COURT FILE NUMBER	1201-05287
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	HSBC BANK CANADA
DEFENDANT	X-TREME ENERGY GROUP INC.
DOCUMENT	FOURTH REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS RECEIVER AND MANAGER OF X-TREME ENERGY GROUP INC.
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Norton Rose Canada LLP 400 3rd Avenue SW, Suite 3700, Calgary, Alberta T2P 4H2 Attention: Howard A. Gorman/Kevin E. Barr Telephone: (403) 267.8144/(403).267.8142 Facsimile: (403) 264.5973 Email: howard.gorman@nortonrose.com kevin.barr@nortonrose.com

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INTRODUCTION

1. On April 30, 2012, the Court of Queen's Bench of Alberta issued an order appointing Ernst & Young Inc. as Receiver and Manager ("Ernst & Young" or the "Receiver") of 1627090 Alberta Ltd. (formerly X-Treme Energy Group Inc.) ("X-Treme").

2. Ernst & Young, in its capacity as Receiver of X-Treme, filed its first report to this Honourable Court on July 5, 2012 (the "First Report"), its second report to this Honourable Court on November 1, 2012 (the "Second Report") and its third report to this Honourable Court on January 28, 2013 (the "Third Report").

3. This report (the "Fourth Report") is filed by Ernst & Young in its capacity as Receiver of X-Treme.

PURPOSE OF THIS REPORT

4. The purpose of this Fourth Report is to:

    a) summarize the Receiver's actions since the date of the Third Report; and

    b) respectfully recommend that this Honourable Court grant an order approving the Proposed Realization Process outlined below and attached as Schedule "A" hereto.

TERMS OF REFERENCE

5. In developing this Fourth Report, the Receiver has relied upon unaudited financial information prepared by X-Treme's management, X-Treme's books and records and discussions with its management. The Receiver has not performed an audit or other verification of such information. An examination of X-Treme's financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this Fourth Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Fourth Report, or relied upon by the Receiver in preparing this Report.

CURRENCY

6. Unless otherwise noted all currency references in this Fourth Report are in Canadian dollars.

BACKGROUND

7. X-Treme provided manufacturing services primarily to the oil and gas industry specifically in the manufacture of rigs and rig components, safety structures and general machining.

8. The Receiver had retained a core group of employees in order to continue certain aspects of the business. Prior to the time of the Receiver's appointment, more than 200 employees were employed by X-Treme.

9. X-Treme leased buildings and land in both Red Deer and Innisfail, and office space in Calgary.

10. The background with respect to X-Treme and its business as well as the initial activities of the Receiver are more fulsomely described in the First Report.

11. On July 5, 2012, the Receiver concluded an Asset Purchase Agreement (the "APA") with Do All Industries Ltd. and Korf Properties Ltd. (the "Purchaser") of the core business assets of X-Treme the details of which are described in the Receiver's Confidential Addendum to the First Report.

12. This Honourable Court approved the APA pursuant to a Sale Approval and Vesting Order dated July 9, 2012. The sale closed on August 24, 2012.

13. The APA anticipated the assignment of the Innisfail lease to the Purchaser and provided for certain purchase price adjustments to be paid by the Purchaser to the Receiver. Due to delays encountered in the dealings with the landlord of the Innisfail property, the lease assignment and the recovery of these purchase price adjustments remains outstanding. The Receiver is attempting to resolve the assignment of the lease and to recover the purchase price adjustments without having to bring these matters before the Court.

14. The APA specifically excluded certain assets, most notably the accounts receivable and inventory related to the Pemex Contract[1] the accounts receivable and inventory related to X-Treme's contract with Tough Enough Drilling and three vehicles which were the subject of lease agreements.[2]

15. The Receiver entered into an agreement with the Purchaser to store the excluded assets in Innisfail.

16. The APA and the assets conveyed there under are more fulsomely described in the Second Report.

SECURED CREDITORS

17. X-Treme's first secured creditor is HSBC Bank Canada ("HSBC"). HSBC was owed approximately $48,200,000 plus accrued interest as at the date of the Receiver's appointment (the "Secured Debt") pursuant to a demand revolving credit facility.

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1 "Pemex Contract" means the Asset Purchase and Services Agreement number 4240299001 dated November 12, 2009 among X-Treme, ADT Petroservicicios, S.A. de C.V. and Pemex-Exploracion y Produccion and all subsequent amendments thereto.,

2 As detailed in the Third Report, these vehicles were returned to the lessors as their realizable value was lower than the outstanding lease obligations.

18. As outlined in the Third Report, counsel for the Receiver prepared a Security Review dated December 3, 2012 a complete copy of which was provided to counsel for HSBC, Borden Ladner Gervais LLP, and to counsel for ADT Petroservicios, S.A. De C.V. ("ADT"), Peacock Linder & Halt LLP.

19. As referenced in the Security Review, ADT commenced an action in the Court of Queen's Bench (the "ADT Action") against various parties including X-Treme and HSBC. The ADT Action relates to the alleged breach of certain contracts for the fabrication and financing of 5 drilling rigs. ADT has sought various forms of relief against the Defendants and has particularly sought a declaration as against HSBC that any indebtedness of X-Treme to HSBC is equitably subordinated to ADT.

20. The Security Review prepared by counsel for the Receiver considered the ADT Action and contains a detailed review of the law with respect to equitable subordination.

21. The Receiver, HSBC and ADT, as described in the Order of this Honourable Court filed on January 22, 2013, agreed to an interim distribution of funds formalized in an Order issued by this Honourable Court on January 18, 2013.

RECEIVER'S ACTION SINCE THIRD REPORT

22. Since the date of the Third Report, the Receiver has:

    a) had various discussions with counsel for Tough Enough regarding the dispute surrounding the Top Drive and Hydraulic Power Unit. The Receiver has asserted a possessory lien over the Top Drive in the sum of $169,124.82 as detailed in the Affidavit of Neil Narfason filed on September 28, 2012. Tough Enough has recently completed an inspection of the Top Drive and Hydraulic Power Unit and the Receiver anticipates that the matter will be brought back before the Court within the next 60 days;

    b) expended considerable time and effort pursuing a provincial tax credit. X-Treme had previously applied for and received income tax credits related to Scientific Research and Experimental Development ("SRED") for fiscal years ended up to and including August 31, 2010 and was awaiting the provincial tax credit related to the same year end. X-Treme however, received a notice of assessment advising that the provincial claim was not filed in the appropriate manner and was therefore disallowed. This notice of assessment has been objected to and the Receiver has been advised verbally by the Alberta Tax and Revenue Administration Department that the claim would now be accepted. Despite numerous calls and follow-up, the provincial tax credit remains outstanding as of the date of this report and the Receiver has been unable to obtain written confirmation of the acceptance of the August 2010 claim; and

    c) has also worked with the former employees of X-Treme to prepare the applications for tax credits related to SRED for the fiscal years ended up to and including August 31, 2011 and August 31, 2012, as well as the outstanding tax returns related to the same periods. At this time, the Receiver estimates that the net realization on the 2011 and 2012 SRED Tax Credits could be approximately $50,000.

SALE OF PEMEX ASSETS

23. Finished goods and work in progress relating to the Pemex Contract was excluded from the APA. The excluded assets included the completed rig currently at the former X-Treme premises in Innisfail (known as “Pemex #3”) and work in progress and components, also in Innisfail, relating to incomplete rigs (known as “Pemex #4” and “Pemex #5”) (collectively the “Canadian Assets”).

24. Two rigs built pursuant to the Pemex Contract (known as "Pemex #1" and "Pemex #2") were completed by X-Treme and delivered to ADT. These rigs are currently in Mexico and are owned and controlled by ADT. The remainder of the Pemex Contract is comprised of the Canadian Assets.

25. The ADT Action is ongoing as between HSBC, ADT and Brian Gibbs but is stayed as against the Receiver pursuant to the terms of the Receivership Order. The Receiver has been analyzing the best course of action to deal with the Canadian Assets in light of the allegations raised by ADT.

26. In order to maximize value for X-Treme's creditors, the Receiver attempted to negotiate a settlement with ADT to market the Canadian Assets and Pemex #1 and Pemex #2 jointly with an agreed upon allocation of any sale proceeds. Unfortunately the Receiver and ADT were unable to reach a resolution. The Proposed Realization Process does not include the marketing or sale of Pemex #1 and Pemex #2.

27. The Receiver intends to begin a process to market and sell the Canadian Assets. Given the make-up of the Canadian Assets, the Receiver is of the view that maximum value will be obtained if the Canadian Assets are marketed as a complete rig with work in process (i.e. the Canadian Assets would be marketed ‘en bloc’). The Receiver believes it is appropriate that the marketing period be 120 days to give the best opportunity to fully canvas the market as the Receiver expects international interest.

28. Attached as Schedule “A” is the Proposed Realization Process the details of which are summarized below:

a) prior to marketing, the Receiver will prepare an information memorandum (“IM”) and teaser letter (“Teaser Letter”) including information pertaining to the Pemex Contract Assets and the bid process;

b) the Teaser Letter will be distributed to potential interested parties;

c) the Receiver will place advertisements with appropriate media outlets and trade publications in Canada and the rest of the Americas;

d) the IM will be made available to all interested parties who sign the appropriate confidentiality agreements;

e) the Receiver will set up, and allow access to, an appropriate data room (electronic, physical or both) to interested parties who have received the IM;

f) the marketing process will continue for 120 days to ensure the best opportunity to canvas the market;

g) the Receiver will, during the 120 day marketing period, respond to requests for information, conduct tours and due diligence conference calls;

h) during the 120 marketing period, interested parties to conduct due diligence;

i) the Receiver will prepare a standard form Asset Purchase Agreement that will be distribute to interested parties; and

j) at the bid closing date, the Receiver will open and review any bids received and select the appropriate bid and seek Court approval thereof.

BANKRUPTCY OF X-TREME

29. X-Treme was placed in bankruptcy pursuant to an order made by this Honourable Court on November 5, 2012.

30. Ernst & Young was appointed trustee in bankruptcy of X-Treme.

31. A first meeting of creditors was held on November 22, 2012.

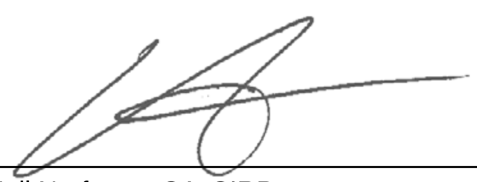
RECOMMENDATION

32. The Receiver recommends that the Court approve the Proposed Realization Process.

All of which is respectfully submitted this 9th day of May, 2013.

* * *

ERNST & YOUNG INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER
OF 1627090 ALBERTA LTD. (FORMERLY
X-TREME ENERGY GROUP INC.)
AND NOT IN ITS PERSONAL CAPACITY



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Schedule "A"

1627090 Alberta Ltd. ("162") PROPOSED REALIZATION PROCESS

The remaining assets of 1627090 Alberta Ltd. (formerly known as X-treme Energy Group), including without limitation, the constructed 3,500 meter depth rated pad drilling rig with a capacity of 750 horse power (referred to as "Rig 3") and drilling rig components (referred to as "Rig WIP") located in Innisfail, Alberta. Rig 3 and the Rig WIP are collectively the "Property" and would be offered for sale by the Receiver.

The Receiver was authorized to market the Property by the Appointment Order and sell, convey, transfer, lease or assign the Property, subject to the approval of the Court. In this regard, the Receiver, subject to court approval proposes to market the Property, employing a three phase process (i.e. pre-marketing, marketing and offer submission process), in the manner described below and to employ such advisors as required.

The Receiver will establish a regular update that may be obtained by the HSBC Bank Canada ("HSBC") under appropriate non-disclosure and non-solicitation provisions. The Receiver will work with HSBC as to an acceptable update format.

The Property

Detailed listings of the major components of the Property are attached at Appendix A

The Receiver is of the view that maximum value will be achieved if the Property was marketed *en bloc* (both Rig 3 and Rig WIP)

The Receiver will be establishing a sales process and soliciting offers to allow for an en bloc sale.

Pre-Marketing Preparation

Actions to be completed by the Receiver during the pre-marketing period shall, without limitation include, preparation of: an Information Memorandum (the "IM"), a teaser letter (the "Teaser"), a prospective buyers list, an advertisement and any other documentation required in connection therewith (the "Marketing Material").

The Receiver will also gather and review all required due diligence material to be provided to interested parties and establish a secure, electronic data room.

During this period, the Receiver will develop a draft form of purchase and sale agreement ("Purchase Agreement").

Marketing

Upon completion of the pre-marketing phase, the Receiver will commence marketing. During the marketing period, the Receiver will place advertisements in the approved publication and commence contacting parties on the prospective purchaser list, via telephone and/or email, distributing the Teaser and responding to requests for information from interested parties.

Upon request, interested parties may obtain the IM, access to the electronic data room and a tour of the Property in order to conduct a due diligence review of the Property.

All information provided in connection with the Property will be provided solely for the convenience of the interested parties and will not provide any representations or warranties as to completeness or accuracy. Requests for this information and access will be directed to the Receiver. All printed information shall remain the property of the Receiver and, if requested by the Receiver, shall be returned to the Receiver without further copies being made.

Offer Submission Process

The offer submission process will be initiated with the market being canvassed for proposals on an unpriced basis.

Subsequent to the pre-marketing and marketing phases, interested parties (the "Bidders"), will be invited to submit binding offers for the purchase of the Property (the "Purchase Agreement"). The Bidders will be advised that Purchase Agreements are to be made on an "as is, where is" basis, and are to contain only minimal representations and warranties as would normally be provided by a court-appointed receiver and that there are to be no material conditions in favour of the Bidder and no conditions as to material adverse change. At the Purchase Agreement submission deadline, the Receiver will open and record all Purchase Agreements received, analyze the submissions and, if it is determined that certain Purchase Agreement(s) is/are acceptable the Receiver may elect to recommend it to the Court for approval.

Should no Purchase Agreement submitted be on terms and conditions that are considered acceptable, the Receiver may choose to negotiate with one Bidder to reach an acceptable Purchase Agreement, subject to the approval of the Court, or may choose a number of Bidders if it is determined that a sale of a different configuration other than a sale of the Property to one Bidder is appropriate to maximize value. All Purchase Agreements submitted will be required to remain open for a reasonable period of time to allow the Receiver to negotiate a definitive Purchase Agreement.

The Receiver will not be obliged under any circumstances to recommend or choose any particular Purchase Agreement and the Receiver may reject any Purchase Agreement for any reason. All Purchase Agreements will be considered in private by the Receiver, and no parties, save and except for legal counsel for the Receiver, will be invited to any opening of the Purchase Agreements.

The Receiver reserves the right to seek clarification and refinement of the Purchase Agreements after receipt. In evaluating the Purchase Agreements, the Receiver will take into account a number of factors, including, without limitation, the following:

1. the value and form of the consideration to be paid;

2. conditions to the Purchase Agreements, including the expected feasibility of achieving the conditions; and

3. the ability of the interested parties to finance and consummate the proposed transaction within the timeline established by the Receiver ("Offering Process Timeline").

The Receiver will reserve the right to terminate at any time further participation in the offering process by any interested party, to modify dates or procedures as it deems appropriate or to terminate the process.

The Receiver will endeavour to keep all interested parties informed of any material changes to the process.

Offer Submission Guidelines

Binding Purchase Agreements

Bidders will be advised by the Receiver of a date for submission of Purchase Agreements. Purchase Agreements must be submitted in sealed envelopes clearly marked "Offer – 162" by Noon (Calgary time) on the 26th day of June, 2013 to:

Ernst & Young Inc.
1000, 440-2nd Avenue, SW, Calgary, Alberta
Attention: Neil Honess, Senior Manager

Cash is the preferred form of consideration but if the Purchase Agreement utilizes other consideration, a description of the material terms of the consideration should be provided.

All required corporate approvals of Bidders should be obtained prior to submitting any Purchase Agreements. Purchase Agreements should clearly indicate any significant conditions in favour of the purchaser to be resolved prior to closing the transaction.

The Receiver anticipates that any Purchase Agreement submitted by a Bidder will not include a provision that makes the obligation to close the transaction contingent upon obtaining financing and the inclusion of any such condition will place a potential Bidder at a disadvantage. Each Bidder must provide with its Purchase Agreement details regarding its ability to obtain and method of financing the transaction, the timetable for obtaining financing and, if appropriate, the amount of senior debt, subordinated debt, equity and any other source of financing contemplated in the pro forma capital structure.

All Purchase Agreements should outline the terms for the purchase of the Property and should include, at a minimum, the information and items described below:

1. Purchase price for the Property offered to purchase;

2. Name of the ultimate beneficial owner(s) of the Bidder including their respective percentage interests;

3. Evidence of the Bidder's financial ability to complete the transaction, including the method and timing of financing the purchase;

4. Conditions, if any, associated with the transaction; and

5. Schedule of timing and events to complete closing.

Bidders will be specifically advised in writing that the Receiver is under no obligation to respond to or accept any Purchase Agreement for the Property and that the Receiver reserves the right to remove the Property from the market at its discretion.

A refundable deposit cheque of the greater of $1,000,000 and 10% of the purchase price offered must accompany all Purchase Agreements. All deposit cheques are to be made out to Ernst & Young Inc., in Trust.

Offering Process Timeline

By Wednesday May 15, 2013	Court Order approving the sales process.
Wednesday, May 22, 2013	The Receiver to establish an electronic data room and prepare the Marketing Material and provide the same to the Receiver for approval.
Thursday, May 16, 2013	The Receiver to contact interested parties and distribute Teaser.
Tuesday May 21, 2013 and Wednesday June 5, 2013	The Receiver to place newspaper advertisements in an appropriate selection of papers and/or magazines in the second and third week of the marketing period.
Friday May 17, 2013 to June 25, 2013	The Receiver to distribute the IM to interested parties.
Friday May 17, 2013 to June 25, 2013	The Receiver, to respond to requests for information, conduct tours and due diligence conference calls. Interested parties to conduct due diligence.
June 26, 2013	Purchase Agreements to be submitted to the Receiver.
July 15, 2013	Deadline for waiver of conditions by the Purchaser, if any, save and except for Court Approval.

July 24, 2013	Court approval of the definitive Purchase Agreement(s).
July 31, 2013	Closing.