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RESPONDENTS	MOSAIC ENERGY LTD.
DOCUMENT	SIXTH REPORT OF THE RECEIVER
	January 24, 2016
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RECEIVER

RECEIVER

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INTRODUCTION

1. Ernst & Young Inc. was appointed Receiver (the "Receiver") of the property, assets and undertakings (the "Property") of Mosaic Energy Ltd. ("Mosaic" or the "Company") pursuant to an Order of this Honourable Court (the "Receivership Order") dated April 26, 2016 (the "Receivership Date").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of Mosaic, to sell, convey, transfer, lease, or assign the Property out of the normal course of business, subject to approval by this Honourable Court for any transactions exceeding $1.0 million, or the aggregate of multiple transactions exceeding $5.0 million, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this Sixth Report (the "Sixth Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on:

    a) an update on the activities of the Receiver since the fifth report of the Receiver dated December 6, 2016 (the "Fifth Report") including a statement of receipts and disbursements for the period of April 26, 2016 to January 19, 2017 (the "Receivership Period");

    b) an update on the claims procedure (the "Claims Procedure") being conducted by the Receiver and the Receiver's proposed distribution to fully repay claims accepted in the Claims Procedure (the "Pre-Receivership Distribution");

    c) the Receiver's request for a proposed claims procedure to identify claims associated with the Receiver's operation of Mosaic's oil and gas properties from the Appointment Date to February 1, 2017 (the "Receivership Claims Procedure");

    d) the Receiver's request to be removed as the plaintiff in the claim (the "Pembina Claim") against Pembina Pipeline Corporation ("Pembina Corp."), Pembina Gas Services Limited Partnership ("Pembina Gas LP"), Pembina Infrastructure & Logistics LP, and Pembina Midstream Limited Partnership (jointly referred to as "Pembina") pursuant to a statement of claim filed with this Honourable Court on

October 28, 2016 under court file number 1601-4332 (the "Statement of Claim"); and

e) the Receiver's recommendations.

TERMS OF REFERENCE

4. Capitalized terms not defined in this Sixth Report are as defined in the Receivership Order, the SISP or the Order of this Honourable Court dated September 14, 2016 (the "Claims Procedure Order") approving the Claims Procedure.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. Mosaic is a privately owned company incorporated under the laws of the Province of Alberta and under the *Canada Business Corporations Act* on July 13, 2004. The Company is focused on the exploration for and the development, production, and acquisition of petroleum and natural gas reserves, and is primarily focused on multi zone horizons in the deep basin of the Western Canadian sedimentary basin.

7. Mosaic is the operator of its core properties which are described below:

   a) Kakwa / Resthaven Property: includes liquids-rich Montney natural gas, Dunvegan light oil and the Wilrich natural gas plays. Mosaic's reserve values as at December 31, 2015 of PDP NPV 10% - $90 million (9,200 Mboe) and 2P NPV 10% - $1.1 billion (143,000 Mboe);

   b) West Central Property: predominantly represented by the liquids-rich Glauconite natural gas play in the Gilby area. Reserve values as at December 31, 2015 of PDP NPV 10% - $33.6 million (5,500 Mboe) and 2P NPV 10% - $78.6 million (14,800 Mboe); and

   c) Tower Property: 7,200+ net / 9,700+ gross acres at Tower, British Columbia located in North East British Columbia.

8. Additional background on Mosaic is available on the Receiver's website, www.ey.com/ca/Mosaic.

ACTIVITIES OF THE RECEIVER

SISP - Update

9. Pursuant to an Order dated June 21, 2016 (the "SISP Approval Order"), this Honourable Court approved the Sale and Investment Solicitation Process ("SISP") and the retention of the Selling Agent. A copy of the SISP is attached to the first report of the Receiver dated June 17, 2017 (the "First Report").

10. The Receiver and the Selling Agent have concluded the SISP. The SISP resulted in three separate transactions to sell all of Mosaic's oil and gas properties, as follows:

    a) the sale of Mosaic's property in Tower, British Columbia to ARC Resources Ltd. was approved by this Honourable Court on November 30, 2016 and the sale closed December 1, 2016 (the "ARC Transaction");

    b) the sale of Mosaic's property in Kakwa, Alberta to Strath Resources Ltd. was approved by this Honourable Court on December 14, 2016 and the sale closed January 16, 2017 (the "Strath Transaction"); and

    c) the sale of Mosaic's properties in West Central Alberta to Predator Oil Ltd. (the "Predator Transaction") was approved by this Honourable Court on December 14, 2016. All conditions of the Predator Transaction have been satisfied, and the Predator Transaction is scheduled to close on January 31, 2017.

Distribution to the Syndicate

19. As described in the First Report, the Receiver's legal counsel, Norton Rose Fulbright Canada LLP, performed a review of the security of the syndicate of financial institutions representing Mosaic's senior secured creditor (the "Syndicate") and advised the Receiver that the Syndicate's security creates a valid and enforceable security interest in favour of the Syndicate in the Property of Mosaic.

20. On December 14, 2016, this Honourable Court granted an Order authorizing the Receiver to fully repay the indebtedness owed from Mosaic to the Syndicate. On January 17, 2017, the Receiver fully repaid the borrowings outstanding to the Syndicate from Mosaic with the proceeds recovered from the Strath and ARC Transactions. Total distributions to the Syndicate

from the Receiver during the Receivership Period were $119.1 million (excluding the repayment of the Receiver's borrowings which were already paid in early December 2016).

STATEMENT OF RECEIPTS & DISBURSEMENTS

21. The following is a statement of the Receiver's receipts and disbursements during the Receivership Period including the pro-forma proceeds to be recovered from the Predator schedule to close on January 31, 2017 and the full repayment of the Syndicate:

Mosaic Energy Ltd.
Statement of receipts and disbursements
CAD$, unaudited
April 26, 2016 to January 31, 20167
(including pro-forma asset sales and Syndicate repayment)

	Notes	
Opening cash balance	*a*	$ 512,000
Receivers' certificates	*b*	
Borrowings		4,500,000
Repayment		(4,500,000)
Amount outstanding		0
Receipts		
Sale of assets	*c*	327,251,275
Oil and gas sales	*d*	41,809,834
Sale of surplus equipment		1,432,290
Cash balance before disbursements		371,005,399
Disbursements		
Payments to Syndicate	*e*	119,143,733
Oil and gas operating costs	*f*	25,050,281
Selling Agent's fees	*g*	3,871,503
Salaries and benefits	*h*	3,096,284
Capital Expenditures	*i*	2,219,425
Property Taxes	*j*	1,748,523
General and administration disbursements	*f*	1,474,483
Professional fees	*j*	1,356,278
Office rent paid	*f*	770,950
Royalty payments	*f*	470,490
Interest and bank charges paid		227,242
Deposits		53,324
		159,482,516
Cash on hand		211,522,883

Notes:

a) Mosaic had an opening cash balance of $512,000 on the Appointment Date;

b) The Receiver borrowed $4.5 million (of the $10.0 million authorized in the Receivership Order) in Receivers' certificates from the Syndicate to fund the Receivership. The Receiver has fully repaid these borrowings under the Receiver's certificate in December 2016;

c) By January 31, 2017 the Receiver will have collected approximately $327.3 million from the Strath, Predator and ARC Transactions;

d) The Receiver has collected approximately $41.8 million from continuing to operate Mosaic's business (including oil and gas sales, joint interest billings, rental income and royalty income);

e) The Receiver has fully repaid the Syndicate in the amount of $119.1 million pursuant to an Order of this Honourable Court dated December 14, 2016;

f) The Receiver has disbursed approximately $30.2 million (made up of oil & gas operations, capital expenditures, general and administration, office rent and royalties) associated with the continued operation of Mosaic's oil and gas properties and capital expenditures associated with ongoing maintenance;

g) The Receiver has disbursed salaries and benefits of approximately $3.1 million (including Worker's Compensation Board disbursements);

h) The Receiver will have disbursed approximately $3.9 million to the Selling Agent representing its fee earned on the ARC Transaction, Strath Transaction and Predator Transaction;

i) The Receiver has disbursed approximately $1.7 million in relation to property taxes due in 2016; and

j) The Receiver has disbursed professional fees of approximately $1.35 million.

22. Total cash on hand held by the Receiver as at January 19, 2017 is approximately $211.5 million.

UPDATE ON CLAIMS PROCEDURE

23. Pursuant to the Claims Procedure approved by Claims Procedure Order, claimants, other than employees or former employees, were required to file any claims against Mosaic by 5:00 p.m. MT on October 26, 2016 (the "Claims Bar Date").

24. In the case of a claim arising as a result of the disclaimer of a lease or an agreement subsequent to the Receivership Date, the later of the Claims Bar Date or 30 days following the date on which the relevant lease or agreement is disclaimed (the "Subsequent Claims Bar Date").

25. 267 claims were submitted in accordance with the Claims Procedure Order by the Claims Bar Date, as follows:

Mosaic Energy Ltd. — Exhibit 2
Claimants summary
CAD$, unaudited

Claimant	Accepted	Under Review	Revised	Total
Amount	12,259,344	19,662,139	2,172,240	34,093,723
Claims	*242*	*16*	*9*	*267*

26. The Receiver has been reconciling the Claims with Mosaic's books and records, and has accepted 242 Claims with a total value of approximately $12.3 million.

27. The Claims Under Review primarily comprise claims filed by Pembina Gas LP and Pembina Corp. as described in further detail below. The remaining Claims Under Review relate to Claims of joint venture oil and gas partners; the Receiver anticipates resolving these Claims shortly. In addition, the Under Review Claims include a Claim filed by Propak Systems Ltd. ("Propak") in the amount of approximately $1.675 million, which is described in further detail below.

28. Revised Claims represent those Claims in respect of which the Receiver has issued a Notice of Revision (as defined in the Claims Procedure Order) to the Claimant revising the Claims and the Claimant has not filed a Notice of Dispute (as defined in the Claims Procedure) or the 15 day period for Claimants to file a Notice of Dispute had not expired at the date of this Sixth Report. Therefore, these Claims are deemed to be accepted at the Revised Amount.

29. In addition to the above Claims filed as at the Claims Bar Date (as defined in the Claims Procedure), four claims totalling $29,047.48 (the "Late Claims") were submitted following the Claims Bar Date, as follows:

Mosaic Energy Ltd. Late Claims filed in the Claims Procedure as at January 21, 2017 CAD$	Exhibit 3.0
Claimant	Claim
Apex Well Servicing (2010) Inc.	20,413.85
Brad's Picker Services Ltd.	1,512.00
Englobe Corp.	6,586.13
Iceman Construction Ltd.	535.5
Total	29,047.48

30. The Late Claims agree to Mosaic's books and records. The Receiver is requesting that this Honourable Court authorize the Receiver to accept the Late Claims in the Claims Procedure.

31. The summary of claims above may not be complete as additional claims may be filed prior to the Subsequent Claims Bar Date arising from the Receiver's disclaimer of leases or agreements.

Claims of Pembina LP and Pembina Corp.

32. Mosaic had material contracts with Pembina LP and Pembina Corp. associated with the transportation and processing of its oil and gas in the Kakwa region of Alberta and submitted Claims (jointly, the "Pembina Claims") in the Claims Procedure as follows:

   a) Pembina LP - Claim of $11,900,784.81 including a pre-filing claim of $1,924,251.00 and amounts arising during the Receivership Period of $9,976,533.81; and

   b) Pembina Corp. - Claim of $618,446.76, including a pre-filing claim of $242,289.07 and amounts rising during the Receivership Period of $376,157.69.

33. The Receiver is continuing to reconcile the Pembina Claims with Pembina LP and Pembina Corp. Upon acceptance of the Pembina Claims by the Receiver, it is the intention of the Receiver that the Pembina Claims be paid as part of the Pre-Receivership Distribution.

Propak Claim

34. Propak Systems Ltd. ("Propak") filed an unsecured claim in the Claims Procedure in the amount of $1,674,605.06 (the "Propak Claim"). Mosaic is asserting an off-setting counterclaim against the Propak Claim (the "Propak Counterclaim"). As at the Appointment Date, Propak and Mosaic had commenced an action with this Honourable Court pertaining to the Propak Claim and Propak Counterclaim.

35. Given the historical nature of the Propak Claim and Propak Counterclaim, the Receiver is proposing that the Propak Claim not be settled pursuant to this Claims Procedure and that Mosaic, as directed by its shareholders, undertake to resolve the Propak Claim subsequent to the Receiver's discharge.

EMPLOYEE CLAIMS PROCEDURE

36. The Claims Procedure Order further approved a claims procedure for employees and former employees of Mosaic (the "Employee Claims Procedure"). The Employee Claims Procedure was subsequently amended pursuant to an Order of this Honourable Court dated October 27, 2016.

37. In accordance with the Employee Claims Procedure and prior to October 31, 2016, the Receiver sent a claims package (an "Employee Claims Package") to each terminated employee and employee that had received notice of termination (the "Employees").

38. The Employee Claims Package included a notice to Employees indicating the value of the claim which the Receiver is prepared to allow as a claim to such creditors (the "Notice to Employee").

39. In the event an Employee who receives an Employee Claims Package disagreed with the assessment of either the amount or classification (or both) of his or her claim against Mosaic ("Employee Claim") as set out in the Notice to Employee, he or she could file a proof of claim with the Receiver Mosaic by 5:00 p.m. MT on November 25, 2016 (the "Employee Claims Bar Date").

40. Prior to the Employee Claims Bar Date, the Receiver received 17 Employee Claims filed by Employees disputing the Receiver's assessment of his or her Employee Claim.

41. The Receiver understands that certain Employees with Employee Claims will be offered continued employment by Strath or Predator in roles similar to their employment with Mosaic. The employment offered by the Strath or Predator will fully or partially satisfy the Employee's Claim based upon the terms of its new employment.

42. The Receiver understands that it will be notified of the terms of employment for current Mosaic employees prior to February 1, 2017 and the Receiver will use this information to determine the Employee Claims. The Pre-Receivership Distribution to settle the Employee Claims will not be issued until the Receiver has revised the Employee Claims for the Strath and Predator employment offers.

43. The total of the Employee Claims accepted by the Receiver is approximately $4.2 million, net of working notice and subject to revision due to the Strath and Predator employment offers.

44. The total of the Employee Claims under disputed is approximately $1.86 million per the Employee Claims received by the Receiver prior to the Employee Claims Bar Date (as defined in the Claims Procedure Order). The Receiver expects that the Employee Claims subject to dispute will be reduced through the Strath and Predator employment offers.

SETTLEMENT OF PRE-RECEIVERSHIP CLAIMS

45. The Receiver is requesting approval from this Honourable Court for approval to pay all Accepted Claims and Accepted Employee Claims of Mosaic in full, together with simple interest calculated in accordance with the *Judgment Interest Act (Alberta)*, from the Receivership Date to the date of the Pre-Receivership Distribution.

46. For further clarity, under the Pre-Receivership Distribution, the Receiver proposes to pay Late Claims, Claims Under Review, Revised Claims and Disputed Claims in full, together with simple interest calculated in accordance with the *Judgment Interest Act (Alberta)*, as they are determined to be Accepted Claims.

47. The following table identifies that subsequent to the proposed Pre-Receivership Distribution, Mosaic will continue to hold cash sufficient to settle the Late Claims, Claims Under Review, Revised Claims and Disputed Employee Claims as filed.

Mosaic Energy Ltd. Proposed Pre-Receivership Distribution $000,000's CAD, unaudited	Exhibit 4
Pro-forma cash balance (as at January 31, 2017)	211.5
Less:	
Accepted Claims	(12.3)
Accepted Employee Claims	(4.2)
Claims Under Review	(19.7)
Revised Claims	(2.2)
Disputed Employee Claims	(1.9)
Total claims	(40.1)
Excess cash above Claims	171.4

48. As identified above, after full settlement of the Claims and Employee Claims, as filed, Mosaic would retain a cash balance of approximately $171.4 million.

49. This analysis assumes that Claims Under Review and Disputed Employee Claims are not revised or disallowed in accordance with the Claims Procedure and Employee Claims Procedure. Furthermore, it does not include cash receipts and disbursements associated with concluding the Receivership including final statements of adjustments associated with oil and gas property dispositions, distributions under the Subsequent Claims Procedure, and continued operating expenses.

RECEIVERSHIP CLAIMS PROCEDURE

50. As discussed above, the proceeds recovered from the Strath, Predator and ARC Transactions will be sufficient for the Receiver to provide a recovery to the shareholders of Mosaic.

51. The Receiver is proposing a Receivership Claims Procedure, as defined in the draft receivership claims procedure order (the "Receivership Claims Procedure Order"), to identify all claims arising against the Receiver between the Appointment Date and February 1, 2017 (the "Receivership Claims") to ensure that the Receiver settles all claims against the Receiver that arose during the period the Receiver was operating Mosaic's oil and gas properties.

52. The Receivership Claims Procedure will assist the Receiver with identifying and settling all claims against the Receiver prior to its discharge.

53. Once the Receivership Claims Process is complete the receiver expects to be able to seek its discharge and leave Mosaic is a substantial amount of cash on hand.

Notification Process

54. The notification process is as follows:

a) The Receiver shall on or before February 24, 2017 send a notice by registered, mail, email, courier service or facsimile to each known creditor of the Receiver (the "Receivership Claimant") a package indicating the amount of such creditor's Receivership Claim against the Receiver along with a Proof of Receivership Claim form (the "Receivership Claims Package");

b) the Receiver shall publish a notice of the Receivership Claims Procedure Order in the *Calgary Herald* on or before February 16, 2017;

c) the Receiver shall cause the Receivership Claims Package to be posted on its website for the receivership of Mosaic on or before February 16, 2017; and

d) the Receiver shall send a Receivership Claims Package to any person requesting such material as soon as practicable on receipt of a written request for a Receivership Claims Package from such person.

Claims Bar Date

55. The Receiver proposes that under the Receivership Claims Procedure a Receivership Claimant wishes to dispute its Receivership Claim, or file a Receivership Claim, must complete and forward to the Receiver a Proof of Receivership Claim on or before March 27, 2017 (the "Receivership Claims Bar Date").

56. The Receiver shall review each Proof of Receivership Claim received by the Receivership Claims Bar Date and shall accept, revise or disallow each such Receivership Claim as applicable.

REMOVAL OF RECEIVER AS PLAINTIFF FROM PEMBINA CLAIM

57. The Receiver was advised by counsel to Mosaic's majority shareholders, NGP IX Holdings I, S.A.R.L. and NGP Quatro S.A.R.L., (jointly referred to as "NGP") that Mosaic may have a claim against Pembina arising from Material Contracts (as defined in the SISP) entered into between

Mosaic and Pembina. NGP's counsel further advised that the Pembina Claim may be subject to a statute of limitations of October 31, 2016.

58. In order to preserve Mosaic's rights under the Pembina Claim, the Receiver filed the Statement of Claim on October 28, 2016, naming Pembina as the defendant.

59. The Receiver is requesting that it be removed as plaintiff in the Pembina Claim and that NGP be fully authorized to take carriage of the Pembina Claim. Given that the Receiver will be in a position to seek its discharge with a material amount of cash on hand in Mosaic, the Receiver is of the view that the party of interest in the Pembina Claim is NGP.

RECEIVER'S RECOMMENDATIONS

60. The Receiver recommends that this Honourable Court approve:

a) the acceptance of the Late Claims;

b) the Pre-Receivership Distribution;

c) the Receivership Claims Procedure;

d) the removal of the Receiver as a plaintiff in the Pembina Claim; and

e) the authorization of NGP to take complete carriage of the Pembina Claim.

All of which is respectfully submitted this 24th day of January, 2017.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver of Mosaic

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

Peter Chisholm, CA, CIRP
Vice President