ACTION NO. 1003-02172

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF EDMONTON

BETWEEN:

ROYAL BANK OF CANADA

Plaintiff

- and -

ADVANTAGE OILFIELD GROUP LTD., NORTH PAW ENERGY SERVICES LTD., RANCO HOLDINGS LTD., 1208362 ALBERTA LTD., and CHRISTOPHER BRUINS

Defendants

SECOND REPORT OF THE RECEIVER ERNST & YOUNG INC.

OCTOBER 29, 2010

INTRODUCTION

1. Ernst & Young Inc. (the "Receiver") was appointed Receiver over Advantage Oilfield Group Ltd. ("Advantage"), Ranco Holdings Ltd. ("Ranco"), and North Paw Energy Services Ltd. ("North Paw") (collectively, the "Corporate Companies") pursuant to an Order of this Honourable Court (the "Order") dated February 12, 2010.

2. The Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Corporate Companies, to take possession and control of the property of the Corporate Companies (the "Property") 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 (the "Second Report") of the Receiver is to advise this Honourable Court with respect to the:

   (a) results from the June 9, 2010 Auction and June 22, 2010 Auction as defined and discussed in the first report of the Receiver (the "First Report");

   (b) the next steps of the Receiver; and

   (c) recommendations of the Receiver.

BACKGROUND

4. Advantage operated primarily as an oilfield service construction and maintenance company specializing in small diameter pipeline construction. The voting shares of Advantage are 80% held by 1208362 Alberta Ltd. ("120"), which is wholly-owned by Mr. Christopher Bruins ("Bruins"), while the remaining 20% of the company are owned equally by four other numbered corporations. The Receiver understands that Advantage employed upwards of approximately 300 employees and contractors during 2006 and 2007; however, operations significantly declined such that the company effectively stopped operating in or around May 2009. Between the period of June 2009 to the date of

the Order, Advantage did not receive any pipeline construction work and only employed one office manager, one contracted controller and Bruins.

5. Ranco is a holding corporation that owns the land and buildings located at 59 East 3rd Avenue, Dunmore, Alberta (the "Ranco Land and Buildings"). Ranco previously rented the Ranco Land and Buildings to Advantage on a monthly basis and is wholly owned by 120. Ranco has no known employees and or other operations.

6. North Paw was developed to facilitate Advantage's expansion into Northern Alberta to provide certain equipment and oilfield service repairs for oil & gas companies located in and around Zama City, Alberta. 1311763 Alberta Ltd. ("131"), an entity not in receivership but wholly owned by Bruins, owns a machine shop and various assets and used North Paw as an operating name to conduct its business. North Paw does not own any assets, with the exception of one leased wire line truck through RBC Leasing as further discussed below. North Paw's voting shares voting shares are 88% held by 120, while the remaining 12% of the voting shares are equally owned by 3 other numbered corporations.

7. Further background to the Corporate Companies are contained in the materials filed relating to the Receivership Order including the February 9, 2010 affidavit of Mr. David W. Johnson (the "February 9th Johnson Affidavit") and statement of claim filed on February 9, 2010. These documents, including the Receivership Order, have been posted by the Receiver on its website at: www.ey.com/ca/advantage.

SALES PROCESS FOR THE CORPORATE COMPANIES ASSETS

8. The Receiver identified certain Corporate Companies' Equipment and Miscellaneous Corporate Assets (both defined in the First Report) that were placed into two auctions with Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchies") on June 9, 2010 and June 22, 2010 (the "June 9th Auction" and the "June 22nd Auction", respectively).

9. The net proceeds received from the June 9th Auction and June 22nd Auction were $162,737.35 and $6,262.20, respectively. The breakdown of the auction proceeds are as follows:

June 9th Auction – Corporate Companies' Equipment

Auction gross proceeds	$	185,650.00
Less:		
- Commissions		(16,740.50)
- Repairs and miscelleanous costs		(6,172.15)
Net proceeds on sale	$	162,737.35
Reconciliation of net proceeds		
North Paw portion	$	152,769.16
Advantage portion		9,968.19
Net proceeds	$	162,737.35

10. As discussed in the First Report, the Receiver obtained an independent appraisal on the Corporate Companies' Equipment. The Receiver determined that the forced liquidation value for each individual asset met the requirement under paragraph 3(1) of the Order, where the Receiver was authorized to sell the Corporate Companies' Equipment out of the normal course of business, without approval of this Honourable Court, as long as not one transaction individually exceeds $50,000 and that the aggregate consideration for all such transactions does not exceed $250,000.

11. Based on the information provided to the Receiver at that time, the Receiver understood that on an aggregate basis, the above assets met the criteria under paragraph 3(1) of the Order, with the exception of a 2007 International 4400 S/A Wire Line truck (the "Wire Line Truck") that had an appraised forced liquidation value of $225,000 and amounts still owing on the lease to RBC Leasing of approximately $250,000. As a result of there being no equity in the lease (appraised value was far less then what was owed on the Wire Line Truck), the Receiver surrendered the lease back to RBC Leasing and included the Wire Line Truck in the June 9th Auction per RBC Leasing's request.

12. The Wire Line Truck was sold in the June 9th Auction and a cheque was issued by Ritchie directly to RBC Leasing representing the net proceeds on this sale of $152,769.16.

13. Since the First Report, the Receiver obtained new information from RBC Leasing that contradicted the information obtained from the North Paw accounting books and records. Based on this new information, it was determined that North Paw will owe RBC Leasing approximately $145,367.96 as at November 23, 2010, which relates to all outstanding lease payments in arrears and the buy-out portion of the Wire Line Truck and not $250,000. As a result, approximately $7,401.20 remains in equity for the Receiver that is available for the remaining creditors and stakeholders of North Paw.

14. The Receiver requested that RBC Leasing immediately, upon receipt of the Wire Line auction proceeds, endorse the cheque back to the Receiver for it to be deposited into the Receiver's trust account. RBC Leasing complied with the Receiver's request to endorse the cheque back to the Receiver. The Receiver agreed to arrange for payment in full of the lease RBC Leasing, subject to approval from this Honourable Court.

15. The Receiver is respectively requesting authorization from this Honourable Court for the sale of this Wire Line truck *nunc pro tunc* and for the approval of payment to RBC Leasing of $145,367.96 to satisfy the outstanding lease of this equipment.

June 22nd Auction

Auction gross proceeds	$	6,885.00
Less:		
- Commissions		(619.65)
- Miscelleanous costs		(3.15)
Net proceeds on sale - Advantage	$	6,262.20

16. The sale of the Miscellaneous Corporate Assets in the June 22nd Auction related solely to assets owned by Advantage.

SUMMARY OF NEXT STEPS

17. The Receiver's next steps include:

(a) reporting on the completion and closing requirements on the sale of the Ranco Land and Buildings (as defined in the First Report);

(b) the Receiver's analysis over validity and existence of the remaining account receivables within the Corporate Companies;

(c) review and assess certain accounting transactions that occurred prior to the Order of the Corporate Companies relating to fixed assets and equipment;

(d) an overall realization analysis to determine the final recovery available for all creditors and stakeholders;

(e) the Receiver's final statement of receipts and disbursements relating to the Corporate Companies;

(f) obtaining possible direction from this Honourable Court as to the release of Trust Funds as discussed in the First Report;

(g) an update on the two bankruptcy orders granted by this Honourable Court on October 14, 2010, which placed both Advantage and North Paw in bankruptcy and appointing Ernst & Young Inc., as the trustee in bankruptcy for each of these entities; and

(h) seeking discharge as Receiver.

RECOMMENDATIONS

18. The Receiver recommends that this Honourable Court approve:

(a) the sale of the Wire Line Truck *nunc pro tunc*; and

(b) the payment to RBC Leasing in the amount of $145,367.96 to satisfy the outstanding lease of the Wire Line Truck.

All of which is respectfully submitted this 29th day of October, 2010.

ERNST & YOUNG INC.,
in its capacity as Receiver of
Advantage Oilfield Group, Ranco Holdings Ltd.,
and North Paw Energy Services Ltd.

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

Orest Konowalchuk, CA
Senior Manager