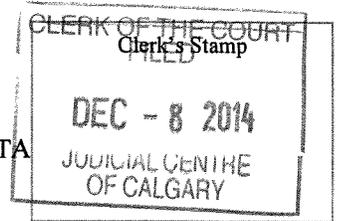


COURT FILE NUMBER 1301-14743
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



PLAINTIFF CENTURY SERVICES LP, BY ITS GENERAL PARTNER,
CENTURY SERVICES INC.

DEFENDANT ATIKWA RESOURCES INC.

DOCUMENT **FIRST REPORT OF THE RECEIVER**

December 8, 2014

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. Effective January 31, 2014 (the “Receivership Date”), pursuant to an order of the Honourable Madam Justice B.E.C. Romaine granted in these proceedings (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver and manger (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 Atikwa Resources Inc. (“Atikwa” 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”), section 13(2) of the *Judicature Act*, RSA 2000, c J-2, and section 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7, 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 Atikwa and to take possession and control of the Property of Atikwa 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 first report of the Receiver (the “First Report”) is to provide this Honourable Court with information in respect of the following:
 - a) an overview and an operational update of Atikwa since the Receivership Date;
 - b) the activities of the Receiver since the Receivership Date;
 - c) an overview of the Pathway GORR, as defined below;
 - d) the security opinion of the Receiver’s Alberta, Saskatchewan and Manitoba counsel with respect to the security interests granted by

Atikwa to Century Services LP, by its general partner, Century Services Inc. (“Century”);

- e) the security opinion of the Receiver’s Manitoba counsel with respect to the security granted by Atikwa to each of Pathway GORR 2010 Offering Memorandum Subsidiary Inc, Pathway GORR 2010 Prospectus Inc., and Pathway GORR 2011 Prospectus Inc. (collectively referred to as “Pathway”) (such security being referred to as the “Pathway Security” or the “Pathway GORR”), which is currently held by Marquest Asset Management Inc. (“Marquest”) as successor to Pathway;
- f) the sales process initiated by the Receiver soliciting offers for the purchase of the Property;
- g) the temporary Sealing Order sought by the Receiver in respect of Confidential Appendix B – Receiver’s Analysis of the McLand APA, Confidential Appendix C – Bid Summary and Confidential Appendix D – McLand APA to this First Report;
- h) the cash flow results for the period from January 31, 2014 to November 30, 2014 (the “Reporting Period”);
- i) the borrowings by the Receiver pursuant to the terms of the Receivership Order;
- j) other priority charges against Atikwa and possible priority issues/challenges with respect to the security held by Century and Marquest;
- k) the Receiver’s future course of action; and
- l) the Receiver’s recommendations

4. Capitalized words or terms not defined or ascribed a meaning in the First Report are as defined or ascribed a meaning in the Receivership Order.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

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

BACKGROUND

7. Atikwa is a corporation registered to carry on business in the Province of Alberta and was formed in 2009. Atikwa carried on business as an oil and gas exploration, acquisition, development and production company with operations and Property in the Provinces of Alberta, Saskatchewan and Manitoba. Atikwa is a publically listed company; however, its shares have been "cease traded" since the Receivership Date.
8. Atikwa is a producer of crude oil ("Oil"), natural gas ("Gas") and natural gas liquids ("NGL"). Atikwa's production is more heavily weighted in favour of Oil. The majority of Atikwa's production base is generated from the Spearfish formation located in the RM of Edward and RM of Arthur, both in Manitoba (the "Manitoba Properties"). Atikwa's other working interests are located in Roncott and Readlyn, Saskatchewan (the "Saskatchewan Properties") and Ferrier and Porcupine Hills, Alberta (the "Alberta Properties").
9. Atikwa has one wholly-owned subsidiary, 1758697 Alberta Ltd. ("175 AB Ltd."), which is not in receivership. The Receiver was advised by Atikwa's former management and contract accountant that this is a dormant company with no assets or operations and no apparent value. Despite the Receiver not being able to

locate any financial records of 175 AB Ltd.; the Receiver has located the minute books and obtained a current corporate search that indicates Atikwa is the 100% shareholder of 175 AB Ltd. Further background to Atikwa 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/atikwa (the "Receiver's Website").

OVERVIEW AND OPERATIONAL UPDATE OF ATIKWA

Location

10. Atikwa's head office is located in Alberta and its principal address was Suite 2210, 635-8th Avenue SW, Calgary, Alberta.

Oil & Gas Assets

Background

11. Prior to the Receivership Date, Atikwa was the operator of both of its Saskatchewan Properties and Manitoba Properties and was a non-operator of its Alberta Properties.
12. On December 1, 2013, Atikwa lost the operatorship of the Saskatchewan Properties to its working interest partner, Crescent Point Energy ("CPE"), as a result of Atikwa not paying CPE its portion of production revenue for several months (totaling approximately \$130,000). As a result, CPE became the operator of the Saskatchewan Properties and for the past 11 months CPE has been withholding and setting off Atikwa's share of the production to pay down Atikwa's obligations to CPE. The current balance owing to CPE is now approximately \$3,000.
13. On December 6, 2013, Atikwa's then contract field operator, Diversified Oilfield Services ("Diversified"), ceased operating the Manitoba Properties due to non-payment of its monthly fees and disbursements. Effective December 19, 2013,

Atikwa's working interest partner, Antler River Resources Ltd., agreed to operate the six (6) shared wells described in a "Consent Judgment", which, together with a related "Consent Dismissal Order", are attached as Appendix A. In addition, Atikwa entered into a Master Services Agreement with Melita Resources Ltd. dated December 19, 2014, to operate Atikwa's three (3) 100% owned wells described in the attached Consent Judgment.

14. The Manitoba Properties were shut-in from December 6, 2013 to mid-January 2014 and production was slowly restored by Atikwa's new field operators prior to and after the Receivership Date.

Manitoba Properties

15. Atikwa owns various working interests in 1,520 gross acres containing 8 oil wells which are producing or capable of production and 48 identified drilling locations. Production is subject to various freehold and gross overriding royalty burdens, notably the Pathway GORR, as discussed further below. The Manitoba Properties are situated in the Amaranth and Mission Canyon (Alida) formation which are stratigraphically equivalent to the Spearfish formation in Montana and North Dakota.
16. Total proved light and medium oil reserves of 594 MSTB (defined as "thousands of Stock Tank Barrels of oil") have been estimated as available for production, of which total remaining proved developed producing oil reserves of 38 MSTB have been estimated for this area based on a decline analysis of each well's production history. Proved undeveloped oil reserves of 556 MSTB have been estimated for 16 half-length horizontal drilling locations, where approximately 1,493 MSTB have been estimated as total probable light and medium oil reserves.
17. Since the Receivership Date, the Receiver has experienced various challenges in bringing Atikwa's wells back to full production capacity, which based on historical production is estimated to be approximately 45 boe/day. Some of the challenges experienced in this time frame included:

- a) the wells being shut-in for over one month in the winter months leading up to the receivership, which required additional capital and time to restore production after the Receivership Date;
 - b) extreme cold winter temperatures (December 2013 to February 2014) was experienced in Manitoba, which slowed Atikwa's production rates considerably and/or shut-in certain wells at various times during this period;
 - c) spring break-up which prevented the Receiver from hauling oil from Atikwa's battery to market in the spring of 2014; and
 - d) massive flooding in southwest Manitoba over the summer months (June and July 2014), which impacted Atikwa's ability to produce and haul oil to market as road bans were effected by various municipalities;
18. From January 31, 2014 to May 31, 2014, Atikwa was producing, on average, from the Manitoba Properties of approximately 32.5 boe/day. Production decreased in June and July (for the reasons discussed above) with production averaging 20.1 boe/day; however, an increase in production was experienced in August and September to approximately 39.4 boe/day due to more favourable conditions and temperatures.
19. Atikwa's net actual cash flow collected by the Receiver from January 31, 2014 to November 30, 2014 was \$183,837 from the Manitoba Properties. Atikwa's main source of cash flow is the Manitoba Properties and the cash flow has not been sufficient to cover all of Atikwa's operating costs and the professional fees and costs of Receiver and its legal counsel during the receivership. This has resulted in the Receiver having to borrow \$225,000 under the Receiver's Certificate, as discussed further below.
20. Additionally, the Pathway GORR is an encumbrance on certain of Atikwa's Manitoba Properties and has not been paid as net revenue received by the

Receiver was not sufficient to pay the GORR. As at November 30, 2014, the total calculated amount of the Pathway GORR since the date of the Receivership is approximately \$268,127 (including the September 2014 production month). The Pathway GORR is also discussed below.

Alberta Properties

21. Atikwa holds a non-operated 17.17% working interest in 640 acres of land containing one vertical producing gas well in Ferrier, Alberta ("Ferrier"), which are subject to Alberta Crown royalties as well as gross overriding royalties. The Ferrier well is located within the Belly River Group formation.
22. Atikwa also holds a 100% working interest in two wells located in Porcupine Hills, Alberta that are currently suspended and/or in an abandoned zone ("Porcupine Hills"). There is one active surface and mineral lease relating to Porcupine Hills.
23. On June 12, 2014, the AER delivered a letter to the Receiver indicating that a security deposit is required in the amount of \$10,625 on account of Atikwa's corporate Licensee Liability Rating ("LLR") rating being below 1.0. This deposit requirement is as a result of the AER's assessment of the one well license Atikwa holds in Porcupine Hills. The Receiver currently does not have the funds to pay this security deposit to the AER associated with this one well license.
24. Atikwa's net actual cash flow collected from the Alberta Properties from January 31, 2014 to November 30, 2014 was \$2,517. Atikwa's operator, Canadian Oil & Gas International Inc. ("COGI"), was owed approximately \$15,812.40 on the Receivership Date and COGI has been withholding and setting off Atikwa's production to pay down this debt obligation. This balance owing to COGI has now been paid in full and it is expected that COGI will be paying Atikwa its share of production going forward. COGI currently owes Atikwa approximately \$1,297 for the September 2014 production month.

Saskatchewan Properties

25. Atikwa holds a 50% working interest in 1,760 acres containing one producing oil well, one inactive well and five horizontal drilling locations in Roncott, Saskatchewan ("Roncott"), which is subject to Saskatchewan Crown royalties and a gross overriding royalty on part of the property. Atikwa also owns a 66.67% working interest in 1,920 acres in Readlyn, Saskatchewan, containing one inactive well. The Roncott well is in the Roncott Mississippian Bakken pool and is located in southeastern Saskatchewan. Geologically, the pool is situated on the Roncott platform immediately west of the Hummingbird trough and the depositional environment of the producing Bakken formation has been interpreted to be tidal channels.
26. As discussed above, CPE is the operator of the producing well. Atikwa's generally earns production revenue per month of approximately \$13,000 to \$20,000. As previously discussed, Atikwa currently owes CPE approximately \$3,000 and it is expected that Atikwa will start receiving cash flow from the Saskatchewan Properties in December 2014.

Office Lease

27. The Company's head office lease was terminated by the Receiver in early February 2014 and all known books and records of Atikwa were delivered to the Receiver's office location and/or were stored at Iron Mountain Canada.

Insurance coverage

28. Atikwa has a comprehensive corporate insurance policy ("Corporate Insurance Policy") in place with Energy Insurance Group that expires on February 26, 2015, which consists of blanket property coverage, commercial liability (including sudden and accidental pollution liability), business interruption, production property floater, and office contents insurance. The total premium is approximately \$11,200 and was paid in full by the Receiver.

29. The Receiver is the beneficiary and the loss-payee of the Corporate Insurance Policy.

INITIAL ACTIVITIES OF THE RECEIVER

Securing the Property and Administration

30. Since the Receivership Date, the Receiver's initial activities have included the following:
- a) taking possession and control of the Property;
 - b) removing all records from Atikwa's head office and delivering them to the Receiver's office and/or into storage;
 - c) completing a filing index and organizing the various files of Atikwa;
 - d) confirming all known bank accounts of Atikwa and providing the respective bank representatives with notices to freeze all accounts and remit net balances to the Receiver;
 - e) redirected Atikwa's mail to the office of the Receiver;
 - f) conducting meetings with the former CEO, contract accountant, and land administrator of Atikwa on January 31st, February 3rd and February 4th to explain the powers and duties of the Receiver, its role as an Officer of the Court, discuss proposed terms of retention to assist the Receiver during the receivership proceedings, and to retain those individuals necessary for the administration of the receivership;
 - g) various conference calls and meetings with the field operators of Atikwa, particularly to address the variety of issues and operational matters impacting the wells in Manitoba;
 - h) retaining NRG Divestitures Inc. ("NRG") as the Receiver's marketing agent to sell the Property of Atikwa;

- i) retaining and instructions to the Receiver's independent legal counsel, Dentons Canada LLP, in respect of the Receivership Proceedings generally;
- j) retaining and instructions to the Receiver's other independent legal counsel, Aikins, MacAulay & Thorvaldson LLP and MacPherson Leslie & Tyerman LLP, to provide security options in Manitoba and Saskatchewan, respectively;
- k) retaining Chapman Petroleum Engineering Ltd. ("Chapman") to prepare a reserve and economic evaluation of the oil and gas properties of Atikwa with an effective date of July 1, 2014;
- l) reviewing the land records of Atikwa and engaging a contract land administrator to update Atikwa's property, mineral and contract files;
- m) compilation and analysis of accounts receivable sub-ledgers;
- n) day to day management of operations of Atikwa including contractor supervision and payment of trade creditors for services rendered and approved by the Receiver;
- o) monitoring the cash flow of Atikwa and ensuring suppliers were paid on a timely basis;
- p) notifying Atikwa's insurance brokers of the Receivership Order and making arrangements for continuation of the Corporate Insurance Policy, and adding the Receiver as a named insured and loss payee;
- q) numerous meetings and communications with Century and Marquest (collectively the "Significant Stakeholders"), with respect to operational and financial updates of Atikwa, the sales process, and establishing a "communications protocol" regarding information flow from the Receiver to the Significant Stakeholders, as discussed below;

- r) numerous meetings and calls with the AER regarding various matters, and
- s) numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver, shareholders, current directors, interested parties, and other Atikwa stakeholders regarding the Receivership Proceedings generally.

Employees and Consultants

- 31. Prior to the Receivership Date, the Receiver understands that Atikwa had two employees: the previous CEO (Mr. Sean Kehoe) and another employee. Their employment ended with Atikwa in early to mid-2013.
- 32. As at the Receivership Date, Atikwa did not have any employees. Atikwa's new CEO (Mr. Andrew Watts) and a contract accountant were paid as independent contractors and were not employees of Atikwa.
- 33. During the receivership, the Receiver engaged the services of two independent contractors, on a short-term and as needed basis, to primarily assist with the accounting, operational, and other duties required by the Receiver in the overall administration of the receivership proceedings.

The Century and Marquest Arrangement

- 34. Throughout the receivership proceedings, the Receiver and the Significant Stakeholders have been communicating with each other and sharing certain Atikwa information to assist the Significant Stakeholders in evaluating their positions in the receivership.
- 35. Specifically, it was agreed and understood that Century and Marquest were engaged in discussions about their respective interests in the Atikwa estate, and agreed to advance those interests in a cooperative way in the Receivership Proceedings.

36. The Receiver understood that an agreement or arrangement was to be established between Century and Marquest which may formalize this relationship. The Receiver acknowledges that Century and Marquest are the two primary stakeholders in the Atikwa estate, and has been cooperating with and providing information to both Century and Marquest.
37. The Receiver, with the agreement and support of Century and Marquest, used the following communication protocol during the receivership proceeding:
 - a) unless specific assurance in respect of confidentiality was requested, the Receiver communicated jointly with both Marquest and Century concerning the Atikwa estate; and
 - b) the Receiver agreed to consider any joint requests or other joint communications from Century and Marquest, or any communication from either of them copied to the other.
38. The Receiver intends to continue to work with Century and Marquest in this fashion going-forward.

Land and Contract Files

39. Since the Receivership Date, the Receiver has performed a review of the various property files of Atikwa and has attempted to reconcile these property files to the mineral and surface lease documents in Atikwa's land system. Early in the receivership the Receiver provided to the Significant Stakeholders a copy of the various mineral, surface, well and contract files that were downloaded from Atikwa's outsourced land system. During its review, the Receiver identified various inconsistencies and missing information and advised the Significant Stakeholders of the same. The Receiver and the Significant Stakeholders agreed that it would be appropriate for the Receiver to engage the services of a land administrator who could update and reconcile these files and records for the Receiver and to clarify the current state of Atikwa's Property. In June 2014, the

land files were properly updated and reconciled by the contract land administrator.

Updated Reserve Report

40. During the receivership proceedings, the Significant Stakeholders requested that an updated reserve report be completed for Atikwa. The Receiver concurred and engaged the services of Chapman for that purpose.
41. The Chapman engineer reserve report for Atikwa was finalized on August 27, 2014 and cost approximately \$40,000.

Employee Priority Claims

42. Upon review of the books and records of Atikwa, the Receiver understands that there were no salaries and/or wages owing to employees of Atikwa that would qualify for a claim under the Wage Earner Protection Program or a priority claim pursuant to section 81.4(1) of the BIA.

Canada Revenue Agency

GST and Source Deductions

43. The Receiver collected approximately \$25,000 in pre-receivership GST credits (refund) from Canada Revenue Agency ("CRA") and an additional \$8,000 post-receivership GST refund up to May 31, 2014. The Receiver has requested an audit to be conducted by CRA on Atikwa's GST.
44. The Receiver, with the assistance of its contract accountant, completed and filed all calendar year 2013 regulatory forms with the CRA, namely, employee T4 notices for tax purposes and several T5 notices (investment income notices).
45. On June 26, 2014, the Receiver obtained a notice of assessment from the CRA indicating that Atikwa owes the CRA \$37,932.97 relating to source deductions, of which \$29,200.07 is considered a deemed trust priority amount. This priority amount remains unpaid. The Receiver understands that the source deduction

deficiency is as a result of the non-payment of source deductions relating to the wages of the former CEO (Mr. Sean Kehoe) in 2013.

Corporate income tax and tax pools

46. Atikwa's last filed a tax return in respect of the fiscal year-ending February 28, 2013. The Receiver is currently finalizing Atikwa's tax return for fiscal 2014.
47. The estimated balances of Atikwa's tax pools as at June 30, 2014 are summarized below:

	\$
Non Capital Losses	12,645,000
Capital Cost Allowances (CCA)	1,831,850
Cumulative Eligible Capital (CEC)	1,680
Canadian Exploration Expenses (CEE)	3,954,760
Canadian Development Expenses (CDE)	2,024,230
Canadian Oil & Gas Property Expenses (COGPE)	21,986,160

48. The Receiver anticipates that the fiscal 2014 tax return for Atikwa will be completed in the coming weeks and the tax pools listed above are expected to grow.

Statutory Mailing by Receiver

49. The Receiver mailed the notices required by sections 245 and 246 of the BIA to the Atikwa's creditors and the Office of the Superintendent of Bankruptcy on February 10, 2014. A copy of the Receiver's Notice can be found on the Receiver's Website.

PATHWAY GORR

Overview

50. Since February 2010, Atikwa entered into multiple farmout and royalty agreements with Pathway (the “GORR Agreements”). The total funds advanced by Pathway to Atikwa under the GORR Agreements was approximately \$7.48 million (the “Initial Advance”). The Pathway GORR Agreements provide for an ongoing royalty payment to Marquest from some of Atikwa’s Manitoba Properties.
51. Pursuant to the GORR Agreements, Marquest is granted a security interest (the “GORR Security Interest”) in the property of the Atikwa. The GORR Security Interest appears to grant Marquest a first ranking encumbrance on Atikwa’s working interests in the applicable Atikwa Properties (the “GORR Property”).
52. The Pathway GORR is a 4 tiered GORR structure and is calculated initially as a gross 40% encumbrance on Atikwa’s share of production. The percentage of the encumbrance reduces to 35%, then 30%, and finally to 10%, as payment milestones are surpassed. The GORR Agreements also direct Atikwa to pay 6% of the GORR funds directly to Discovery Resource Management Ltd. (“Discovery”) as an administration (geological) fee. The Receiver recently reviewed a corporate search on Discovery and notes that the owner of Discovery is the former CEO of Atikwa, Mr. Sean Kehoe.
53. The Receiver understands in speaking with former management of Atikwa, that the Pathway GORR rendered Atikwa “cash strapped” as the calculated monthly GORR, in most cases, resulted in more cash owing by Atikwa to Marquest than was being collected by Atikwa’s from the GORR Properties. As a result, the Pathway GORR significantly reduces the value of Atikwa’s Manitoba Properties as it has made them uneconomical to operate.

54. The Receiver understands the last payment that was made on the Pathway GORR (which includes amounts payable to Discovery) by Atikwa was in fall 2012 and the amount owing as at the Receivership Date was approximately \$925,000.
55. Since the Receivership Date the Receiver had multiple discussions with Marquest. The Receiver has advised Marquest that the Atikwa estate does not have sufficient funds to pay the ongoing Pathway GORR given the limited net cash flows that are being collected by the Receiver from the GORR Property. The Receiver has explained to Marquest that the Receiver's Charge and the Receiver's borrowings under the Receiver's Certificate have priority over the ongoing Pathway GORR and any other pre-existing security interest. The total amount owing to Marquest on account of the Pathway GORR (including the Discovery portion of the GORR) since the Receivership Date is approximately \$282,000 (including the September production month). However, as noted above, the total funds collected from the Manitoba Properties, subject to the Pathway GORR was only \$183,837.

SECURITY OPINION

Validity & Enforceability

56. As part of its duties, the Receiver engaged the services of three law firms (one in each of Alberta, Saskatchewan, and Manitoba) to obtain a security opinion concerning the validity and enforceability of the security held by Century in each of the three provinces, and the Pathway GORR held by Marquest over certain Manitoba Properties.

Alberta

57. The security granted by Atikwa in favour of Century has been validly executed and delivered, has been perfected and registered in accordance with the laws of the Province of Alberta. Century's security is enforceable against all of the present and after acquired personal property of Atikwa in priority to subsequently perfected interest in Atikwa's personal property, and all unperfected interests.

Saskatchewan

58. The security interest of Century in the personal property and real property of Atikwa is valid and enforceable.

Manitoba

59. Century's security agreements create a valid and enforceable security interest in the personal property of Atikwa. In addition, Century's land registrations also give evidence of a valid and enforceable equitable mortgage in the rights and interests of the borrower in and to the Manitoba lands against which they are registered.
60. The Pathway Security land registrations give evidence of valid and enforceable interest in the rights and interests of Atikwa in and to the Manitoba lands against which they are registered.
61. The GORR Security Interest granted by Atikwa in favour of Marquest does not secure repayment of the Initial Advance. Marquest is only entitled to payment of a royalty which is calculated on production from the affected GORR Property.

Priority

62. Through discussions with its counsel, the Receiver's understands that the priority to Atikwa's real property interests in Manitoba is determined by the order of registration against each of the individual Manitoba Properties.
63. The Receiver advised the Significant Stakeholders that if a priority issue exists, its resolution is generally obtained by agreement of the disputing creditors or through litigation in the Receivership Action.
64. The Receiver strongly encouraged the Significant Stakeholders to seek independent legal advice from their own legal counsel with respect to the priority of their respective security and/or claims.

OTHER PRIORITY CHARGES AND PRIORITY ISSUES

65. Based on the information available to the Receiver, the Receiver understands the following claims are outstanding and have a priority to the Century security interests and the Pathway Security:

- a) Receiver's Charge – costs incurred by the Receiver, including outstanding professional fees of the Receiver and its counsel;
- b) Receiver Certificate - \$225,000 (subject to additional borrowings of up to a maximum \$500,000); and
- c) CRA (outstanding payroll source deductions) - \$29,200.07;
- d) Provincial Security Deposit Requirements
 - i. Atikwa has one well license in Alberta and has a security deposit held on account of approximately \$45,000. There is currently a security deposit deficiency with the AER of approximately \$12,000. If a purchaser for the Alberta properties has a LLR of over 1.0, this deposit may not be required to be paid for this one well license;

Atikwa has a security deposit held on account with the Saskatchewan and Manitoba government, of \$10,000 and \$60,000, respectively, and the Receiver understands that there are no additional deposits required at this time.
- e) Outstanding Crown, freehold, GORR and surface lease payments
 - i. the Receiver understands that all of these payments are current with the exception of the Pathway GORR payment.
- f) Working Interest Partners

NRG Marketing Process

Implementation

69. NRG undertook a significant sales and marketing process to ensure it effectively and thoroughly canvassed the market. The NRG Marketing Process is summarized below:

- a) The NRG Marketing Process commenced on September 17, 2014, with information brochures summarizing the Company being emailed out to approximately 800 oil and gas contacts. In addition, the brochure was posted on NRG's website, where statistics showed that website is visited over 1,000 times per week.
- b) On September 30, 2014, October 2, 2014 and October 15, 2014, an advertisement was placed in the Daily Oil Bulletin announcing the divestiture of Atikwa Property. In addition to the website and email promotion, both Accumap and XI Technologies were used to identify companies with interests in the same areas as the Atikwa assets being sold. These companies were contacted by NRG and were made aware of the sales process.
- c) The NRG Marketing Process advised prospective purchasers and interested parties that all offers were due by October 23, 2014 at 4:00 p.m. MST (the "Bid Deadline");
- d) 23 confidentiality agreements ("CAs") were received, which the Receiver was advised is an exceptional number of CAs for a divestiture of this nature. Each party signing a CA was provided with access to the virtual data room relating to the Atikwa Property sale;
- e) A physical data room containing well files was made available to prospective purchasers in the offices of the Receiver. One party visited the physical data room;

- f) There was one (1) site visit requested and performed by an interested party.

Results from the NRG Marketing Process

- 70. A total of 9 prospective purchasers submitted written offers (non-binding letters of intent with no deposits) prior to the Bid Deadline. The Receiver was advised that the ratio of bids to CAs received (9/23 or 39%), is comparable to other similar divestiture assignments NRG has recently managed.
- 71. The best and most appropriate non-binding letter of intent received and accepted by the Receiver (subject to Court approval) was for the purchase of the Alberta Properties and Saskatchewan Properties to McLand Resources Ltd. ("McLand"). This offer was finalized in an asset purchase and sale dated November 12, 2014 (the "McLand APA") and the Receiver has received a 15% deposit.
- 72. The Receiver continues to work on an offer received from an interested party for the Manitoba Properties. This offer has not been finalized.
- 73. Due to the confidential nature of the information provided in the offers received on the Alberta Properties, the Saskatchewan Properties and the Manitoba Properties during the NRG Marketing Process, the Receiver is concerned that if the information is disclosed to third parties prior to the closing of the sale of the respective properties the disclosure could materially jeopardize the sale or, if the sale does not close, could materially jeopardize the value that the Receiver could subsequently obtain from the sale of these properties. As such, the Receiver is respectfully of the view that it is appropriate that this Honourable Court grant the Company's request for a temporary sealing of the following appendices to this First Report:
 - a) the Receiver's analysis on the McLand APA (Confidential Appendix B);

- b) a bid summary of the various offers received for the Alberta Properties, the Saskatchewan Properties and the Manitoba Properties in the NRG Marketing Process (Confidential Appendix C); and
- c) the McLand APA (Confidential Appendix D).

RECEIPTS AND DISBURSMENTS – JANUARY 31, 2014 TO NOVEMBER 30, 2014

74. The table below provides a summary of the actual cash flows for the Reporting Period, and contains the cash receipts and disbursements relating to Atikwa. A further detailed cash flow is also attached as Appendix E to this report.

Atikwa Resources Inc. Rolling Cash Flow Forecast - DRAFT January 31, 2014 to November 30, 2014 (\$CAD - Unaudited)	
Operating Receipts	241,040
Operating disbursements	154,350
Professional fees and costs	250,848
Receivers' Certificate - borrowing (repayment)	225,000
Net change in cash flows	<u>60,842</u>
Opening available cash	7,234
Net change in cash flow	<u>60,842</u>
Ending available cash	<u><u>68,076</u></u>
Receiver's Certificate Reconciliation	
Maximum availability	<u>500,000</u>
Borrowings (release of funds)	(225,000)
Remaining available cash under Certificate	<u><u>275,000</u></u>

75. The receipts during the Reporting Period totalled approximately \$241,040, which include the following:
- a) Oil, Gas and NGLs receipts of approximately \$202,125, from the following properties:
 - i. Manitoba Properties - \$183,837;
 - ii. Saskatchewan Properties - \$15,770; and
 - iii. Alberta Properties - \$2,518

- b) CRA (GST) refunds of \$33,862; and
 - c) other receipts of approximately \$5,053.
76. The operating disbursements during the Reporting Period totalled \$154,350, which include the following:
- a) operating costs of \$25,506 that consist of insurance and accounting software costs;
 - b) contractor costs of \$57,198 relating to the payment of part-time contract general accountant and land consultant to assist the Receiver in the day-to-day operations of Atikwa;
 - c) lease rental and royalty costs of \$26,231 that are not taken in kind and based on expected production;
 - d) engineer reserve study report and initial start-up fees for NRG to conduct its sales process of \$39,068 and \$5,250, respectively;
 - e) miscellaneous costs of approximately \$1,097;
77. The professional fees and costs during the Reporting Period totalled \$250,848, up to September 30, 2014. This includes payments made to the Receiver and its legal counsel in Alberta, Saskatchewan and Manitoba.
78. Receiver's borrowing under the Receiver's Certificate was \$225,000 during the Reporting Period. The Receiver has a maximum borrowing limit of \$500,000, as discussed further below.
79. Atikwa's ending cash balance as at November 30, 2014 was \$68,076.

RECEIVER'S BORROWINGS

80. Pursuant to paragraph 24 of the Receivership Order, the Receiver has been empowered to borrow up to \$500,000 (or such greater amount as this Court may further Order).
81. On February 19, 2014, the Receiver issued Receiver's Certificate No. 1 in the amount of \$25,000 to Century and on June 10, 2014, the Receiver issued Receiver's Certificate No. 2 in the amount of \$200,000 to Century. Receiver's Certificate No. 1 and Receiver's Certificate No. 2 are attached as Appendix F to this First Report.
82. The terms of Receiver's Certificate No. 1 and Receiver's Certificate No. 2 include a per annum interest rate of 15%, which, in the Receiver's view, is commercially reasonable in the circumstances. Pursuant to paragraph 24 of the Receivership Order, Century has a charge over the whole of the Property by way of a fixed and specific charge as security for the repayment of the monies loaned under the Receiver's Certificates, together with interest and charges.

RECEIVER'S FUTURE COURSE OF ACTION

83. The Receiver's next steps include:
 - a) finalizing and closing the McLand APA, subject to Court approval;
 - b) completing the conditions precedent in the McLand APA, which include working with the AER and Saskatchewan Government authorities in the transferring of the various well licenses to McLand;
 - c) negotiating a final asset purchase agreement with the potential purchaser of the Manitoba Properties;
 - d) working with the CRA to facilitate the GST and source deduction audit of Atikwa;

- e) filing, packaging and storing and/all remaining relevant books and records of Atikwa;
- f) addressing any and all operational and regulatory matters affecting Atikwa's Property, as may be required; and
- g) applying to this Honourable Court for an Order approving the distribution of any funds held by the Receiver, and the Receiver's discharge, in due course.

RECOMMENDATION

84. The Receiver respectfully recommends that this Honourable Court approve and grant:

- a) the Sales and Vesting Orders sought by the Receiver in respect of the McLand APA; and
- b) a temporary sealing of the Confidential Appendices B, C and D to this First Report.

All of which is respectfully submitted this 8th day of December, 2014.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Atikwa Resources Inc.**



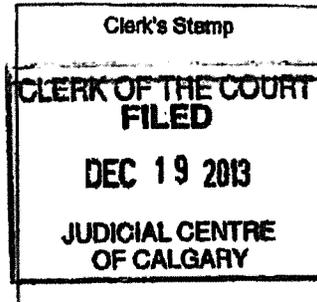
Tim Reid, CA•CIRP
Senior Vice-President



Orest Konowalchuk, CA•CIRP
Vice-President

APPENDIX A

Order
Rule 9.1



COURT FILE NO.: 1301-07297

COURT Court of Queen's Bench of Alberta

JUDICIAL CENTRE Calgary

PLAINTIFF ANTLER RIVER RESOURCES LTD.

DEFENDANT BY
COUNTERCLAIM

DEFENDANT ATIKWA RESOURCES INC.

PLAINTIFF BY
COUNTERCLAIM

THIRD PARTY DEFENDANTS MELITA RESOURCES LTD. and MURRAY CAMERON

DOCUMENT CONSENT JUDGMENT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Gowling Lafleur Henderson LLP
1600, 421 - 7th Avenue S.W.
Calgary, AB T2P 4K9

Telephone (403) 298-1878
Facsimile (403) 695-3582

File No. A130496

Attention: Warren Foley

This is Exhibit "B" referred to
in the Affidavit of
ANDREW WATT
Sworn before me this 20th
day of December A.D. 2013
Wilson McCutchan
A Commissioner for Oaths in and for
the Province of Alberta

Wilson McCutchan
Barrister & Solicitor

**DATE ON WHICH ORDER WAS
PRONOUNCED:**

19 ~~TH~~ M
Dec ~~20~~, 13

**LOCATION AT WHICH ORDER
WAS MADE:**

Calgary, Alberta

**NAME OF JUDGE WHO MADE
THIS ORDER:**

Stuart McLeod

UPON THE APPLICATION of counsel for the Plaintiff and the Defendant by Counterclaim, Antler River Resources Ltd. and the Third Party Defendants, Melita Resources Ltd. and Murray Cameron; **AND UPON NOTING** the consent of counsel for the Defendant and Plaintiff by Counterclaim, Atikwa Resources Inc.;

IT IS HEREBY ORDERED THAT:

1. The claims of the Plaintiff, Antler River Resources Ltd. as against the Defendant, Atikwa Resources Inc. are hereby dismissed without costs.
2. The claims of the Defendant, Atikwa Resources Inc. as against the Third Party Defendants, Melita Resources Ltd. and Murray Cameron are hereby dismissed without costs.
3. The claims of the Plaintiff by Counterclaim, Atikwa Resources Inc. as against Defendant by Counterclaim, Antler River Resources Ltd. are hereby dismissed without costs.
4. Effective immediately, Antler River Resources Ltd. shall be the operator of the following wells:
 - 11-5-2-28 W1M
 - 2-6-2-28 W1M
 - 7-34-1-28 W1M
 - 15-30-1-27 W1M
 - 13-23-1-28 W1M
 - 11-26-2-28 W1M
5. Effective immediately, Melita Resources Ltd. shall be the operator of the following wells:
 - 4-24-2-29 W1M
 - 6-24-2-29 W1M
 - 14-13-2-29 W1M

6. Such dismissals shall be for all purposes of the same force and effect as if judgment had been pronounced at a trial of this proceeding on the merits.
7. This Order may be consented to in counterpart and by facsimile or other electronic format.



Judge of the Court of Queen's Bench of Alberta

CONSENTED TO this 19 day of
December, 2013
Legal Counsel for Antler River Resources
Ltd., Plaintiff and Defendant by
Counterclaim, Melita Resources Inc. and
Murray Cameron, Third Party Defendants



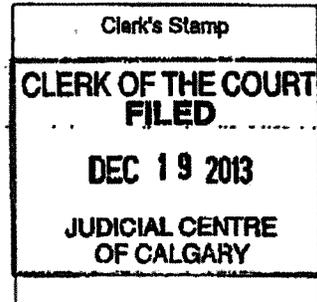
Warren Foley
Gowling Lafleur Henderson LLP

CONSENTED TO this 19 day of
December, 2013
Legal Counsel for Atikwa Resources Inc.,
Defendant and Plaintiff by Counterclaim



Machia James McGurk

Order
Rule 9.1



COURT FILE NO.: 1301-12257

COURT Court of Queen's Bench of Alberta

JUDICIAL CENTRE Calgary

APPLICANT ANTLER RIVER RESOURCES LTD.

RESPONDENT ATIKWA RESOURCES INC.

DOCUMENT CONSENT DISMISSAL ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Gowling Lafleur Henderson LLP
1600, 421 - 7th Avenue S.W.
Calgary, AB T2P 4K9

Telephone (403) 298-1878
Facsimile (403) 695-3582

File No. A130496

Attention: Warren Foley

DATE ON WHICH ORDER WAS PRONOUNCED:

Dec 19th 2013

LOCATION AT WHICH ORDER WAS MADE:

Calgary, Alberta

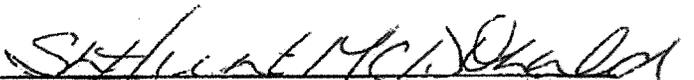
NAME OF JUDGE WHO MADE THIS ORDER:

Stuart McLeod

UPON THE APPLICATION of counsel for the Applicant, Antler River Resources Ltd.; **AND**
UPON NOTING the consent of counsel for the Respondent, Atikwa Resources Inc.;

IT IS HEREBY ORDERED THAT:

1. The claims of the Applicant as against the Respondent are hereby dismissed without costs.
2. This Order shall be for all purposes of the same force and effect as if it had been pronounced at the application of this proceeding on the merits.
3. This Order may be consented to in counterpart and by facsimile or other electronic format.



Judge of the Court of Queen's Bench of Alberta

CONSENTED TO this 19 day of
December, 2013
Legal Counsel for Antler River Resources
Ltd., Applicant



Warren Foley
Gowling Lafleur Henderson LLP

CONSENTED TO this ____ day of
December, 2013
Legal Counsel for Atikwa Resources Inc.,
Respondent



Shane McGurk
Machida James McGurk

CONFIDENTIAL
APPENDIX B

CONFIDENTIAL
APPENDIX C

CONFIDENTIAL
APPENDIX D

APPENDIX E

Atikwa Resources Inc.
 Actual Cash Flow - DRAFT
 January 31, 2014 to November 30, 2014

(\$CAD - Unaudited)

<i>Week ending</i>	<u>ACTUAL</u>
	<u>Week 1 to 43</u> <u>Jan. 31/14 to</u> <u>Nov.30/14</u>
Receipts	
<u>Oil and gas sales</u>	
Manitoba Properties	183,837
Saskatchewan Propertis	15,770
Alberta Properties	2,517
Net receipts collected	<u>202,125</u>
CRA refunds (GST)	33,862
Other	5,053
Total receipts	<u>241,040</u>

Disbursements

Operating disbursements

Manitoba royalties	12,056
Alberta royalties	308
Alberta mineral and surface leases	96
Saskatchewan crown royalties and surface lease payments and other	13,772
Contractor costs	-
- Finance	41,763
- Land Administrator	15,435
Pandell (JV Nexus) software	14,306
Insurance	11,200
NRG marketing process	5,250
Reserve report update	39,068
Miscellaneous	1,097
Total operating disbursements	<u>154,350</u>

Atikwa Resources Inc.
 Actual Cash Flow - DRAFT
 January 31, 2014 to November 30, 2014

(\$CAD - Unaudited)

ACTUAL
Week 1 to 43
Jan. 31/14 to
Nov.30/14

Week ending

Professional fees and costs

Receiver	113,484
Alberta counsel	87,354
Manitoba counsel	44,195
Saskatchewan counsel	5,816
Total professional costs	250,848

Total operating and prof fees

405,198

GORR payment

Marquest GORR	-
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Total Disbursements

405,198

Receiver's Certificate

Borrowings (repayment)	225,000
------------------------	----------------

Net change in cash flows

60,842

Opening available cash	7,234
Net change in cash flow	60,842
Ending available cash	68,076

Receiver's Certificate Reconciliation

Maximum availability	500,000
Borrowings (release of funds)	(225,000)
Remaining available cash under Certificate	275,000

APPENDIX F

RECEIVER CERTIFICATE

CERTIFICATE NO. 1

AMOUNT \$25,000

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Atikwa Resources Inc. (the "Debtor") appointed by Order of the Court of Queen's Bench of Alberta (the "Court") effective the 31st day of January, 2014 (the "Order") made in action number 1301-14743, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$25,000, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of 15% per cent on the daily balance outstanding.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at:

Century Services Inc.
C/o Josh Coonan
310, 318 – 11th Avenue SE
Calgary, AB T2G 0Y2
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 19th day of February, 2014.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver and Manager of the Property (as defined in the Order), and not in its personal capacity



Tim Reid
Senior Vice President

RECEIVER CERTIFICATE

CERTIFICATE NO. 2

AMOUNT \$200,000

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Atikwa Resources Inc. (the "Debtor") appointed by Order of the Court of Queen's Bench of Alberta (the "Court") effective the 31st day of January, 2014 (the "Order") made in action number 1301-14743, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$200,000, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of 15% per cent on the daily balance outstanding.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at:

Century Services Inc.
C/o Josh Coonan
310, 318 – 11th Avenue SE
Calgary, AB T2G 0Y2
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 10th day of June, 2014.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver and Manager of the Property (as defined in the Order), and not in its personal capacity



Tim Reid
Senior Vice President