



COURT FILE NUMBER 1701-02184

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFFS THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES

DEFENDANTS VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

DOCUMENT **FIFTH REPORT OF THE RECEIVER**

**FEBRUARY 14, 2020**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER**  
ALVAREZ & MARSAL CANADA INC.  
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46<sup>th</sup> Floor, 525 - 8<sup>th</sup> Avenue SW  
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File: 39108-2002



ALVAREZ & MARSAL

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## INTRODUCTION

1. Effective February 13, 2017 (the “**Receivership Date**”), pursuant to an order of the Court of Queen’s Bench of Alberta (the “**Court**”) granted in these proceedings in Action No. 1701-02184 (the “**Consent Receivership Order**”), Alvarez & Marsal Canada Inc. was appointed receiver and manager (the “**Receiver**”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, including but not limited to real property and wherever situate including all proceeds thereof (the “**Property**”) of Virginia Hills Oil Corp. (“**VHO**”) and its subsidiary Dolomite Energy Inc. (“**Dolomite**”) (together, the “**Company**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the “**BIA**”) and sections 13(2) of the *Judicature Act*, RSA 2000, c J-2, and 99(a) of the *Business Corporations Act*, RSA 2000, c B-9 and 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7 in the within action (the “**Receivership Proceedings**”). A further order (the “**Consent Consolidation Order**”) was granted by the Court combining two separate actions, Action No. 1701-0221 commenced by The Bank of Nova Scotia (“**BNS**”) against VHO and Action No. 1701-02184 commenced by Alberta Treasury Branches (“**ATB**”) against Dolomite. The Consent Receivership Order and the Consent Consolidation Order shall together be referred to as the “**Receivership Order**”.
2. On May 3, 2017, the Receiver applied for and was granted a Bankruptcy Order from the Court to adjudge VHO and Dolomite bankrupt. A&M was appointed as trustee (the “**Trustee**”) of the estate of the bankrupts (VHO and Dolomite), without security, and the appointment of A&M as the Trustee was ratified at the first meeting of creditors. The bankruptcy filing and the proceedings that followed are herein referred to as the “**Bankruptcy Proceedings**”.
3. The purpose of this fifth report of the Receiver (the “**Fifth Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the Receiver’s request for the Court’s approval of the following:
  - a) the activities of the Receiver since the Third Report;

- b) the Receiver's and its legal counsel's professional fees and disbursements;
  - c) distribution of funds to creditors;
  - d) the destruction of the records of the Company; and
  - e) remaining activities and discharge of the Receiver.
4. Capitalized words or terms not defined or ascribed a meaning in this Fifth Report are as defined or ascribed a meaning in the Receivership Order and the other reports filed by the Receiver with this Court.
5. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

6. As previously disclosed in the First Report, prior to the Receivership Date, Alvarez & Marsal Canada ULC ("A&M ULC") was engaged as a financial advisor to BNS and this engagement was consented to by VHO. The engagement commenced on October 29, 2015 and terminated immediately prior to the Receivership Date.
7. In preparing this Fifth Report, the Receiver has relied primarily upon information obtained prior to the Receivership Proceedings in its role as financial advisor and financial, legal and other information obtained during the course of the Receivership. The Receiver has not performed an audit, review or other verification of such information.

#### **BACKGROUND**

8. VHO, along with its subsidiary Dolomite, was a public oil company with its core assets located in the Red Earth Creek area of north central Alberta.
9. All of the realizable Property of the Company was sold by the Receiver pursuant to an Approval and Vesting Order granted by the Court on March 21, 2017.

10. The Receiver has, pursuant to and in reliance on, the First Distribution Order and the Second Distribution Order, distributed \$40,500,000 to the first secured creditors BNS and ATB.
11. In approving the second distribution the Court ordered that the claims of impacted municipalities (the “**Municipalities**”) for pre-receivership linear taxes were unsecured, and the Court authorized and approved the Receiver to release funds to secured creditors that it had previously reserved for linear taxes (the “**Second Distribution Order**”).
12. The Municipalities appealed the Second Distribution Order. The Court of Appeal of Alberta decision confirmed that pre-receivership linear taxes were unsecured claims. The Municipalities sought leave to appeal to the Supreme Court of Canada, who on August 29, 2019 dismissed the application for leave to appeal.
13. Further background to the Company and its financial circumstances, and the status of the Receivership and Bankruptcy Proceedings, are contained in the materials filed in support of and relating to the Receivership Order. These documents, including all previously filed reports of the Receiver and other relevant information have been posted by the Receiver on its website at: [www.alvarezandmarsal.com/VHO](http://www.alvarezandmarsal.com/VHO) (the “**Receiver’s Website**”).

## **ACTIVITIES OF THE RECEIVER**

14. Since the Third Report, the Receiver’s activities have included:
  - a) finalizing the statement of adjustments with the purchaser of the Property of the Company;
  - b) responding to the Municipalities’ appeal of the Second Distribution Order;
  - c) responding to the Municipalities’ application for leave to appeal to the Supreme Court of Canada;

- d) analysis of remaining unpaid non-linear municipal taxes and communications with the Municipalities to agree on taxes and penalties payable;
- e) maintaining bank accounts for funds held for potential priority claims and future costs which included, but were not limited to municipal non-linear taxes and payment of professional fees and costs of the Receiver and its legal counsel;
- f) maintaining electronic records and completing various statutory reporting; and
- g) communicating with secured creditors on the status of appeals and other estate related matters.

#### **APPROVAL OF PROFESSIONAL FEES AND DISBURSEMENTS**

- 15. In accordance with paragraph 18 of the Receivership Order, the Receiver is seeking approval of its fees and disbursements and those of legal counsel from inception of the Receivership to its discharge for fees incurred and disbursements paid to the date of this Report and estimated fees to complete.
- 16. The Receiver's and those of its legal counsel, Torys LLP, professional fees and disbursements excluding GST aggregate \$575,772.69 and \$519,972.63 respectively and are summarized in **Appendix A** to this Report.
- 17. The fee accounts of the Receiver and its counsel outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the names of the individuals who completed the work. All billings were calculated in accordance with A&M's and Torys' prevailing rates. Copies of the invoices will be brought to the Receiver's application before this Honourable Court and made available to the Court at its direction, if necessary.

18. The Receiver is respectfully of the view that its and its counsel's fees and disbursements are fair and reasonable under the circumstances, and respectfully requests the Court's approval of these accounts.

#### **FUNDS AVAILABLE AND PROPOSED FINAL DISTRIBUTION**

19. Since the Receiver received notice of the appeal by the Municipalities, the Receiver has not made any further distributions to any parties but has continued to make payment of its obligations and professional fees all of which rank as a first priority charge against the estate.
20. With the appeal process initiated by the Municipalities now final, the administration of the estate is complete, and the Receiver seeks the approval of the Court to distribute remaining funds, which include the approval of its receipts and disbursements which are summarized in **Appendix B**.
21. The excess of receipts in excess of disbursements in the amount of \$746,000 is available for distribution subject to a holdback for professional fees and contingencies to the discharge of the Receiver as noted below.
22. The Receiver, is proposing to distribute the funds to the following creditors:
- a) To the Municipalities for outstanding non-linear taxes for 2016 and penalties calculated in accordance with each of their tax bylaws. The Receiver has corresponded with each of Northern Sunrise, Opportunity and Lamont Municipalities setting out the amount payable to each as follows:
    - i. Northern Sunrise      \$180 810.87
    - ii. Opportunity              \$33,983.80
    - iii. Lamont                      \$2,610.85

The MD of Northern Sunrise has been in communication with the Receiver and has agreed with the amount to be distributed. Neither of

the other two Municipalities have responded. Copies of the correspondence to those Municipalities is attached as **Appendix C**.

In determining the amount payable to each of the Municipalities, the Receiver has set off pre-receivership linear tax paid erroneously to the Municipality by the purchaser of the Property. The set off amount should not have been paid and was included as an adjustment in favor of the purchaser in the final statement of adjustment to the purchase price.

- b) To BNS, as agent for a syndicate of banks, as the first secured creditor of VHO, the amount of \$315,000; and
  - c) To ATB, as the first secured creditor of Dolomite, the sum of \$75,000 in repayment of their Receiver Certificate issued and \$13,000 in funds surplus to the estate.
23. The balance of funds remaining of approximately \$125,000 will be retained to cover future professional fees and obligations of the Receiver with any balance remaining distributed to BNS or ATB upon final discharge of the Receiver.

#### **DESTRUCTION OF RECORDS**

24. The Receiver is in custody of numerous records of the Company. The Receiver is seeking authorization from this Honourable Court to allow the Receiver to destroy any records not required by the Receiver or a former Director. To the best of the Receiver's knowledge, all Directors of the Company have resigned, and the Receiver has had no recent contact with the Directors. The Receiver proposes to provide a former Director of the Company with 30 days notice to claim the records after which, the Receiver is authorized to destroy any records not claimed in that time frame.



## **REMAINING ACTIVITIES AND DISCHARGE OF RECEIVER**

25. The Receivership proceedings will be substantially complete after the distribution of funds proposed herein. The remaining activities of the Receiver are limited and include:
- a) completion of statutory filings for GST; and
  - b) distribution of any remaining funds after settling the Receiver's obligations as noted above.
26. The Receiver submits that completion of these items is immaterial and can be addressed post discharge, as necessary. Accordingly, upon filing the Receiver's Discharge Affidavit substantially in the form attached hereto as **Appendix D**, the Receiver respectfully requests that this Honourable Court discharge absolutely, forever and unconditionally the Receiver from any and all claims 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.

## **RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS**

27. The Receiver is satisfied that the interests of the Company's stakeholders have been considered during the course of the Receivership Proceedings and recommends that this Honourable Court approve the application and grant and order to:
- a) approve of the Receiver's activities, conduct and actions since the Third Report to its discharge;
  - b) approve of the Receiver and its counsel's professional fees and disbursements to date and to dispense with the approval of any further fees;
  - c) authorize the Receiver to destroy the records other than any records requested and taken by a director within 60 days of being notified;

- d) approve the distributions as proposed; and
- e) discharge of the Receiver upon filing the Receiver's Discharge Affidavit.

All of which is respectfully submitted this 14<sup>th</sup> day of February 2020.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Receiver of VHO and Dolomite and not in  
its personal or corporate capacity**



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

## APPENDIX A

### Summary of Professional Fees

Alvarez & Marsal Canada Inc. - Receiver Fees and Disbursements						
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1	February 13, 2017 to March 31, 2017	\$ 291,919.00	\$ 523.63	\$ 292,442.63	\$ 14,622.13	\$ 307,064.76
2	April 1, 2017 to May 31, 2017	109,444.00	388.61	109,832.61	5,491.63	115,324.24
3	June 1, 2017 to July 15, 2017	44,034.50	2,149.74	46,184.24	2,309.21	48,493.45
4	July 4, 2017 to September 30, 2017	38,410.00	-	38,410.00	1,920.50	40,330.50
5	October 1, 2017 to December 31, 2017	21,225.00	7.95	21,232.95	1,061.65	22,294.60
6	January 1, 2018 to March 15, 2018	19,085.00	10.95	19,095.95	954.80	20,050.75
7	March 16, 2018 to August 31, 2018	15,482.50	10.70	15,493.20	774.66	16,267.86
8	September 1, 2018 to March 31, 2019	11,312.50	437.95	11,750.45	587.52	12,337.97
9	April 1, 2019 to June 30, 2019	7,367.50	-	7,367.50	368.38	7,735.88
10	July 1, 2019 to September 30, 2019	900.00	-	900.00	45.00	945.00
11	October 1, 2019 to December 31, 2019	13,047.50	15.66	13,063.16	653.16	13,716.32
		\$ 572,227.50	\$ 3,545.19	\$ 575,772.69	\$ 28,788.63	\$ 604,561.33

Alvarez & Marsal Canada Inc. - Bankruptcy Trustee Fees and Disbursements						
1	May 1, 2017 to September 30, 2017	\$ 17,239.50	\$ 823.12	\$ 18,062.62	\$ 903.13	\$ 18,965.75

Torys LLP						
Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1392270	February 1 to 28, 2017	\$ 45,820.50	\$ 25.70	\$ 45,846.20	\$ 2,292.31	\$ 48,138.51
1394565	March 1 to 31, 2017	92,590.00	1,210.38	93,800.38	4,690.02	98,490.40
1397116	April 1 to 31, 2017	31,231.50	639.25	31,870.75	1,589.04	33,459.79
1399337	May 1 to 31, 2017	42,053.50	2,190.52	44,244.02	2,207.20	46,451.22
1402777	June 1 to 30, 2017	34,178.27	-	34,178.27	1,706.41	35,884.68
1406011	July 1 to 31, 2017	10,305.00	259.06	10,564.06	528.20	11,092.26
1407735	August 1 to 31, 2017	11,295.00	108.00	11,403.00	570.15	11,973.15
1411206	September 1 to 30, 2017	10,712.00	-	10,712.00	535.60	11,247.60
1413358	October 1 to 31, 2017	6,165.00	680.50	6,845.50	342.28	7,187.78
1417172	November 1 to 30, 2017	8,794.50	654.05	9,448.55	459.93	9,908.48
1418849	December 1 to 31, 2017	20,452.50	27.53	20,480.03	1,024.00	21,504.03
1422898	January 1 to 31, 2018	27,787.00	118.85	27,905.85	1,392.79	29,298.64
1425326	February 1 to 28, 2018	8,708.50	81.17	8,789.67	439.48	9,229.15
1428709	March 1 to 31, 2018	6,011.00	81.35	6,092.35	304.62	6,396.97
1430590	April 1 to 30, 2018	3,403.50	-	3,403.50	170.18	3,573.68
1434658	June 1 to 30, 2018	8,052.50	-	8,052.50	402.63	8,455.13
1440545	June 1 to 30, 2018	38,152.50	17.25	38,169.75	1,908.49	40,078.24
1451987	October 1 to 31, 2018	1,015.00	-	1,015.00	50.75	1,065.75
1460458	January 1 to 31, 2019	2,579.50	7.25	2,586.75	129.34	2,716.09
1462680	February 1 to 28, 2019	7,943.50	182.00	8,125.50	406.28	8,531.78
1466199	March 1 to 31, 2019	7,588.50	-	7,588.50	379.43	7,967.93
1468625	April 1 to 30, 2019	20,459.00	-	20,459.00	1,022.95	21,481.95
1472426	May 1 to 31, 2019	53,692.50	-	53,692.50	2,684.63	56,377.13
1474818	June 1 to 30, 2019	2,905.50	-	2,905.50	145.28	3,050.78
1476572	July 1 to 31, 2019	1,524.00	-	1,524.00	76.20	1,600.20
1480018	August 1 to 31, 2019	3,466.50	-	3,466.50	173.33	3,639.83
1482743	September 1 to 30, 2019	3,858.50	-	3,858.50	192.93	4,051.43
1485336	October 1 to 31, 2019	906.00	-	906.00	45.30	951.30
1489030	November 1 to 30, 2019	1,057.00	-	1,057.00	52.85	1,109.85
1491787	December 1 to 31, 2019	981.50	-	981.50	49.08	1,030.58
<b>TOTAL</b>		<b>\$ 513,689.77</b>	<b>\$ 6,282.86</b>	<b>\$ 519,972.63</b>	<b>\$ 25,971.63</b>	<b>\$ 545,944.26</b>

## APPENDIX B

### Summary of Receipts & Disbursements

<b>Virginia Hills Oil Corp. &amp; Dolomite Energy Inc. - In Receivership</b> <b>Final Statement of Receipts &amp; Disbursements</b> <b>CAD\$, unaudited (\$000's)</b> <b>February 13, 2017 to February 14, 2020</b>		<b>Total</b>
<b>Opening cash balance</b>	<b>\$</b>	<b>28</b>
<b>Receiver's Certificate (borrowings)</b>		<b>75</b>
<b>Receipts</b>		
Oil and gas sales		4,267
Other		239
	<b>\$</b>	<b>4,609</b>
<b>Disbursements</b>		
Oil and gas operating costs	\$	848
Rental and transportation payments		82
Office rent		35
General and administrative expenses		293
Sales consultant work fee and costs		423
Contractor fees and costs		225
Key employee retention plan (KERP)		400
Key employee incentive plan (KEIP)		390
Pre-receivership professional fees and costs		283
Professional fees and disbursements		
Receiver (A&M)		576
Trustee (A&M)		18
Receiver's Counsel (Torys)		520
Secured Creditor's Counsel (McMillan)		145
Net GST paid		18
	<b>\$</b>	<b>4,256</b>
<b><i>Operational Cash on hand</i></b>	<b>\$</b>	<b>353</b>
<b>Net sales proceeds from oil and gas property sale</b>		40,894
<b>Interim distribution to Secured Creditors</b>		(40,500)
<b>Total Available Cash</b>	<b>\$</b>	<b>747</b>



## APPENDIX C

**Alvarez & Marsal Canada Inc.**  
Bow Valley Square 4  
Suite 1110, 250 - 6th Avenue SW  
Calgary, Alberta T2P 3H7  
Phone: +1 403 538 7555  
Fax: +1 403 538 7551

January 27, 2019 ~~2019~~ 2020

Lamont County  
5303 – 50 Avenue Lamont,  
AB T0B 2R0

Via facsimile: (780) 895-7404

Dear Sirs:

**RE: Virginia Hills Oil Corp. and Dolomite Energy Inc. – In Receivership  
Calendar 2017, 2016 and Prior Municipal Taxes**

On February 13, 2017 (the “Receivership Date”), the Court of Queen’s Bench of Alberta (the “Court”) granted an Order (the “Receivership Order”) whereby Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver and manager (the “Receiver”) over the assets, properties and undertakings (the “Property”) of Virginia Hills Oil Corp. (“VHO”) and Dolomite Energy Inc. (“Dolomite”) (together referred to as the “Company”). For more information concerning the Receivership proceedings, please visit the Receiver’s website at [www.alvarezandmarsal.com/VHO](http://www.alvarezandmarsal.com/VHO).

On May 3, 2017, a Bankruptcy Order was granted in respect of VHO and Dolomite, and A&M was appointed as the trustee in bankruptcy (the “Trustee”).

Pursuant to paragraph 3 of the Receivership Order, the Receiver was empowered and authorized to manage, operate and carry on the business of the Company and to market and sell its Property.

Pursuant to an Order of the Court dated March 21, 2017 (the “PPR Approval and Vesting Order”), as amended by an Order of the Court dated June 20, 2017 (the “Amending Order”), the Receiver has completed the sale of certain Property in your County to Prairie Provident Resources Ltd (“PPR”). The PPR Approval and Vesting Order, as amended, required the Receiver to holdback funds in respect of unpaid municipal taxes, releasable only by further order of the Court.

We understand that there remain outstanding municipal taxes owing to you for the 2016 taxation year. As you are aware, the priority of municipal taxes has been the subject of certain recent legal challenges. On June 20, 2017 the Court granted an Order confirming that a municipality’s claim for unpaid taxes for linear property (“linear property taxes”) is unsecured. On appeal, the Court of Appeal upheld the decision of the Court and permission to appeal this decision was denied by the Supreme Court of Canada. Therefore, claims for pre-receivership linear property taxes are considered by the Receiver to be unsecured and therefore there are no funds available for such claims.

The issue of the priority of non-linear property taxes, to the Receiver’s knowledge, has never been decided by the Court. We understand that non-linear property taxes in the amount of \$3,401.69 are owing to the County of Lamont by Dolomite.

We have been advised by PPR that they inadvertently paid linear property taxes on behalf of Dolomite in the amount of \$790.84, which, were unsecured claims relating to the period of January 1, 2017 to the Receivership Date of February 13, 2017.

The administration of the Receivership and Bankruptcy of the Company is now substantially complete, and the Receiver and Trustee will be seeking a final distribution of remaining funds and their discharge. Upon receiving confirmation from the County of the above amounts, it is our intention to seek a Court order to remit payment to you of \$2,610.85 from the holdback representing the outstanding \$3401.69 for 2016 non-linear property taxes owing less the \$790.84 linear property taxes erroneously paid by PPR for the pre-receivership period of January 1, 2017 to the Receivership Date.

The Receiver does not believe you have a priority claim to any other amounts. All remaining unpaid municipal taxes owing by the Company for periods prior to the Receivership Date and not paid by the Receiver constitute an unsecured claim against the VHO or Dolomite estates.

Your attention to this matter is greatly appreciated and we look forward to receipt of your confirmation of the above-noted non-linear and pre-receivership linear taxes owing by no later than February 7, 2020. In the meantime, if you have any questions or concerns, please contact Tim Reid at [treid@alvarezandmarsal.com](mailto:treid@alvarezandmarsal.com).

Yours truly,

**Alvarez & Marsal Canada Inc., in its capacity as  
the Court Appointed Receiver and Manager of  
VHO and Dolomite., and not in its personal  
or corporate capacity**



Orest Konowalchuk, LIT  
Senior Vice President



**Alvarez & Marsal Canada Inc.**  
Bow Valley Square 4  
Suite 1110, 250 - 6th Avenue SW  
Calgary, Alberta T2P 3H7  
Phone: +1 403 538 7555  
Fax: +1 403 538 7551

January 27, ~~2019~~ 2020

Municipal District of Opportunity  
2077 Mistassiniy Road North  
Box 60  
Wabasca, AB T0G 2K0

Via facsimile: (780) 891-4283

Dear Sirs:

**RE: Virginia Hills Oil Corp. and Dolomite Energy Inc. – In Receivership  
Calendar 2017, 2016 and Prior Municipal Taxes**

On February 13, 2017 (the “Receivership Date”), the Court of Queen’s Bench of Alberta (the “Court”) granted an Order (the “Receivership Order”) whereby Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver and manager (the “Receiver”) over the assets, properties and undertakings (the “Property”) of Virginia Hills Oil Corp. (“VHO”) and Dolomite Energy Inc. (“Dolomite”) (together referred to as the “Company”). For more information concerning the Receivership proceedings, please visit the Receiver’s website at [www.alvarezandmarsal.com/VHO](http://www.alvarezandmarsal.com/VHO).

On May 3, 2017, a Bankruptcy Order was granted in respect of VHO and Dolomite, and A&M was appointed as the trustee in bankruptcy (the “Trustee”).

Pursuant to paragraph 3 of the Receivership Order, the Receiver was empowered and authorized to manage, operate and carry on the business of the Company and to market and sell its Property.

Pursuant to an Order of the Court dated March 21, 2017 (the “PPR Approval and Vesting Order”), as amended by an Order of the Court dated June 20, 2017 (the “Amending Order”), the Receiver has completed the sale of certain Property in your County to Prairie Provident Resources Ltd (“PPR”). The PPR Approval and Vesting Order, as amended, required the Receiver to holdback funds in respect of unpaid municipal taxes, releasable only by further order of the Court.

We understand that there remain outstanding municipal taxes owing to you for the 2016 taxation year. As you are aware, the priority of municipal taxes has been the subject of certain recent legal challenges. On June 20, 2017 the Court granted an Order confirming that a municipality’s claim for unpaid taxes for linear property (“linear property taxes”) is unsecured. On appeal, the Court of Appeal upheld the decision of the Court and permission to appeal this decision was denied by the Supreme Court of Canada. Therefore, claims for pre-receivership linear property taxes are considered by the Receiver to be unsecured and therefore there are no funds available for such claims.

The issue of the priority of non-linear property taxes, to the Receiver’s knowledge, has never been decided by the Court. We understand that non-linear property taxes in the amount of \$52,269.49 are owing to the Municipal District of Opportunity by VHO.

We have been advised by PPR that they inadvertently paid linear property taxes on behalf of VHO in the amount of \$18,295.69, which, were unsecured claims relating to the period of January 1, 2017 to the Receivership Date of February 13, 2017.

The administration of the Receivership and Bankruptcy of the Company is now substantially complete, and the Receiver and Trustee will be seeking a final distribution of remaining funds and their discharge. Upon receiving confirmation from the County of the above amounts, it is our intention to seek a Court order to remit payment to you of \$33,983.80 from the holdback representing the outstanding \$52,279.49 for 2016 non-linear property taxes owing less the \$23,190.42 linear property taxes erroneously paid by PPR for the pre-receivership period of January 1, 2017 to the Receivership Date.

The Receiver does not believe you have a priority claim to any other amounts. All remaining unpaid municipal taxes owing by the Company for periods prior to the Receivership Date and not paid by the Receiver constitute an unsecured claim against the VHO or Dolomite estates.

Your attention to this matter is greatly appreciated and we look forward to receipt of your confirmation of the above-noted non-linear and pre-receivership linear taxes owing by no later than February 7, 2020. In the meantime, if you have any questions or concerns, please contact Tim Reid at [treid@alvarezandmarsal.com](mailto:treid@alvarezandmarsal.com).

Yours truly,

**Alvarez & Marsal Canada Inc., in its capacity as  
the Court Appointed Receiver and Manager of  
VHO and Dolomite., and not in its personal  
or corporate capacity**



Orest Konowalchuk, LIT  
Senior Vice President



## APPENDIX D

COURT FILE NO.	1701-02184
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFFS	THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES
DEFENDANTS	VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.
	IN THE MATTER OF THE RECEIVERSHIP OF VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.
APPLICANT	ALVAREZ & MARSAL CANADA INC. in its capacity as Court-appointed Receiver and Manager of the assets, undertakings and properties of VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.
DOCUMENT	<b>AFFIDAVIT</b> <b>(Confirming Discharge of Receiver)</b>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Torys LLP 4600 Eighth Avenue Place East 525 - Eighth Ave SW Calgary, AB T2P 1G1  Attention: Kyle Kashuba Telephone: +1 403.776.3744 Fax: +1 403.776.3800 Email: <a href="mailto:kkashuba@torys.com">kkashuba@torys.com</a> File No. 39108-2002

Clerk's Stamp

### AFFIDAVIT OF OREST KONOWALCHUK

Sworn on \_\_\_\_\_, 2020

I, Orest Konowalchuk, of the City of Calgary, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a Licenced Insolvency Trustee, and a Managing Director with Alvarez & Marsal Canada Inc., which is the Court-appointed receiver and manager (the “**Receiver**”) of the assets, undertakings and properties of Virginia Hills Oil Corp. and Dolomite Energy Inc. (together, the “**Debtors**”).
2. Pursuant to the Order granted by the Honourable Madam Justice G.A. Campbell of the Court of Queen’s Bench of Alberta (the “**Court**”) dated February 13, 2017, Alvarez & Marsal Canada Inc. was appointed as the Receiver over the Debtors.
3. Pursuant to an Order (Final Distribution, the Approval of the Receiver’s Activities, Fees and Disbursements, and the Receiver’s Discharge) granted by Madam Justice M.H. Hollins dated February 25, 2020 (the “**Discharge Order**”), the Court approved the discharge of the Receiver, subject to the filing an Affidavit in the within form confirming that the Receiver had completed certain other administrative activities required to complete its administration of the Debtors’ receivership proceedings.
4. This will confirm that the Receiver has completed all other activities required to complete its administration of the Debtors’ receivership proceedings, particularly as set out in paragraphs 2 and 3 of the Discharge Order.
5. I make this Affidavit further to the requirements of the Discharge Order, and understand that upon the filing of this Affidavit, Alvarez & Marsal Canada Inc. will be fully and finally discharged from its capacity as the Receiver of the Debtors.

6. I make this Affidavit for no other or improper purpose.

SWORN before me at the City of )  
 Calgary, in the Province of Alberta, )  
 this \_\_\_\_ day of \_\_\_\_\_, 2020 )

\_\_\_\_\_  
 A Commissioner for Oaths in and )  
 for the Province of Alberta )

\_\_\_\_\_  
 Name: Orest Konowalchuk, LIT