546.71
3213952	June 30, 2016	24,072.00	727.34	24,799.34	1,239.97	26,039.31
3219587	July 31, 2016	13,675.50	5,811.59	19,487.09	974.36	20,461.45
3227028	August 31, 2016	14,905.00	323.65	15,228.65	761.43	15,990.08
3231636	September 30, 2016	8,860.00	8.11	8,868.11	443.41	9,311.52
3238723	October 31, 2016	13,903.50	18.65	13,922.15	696.11	14,618.26
3244769	November 30, 2016	36,517.50	4,969.35	41,486.85	2,071.85	43,558.70
3252043	December 31, 2016	8,148.50	1,794.80	9,943.30	495.67	10,438.97
3258046	January 31, 2017	4,709.00	311.11	5,020.11	242.51	5,262.62
TOTAL		\$ 201,287.00	\$ 15,840.93	\$ 217,127.93	\$ 10,833.18	\$ 227,961.11