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JUDICIAL CENTRE	CALGARY
APPLICANT	HSBC BANK CANADA
DEFENDANT	X-TREME ENERGY GROUP INC.
DOCUMENT	**SIXTH REPORT OF THE RECEIVER**
	DECEMBER 10, 2013
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>RECEIVER</u>**

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INTRODUCTION

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

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to sell, convey, transfer, lease or assign the Property out of the normal course of business, subject to Court approval for transactions in excess of $1,000,000 and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this Sixth Report of the Receiver is to provide this Honourable Court with:

   a) a summary of the progress of the Proposed Realization Process outlined in the Fourth and Fifth Reports of the Receiver dated May 9, 2013 and July 19, 2013 respectively; and
   b) the Receiver's application for an Order approving the sale of the Canadian Assets (as that term is defined in the Fourth Report of the Receiver) to Century Services Inc. ("Century").

TERMS OF REFERENCE

4. In developing this Sixth Report, the Receiver has relied upon unaudited financial information previously 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.

5. Terms not expressly defined in this Sixth Report shall have the same meaning as those terms defined in the previous Receiver Reports.

6. Unless otherwise noted all currency references in this Sixth 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. Background information and other information regarding these receivership proceedings have been posted by the Receiver on its website at: www.ey.com/ca/X-treme.

RECEIVER'S ACTIVITIES

9. Since the Fifth Report of the Receiver was filed, the Receiver has continued to deal with outstanding issues relating to X-Treme.

10. As outlined in the Fifth Report, the Receiver agreed to settle its possessory lien claim over assets claimed by Tough Enough Drilling ("Tough Enough"). This claim was settled in September 2013 and a payment of $175,000 was made to the Receiver by Tough Enough as full and final settlement of the lien claim.

SALE OF CANADIAN ASSETS

11. As set out in the Fourth Report, finished goods and work in progress relating to the Pemex Contract were excluded from the sale to the Purchaser. The Canadian Assets include a completed drilling rig and two incomplete rigs.

12. The Proposed Realization Process described in the Fourth Report was approved by the Court pursuant to an Order filed on May 23, 2013.

13. As at the bid deadline of June 27, 2013, no acceptable bids were received for the Canadian Assets en bloc and, as such, all submitted bids received were rejected.

14. In the Fifth Report, the Receiver requested an Order extending the bid deadline set out in the Proposed Realization Process to allow additional marketing in an attempt to obtain a satisfactory offer for the Canadian Assets.

15. An Order was made by this Honourable Court extending the bid deadline date to 5:00 pm (Calgary Time) on September 25, 2013 (the "Revised Bid Deadline Date").

16. In accordance with the terms of the Proposed Realization Process the Receiver, undertook the following:

    a) placed advertisements in the Daily Oil Bulletin and PLS;
    b) prepared and sent a teaser letter to 83 potentially interested parties;
    c) prepared and sent an information memorandum to 20 interested parties who signed an appropriate confidentiality agreement;
    d) arranged site tours of the Canadian Assets for two interested parties;
    e) responded to numerous queries in respect of the Canadian Assets and the Proposed Realization Process from interested parties;
    f) prepared a standard form Asset Purchase Agreement that was available on request to interested parties; and
    g) at the revised bid closing date, opened and reviewed bids.

17. Two bids were received:

    a) a bid of $1.75 million which was not accompanied by a deposit but was, in any case, not sufficient to be acceptable to the Receiver; and
    b) a late bid of $7.6 million (the "Late Bid") which was contained in an email and had no accompanying deposit.

18. The Receiver attempted to conclude the Late Bid, but the bidder was not able to provide any funds or confirmation that it had the wherewithal to conclude the proposed transaction.

19. As a consequence of the Proposed Realization Process failing to yield a satisfactory offer, the Receiver, in discussion with HSBC, determined that it was appropriate to seek proposals from liquidators to dispose of the Canadian Assets.

20. Accordingly, on October 23, 2013, requests for proposals ("RFP") were sent to five liquidators (three in Alberta and two in the United States) requesting that by November 15, 2013 they provide proposals on three bases:

    a) brokerage arrangement;

    b) unreserved auction with a net minimum guarantee ("NMG"); and

    c) outright purchase.

21. Additionally, the Receiver provided the same RFP to a sixth liquidator on November 5, 2013.

22. Concurrent with the RFP process, the Receiver continued to discuss potential sales with certain interested parties.

23. A detailed proposal was received from Century Services Inc. ("Century") indicating their proposal on each of the three requested bases as summarised below:

    a) a commission basis;

    b) net minimum guarantee of $2,951,000; and

    c) outright purchase of $2,851,000.

24. The two other Alberta-based liquidators put forward proposals purely for a brokerage arrangement. None of the other liquidators made a proposal.

25. In discussions with HSBC, the Receiver determined it was appropriate to accept Century's Net Minimum Guarantee of $2,951,000. The Receiver and Century subsequently executed a sale agreement, a copy of which is enclosed as Schedule "A" (the "Century Sale Agreement").

26. Subsequent to the receipt of the RFPs, there was a minor theft from the premises where the Canadian Assets are currently being held. Approximately $24,000 of items are believed to be missing and therefore, in discussion with HSBC and Century, the net minimum guarantee amount was reduced to $2,927,000.

27. The Receiver supports the contemplated sale of the Canadian Assets to Century under the net minimum guarantee basis as it provides certainty of return and safeguards any potential upside. Additionally, the Canadian Assets have been exhaustively marketed throughout the receivership period and there has been no substantive interest in acquiring these assets for an amount exceeding the Century net minimum guarantee.

28. Accordingly, the Receiver is making this application for an Order approving the Century Sale Agreement.

RECOMMENDATION

29. The Receiver recommends that this Court grant an Order approving the Century Sale Agreement.

All of which is respectfully submitted this 10th day of December, 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

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