COURT FILE NUMBER	1601-07022
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	**ALBERTA TREASURY BRANCHES**
RESPONDENTS	**NORTHPOINT RESOURCES LTD.**
DOCUMENT	**SECOND REPORT OF THE RECEIVER & MANAGER**
	OCTOBER 25, 2016
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER & MANAGER**

Clerk's Stamp
CLERK OF THE COURT
FILED
OCT 25 2016
CALGARY, ALBERTA

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INTRODUCTION

1. Ernst & Young Inc. was appointed as Receiver and Manager (the "**Receiver**") of the property, assets and undertakings (the "**Property**") of Northpoint Resources Ltd. ("**Northpoint**", the "**Company**" or the "**Debtor**") pursuant to an Order of the Honourable Justice K.M. Horner pronounced on May 30, 2016 (the "**Receivership Order**").

2. Under the Receivership Order authorized the Receiver, among other things:

   a) The Receiver was authorized to carry on the business of Northpoint;

   b) The Receiver was authorized to sell, convey, transfer, lease or assign the Property out of the normal course of business, subject to approval of this Honourable Court for any transactions exceeding $500,000, or the aggregate of multiple transactions exceeding $2.0 million, and to make such arrangements or agreements as deemed necessary by the Receiver;

   c) The Receiver was authorized to borrow such monies from time to time as it may consider necessary, providing the outstanding principal amount of such borrowing does not exceed $600,000; and

   d) The whole of the Property was charged by way of fixed and specific charges (i) as security for the reasonable fees and disbursements of the Receiver and its counsel (the "**Receiver's Charge**"), in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA and (ii) as security for monies borrowed, together with interest and charges thereon (the "**Receiver's Borrowing Charge**"), in priority to all security interest, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA, subordinate in priority to the Receiver's Charge.

3. The Receiver filed with this Honourable Court a first report (the "**First Report**") dated September 28, 2016.

4. Pursuant to an Order of this Honourable Court granted on October 7, 2016 (the "**October 7, 2016 Order**"), the sale transaction with Canbriam Energy Inc. ("**Canbriam**") described in the First Report (the "**Sale Transaction**") and the execution of the Sale Agreement by the Receiver was authorized and approved, with such minor amendments as the Receiver may deem necessary and an Interim Distribution to the Petitioner, Alberta Treasury Branches ("**ATB**") was approved.

5. Further, pursuant to the October 7, 2016 Order, the Receiver was authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction or for the conveyance of the Assets to the Purchaser (or its nominee).

6. The purpose of this second report (the "**Second Report**") of the Receiver is to provide this Honourable Court with information concerning and, where applicable, the Receiver's comments and recommendations on:

a) The activities of the Receiver since its First Report;

b) In support of the proposed second interim distribution (the "**Second Interim Distribution**") to ATB;

c) The remaining efforts to be undertaken by the Receiver to complete the administration of the Receivership;

d) The request for approval and professional fees and costs of the Receiver and its legal counsel; and

e) The request for the discharge of the Receiver.

TERMS OF REFERENCE

7. Capitalized terms not defined in this Second Report are as defined in the Receivership Order.

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

BACKGROUND

9. Northpoint was engaged in the exploration and production of conventional oil and gas projects in Alberta and British Columbia. Substantially all of the Company's production and asset value is at a single property located in Northeastern British Columbia (the "**Altares**" property). Prior to being shut-in at the end of May 2016, net production to Northpoint from the Altares property averaged approximately 1,075 barrels of oil equivalent per day, consisting of 6.3 million cubic feet per day of natural gas and 25 barrels of natural gas liquids per day.

10. Prior to the Receiver's appointment, the Company commenced the safe and orderly shut-in of the Altares property and related processing facilities and pipelines. Accordingly, the Receiver did not continue to operate Northpoint's business.

11. Northpoint is currently indebted to ATB in the amount of approximately $17.6 million. ATB's debt is secured by general security agreement (the "**ATB Security**") which grants a security interest and charge over all of the Property. As indicated in the First Report, the Receiver's counsel, Gowling WLG (Canada) LLP ("Gowling WLG") reviewed the ATB Security and confirmed its validity and enforceability, subject to certain standard opinion qualifications.

12. Additional background concerning Northpoint is available at www.ey.com/ca/northpointresources.

ACTIVITIES OF THE RECEIVER

13. The activities of the Receiver since its First Report are set out below.

Sale of Property to Canbriam

14. On October 11, 2016, the Receiver attended at Canbriam's offices and completed the Sale Transaction for $7,500,000. The effective date of the Sale Transaction was August 1, 2016.

Head Office

15. Shortly after the Receiver's appointment the Receiver made arrangements with the landlord at Northpoint's head office located at Suite 950, 800 – 6th Ave SW Calgary, AB, T2P 3G3 (the "**Head Office**") to occupy the premises on a month to month basis at approximately $3,000 per month.

16. The Receiver has given notice to the landlord that it will be terminating the Head Office lease effective November 30, 2016 and will be vacating the premises on or before November 30, 2016.

Point Advisory Services - Contract Consultants

17. At the date of the Receivership, there were three employees of Northpoint located at the Company's Head Office. The Receiver retained the three employees on a contract basis through Point Advisory Services to assist with operations and the sale of Northpoint assets.

18. The Receiver has given notice to Point Advisory Services it will be terminating their consulting contract effective October 31, 2016. Point Advisory Services has agreed to provide on a per diem basis such additional services as the Receiver may require post October 31, 2016 to affect the transfer of the Properties to Canbriam and to conclude the receivership.

Receiver's Borrowing Charge

19. The Receiver had borrowed $400,000 (of the $600,000 authorized in the Receivership Order) by way of Receiver's certificates ("**Receiver's Certificates**") from ATB to fund the Receivership.

20. Upon closing of the Sale Transaction, the Receiver repaid the above noted Receiver's Certificates.

Compressor - Meridian OneCap Credit Corp.

21. Pursuant to a lease between Northpoint and Meridian OneCap Credit Corp. (successor to Roynat Inc.), Northpoint leased two 1085 HP Gemini natural gas, two-stage compressor packages (collectively, the "**Compressor Equipment**"). The estimated buyout of the two compressor packages was $380,463.

22. Concurrent with the closing of the Sale Transaction the Receiver exercised the buyout ($380,463) and included the Compressor Equipment as part of the Altares property being sold to Canbriam.

Property Taxes and Other Priority Claims

23. There were certain amounts owing by Northpoint to the Province of British Columbia on account of property taxes, carbon taxes and motor fuel taxes (the "**Provincial Payables**"). The aggregate amount owing by Northpoint on account of property taxes was estimated at $94,846 and for the carbon and motor fuel taxes approximately $33,000.

24. The Receiver had been advised by Gowling WLG that the Provincial Payables are secured by liens in favour of the Province that rank in priority to the ATB Security.

25. Concurrent with the closing of the Sale Transaction the Receiver paid $94,846 on account of property taxes and $33,279 on account of carbon and motor fuel taxes to the Province of British Columbia.

Interim Distribution to ATB

26. Concurrent with the closing of the Sale Transaction the Receiver remitted $5,500,000 to ATB as a first interim distribution (the "**First Interim Distribution**").

*British Columbia Oil and Gas Commission (**"BCOGC"**) and NRL Two Rivers 13-11-083-15*

27. The Province of British Columbia's Liability Management Monthly Summary Report indicates there is one well located in British Columbia (NRL Two Rivers 13-11-083-15) which was not included in the Sale Transaction.

28. The Receiver has been advised by former management as follows with respect to the 13-11-083-15 well:

   a) This well was drilled and abandoned in September of 2004 with no casing run nor completions attempted. The surface casing was cut and capped with the initial lease cleanup occurring in October of 2004. In July, 2005 a final lease cleanup occurred with topsoil replaced and graded to original condition, and ready for final reclamation submission.

   b) In September, 2006 Northpoint agreed to farm out terms with Sabretooth Energy Ltd and assigned the still active surface lease to Sabretooth for the drilling of A13-11-83-15 w6. The well was drilled, completed and flow tested in the Halfway Formation. Subsequently, following the sale of Sabretooth to Cequence, the well was abandoned by Cequence.

   c) Currently the surface lease is reclaimed, but tests to confirm that there is no surface contamination around the 13-11 wellbore have only recently been completed. The report to confirm no contamination is to be available in the first week in November at which time it will be submitted to the BCOGC as final submission requirement to obtain the Certificate of Restoration (the "**COR**"). It is anticipated the COR will not be issued until the end of November.

29. In order to facilitate the transfer of the Northpoint wells to Canbriam, a security deposit in the amount of $30,700 has been submitted to the BCOGC. Once the COR is received, the it is expected the security deposit will be returned.

*Alberta Properties and the Alberta Energy Regulator ("**AER**")*

30. ATB has issued a letter of credit in the sum of $196,378 with AER as the named beneficiary to address the deemed abandonment and reclamation liabilities (the "**Deemed Liability**") with respect to the Alberta wells.

31. The Receiver has been advised by former management as follows with respect to the Alberta wells;

a) Boundary Lake 14-7-86-12 W6M – Deemed Liability of $34,000

The 14-7 well is fully abandoned and reclaimed. Surface reclamation required trees to be planted and this work was done in 2015. Two year's growth is required prior to re-inspection and final submission before a reclamation certificate can be issued. Northpoint can apply for a 50% reduction in the deemed liability, which will require a soil assessment at an approximate cost of $3,000.

b) Strachan 12-19-39-9 W5M – Deemed Liability of $57,225

The 12-19 well is a suspended gas well with gas flow rates of approximately 100 mcf/d from each of the Viking and Notikewin zones. The Receiver is currently in negotiations with a third party to take over the well bore and associated mineral leases.

c) Josephine 10-23-94-10 W6M - Deemed Liability of $53,862

The 10-23 well is a suspended gas well with gas flow rates of approximately 100 mcf/d from the Kiskatinaw zone. The Receiver is currently in negotiations with a third party to takeover the well bore and associated mineral leases.

d) Simonette 11-21-64-25 W5M - Deemed Liability of $51,291

The 11-21 well is a suspended gas well with gas flow rates of approximately 100 mcf/d from each of the Bluesky zone. This well is 100% owned, with no partners.

32. The Receiver has contacted representatives of the Alberta Orphan Well Association (the "**OWA**") in Alberta regarding the transfer of all or a portion of the books and records relevant to the wells, facilities and pipelines included in the Property located in Alberta.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

33. The following is a summary of receipts and disbursements during the Receivership Period (May 30 to October 24, 2016):

Northpoint Resources Ltd. - In Receivership
Statement of Receipts and Disbursements
For the period May 30 to October 24, 2016
CDN$, Unaudited

		Notes
Receipts		
Asset sale	$ 7,500,000	a
Receiver's Certificate	400,000	b
Collection of accounts receivable	68,899	c
Refunds - GST	22,937	
Refunds - miscellaneous	664	
	7,992,500	
Disbursements		
Distribution to secured creditor - ATB	5,500,000	d
Repayment of Receiver's certificates	400,000	
Compressor buy-out - Meridian OneCap	380,463	e
Investment banking fees - Sayer	240,000	f
Consulting fees - Point Advisory Services	231,673	g
Oil and gas operating expenses	92,099	h
Consulting fees - other	76,375	i
Property taxes	57,208	j
GST	36,871	
Priority claims - other	33,279	k
BCOGC security deposit	30,700	l
Occupation rent and expenses	26,168	m
Receiver's fees and expenses	25,089	
Receiver's legal fees and expenses	19,958	
Minister of Finance, BC - lease rentals	12,158	n
Legal - other	4,353	
Interest - Receiver's borrowing	2,704	
Filing fees paid to Official Receiver	70	
	7,169,168	
Net receipts	823,332	
Opening cash	-	
Ending cash	$ 823,332	

34. Receipts and disbursements relate to the following:

a) Sale of Property to Canbriam;

b) The Receiver borrowed $400,000 (of the $600,000 authorized in the Receivership Order) by way of Receiver's Certificates from ATB to fund the Receivership;

c) Collection of accounts receivable, consisting primarily of pre-receivership oil and gas revenue;

d) Distribution to ATB as secured creditor;

e) The buyout of Compressor Equipment from Meridian OneCap Credit Corp., which Compressor Equipment was included as part of the Altares property being sold to Canbriam;

f) Commission from the sale of the Property paid to Sayer as sale agent;

g) Point Advisory Services was retained on a contract basis to assist with operations and the sale of Northpoint assets;

h) Oil and gas operating expenses were incurred primarily with respect to the safe and orderly shut-in of the Altares property and related processing facilities and pipelines;

i) Consulting fees - other, primarily management and accounting related;

j) 2016 property taxes, net of recovery from Canbriam for the period August 1 to December 31, 2016;

k) Priority claims – other, primarily with respect to British Columbia carbon and motor fuel taxes;

l) Security deposit paid to BCOGC with respect to the NRL Two Rivers 13-11-083-15 well;

m) Head Office rent and related expenses including telephone, computer and utilities; and

n) Payments to the British Columbia Minister of Finance with respect to lease rentals on the Altares property.

ESTIMATED COSTS TO COMPLETE THE RECEIVERSHIP

35. The following is a summary of the estimated receipts and disbursements to complete the Receivership and the proposed Second Interim Distribution to ATB:

Northpoint Resources Ltd. - In Receivership
Estimated Costs to Complete the Receivership
CDN$, Unaudited

		Notes
Ending cash - October 24, 2016	$ 823,332	
Estimated receipts		
Miscellaneous	500	
	500	
Estimated disbursements		
Receiver's fees and expenses	10,000	a
Consulting fees - other	10,000	b
Receiver's legal fees and expenses	7,500	a
Consulting fees - Point Advisory Services	5,000	
Oil and gas operating expenses	5,000	
Occupation rent and expenses	5,000	
GST	3,375	
Contingency	25,000	c
	70,875	
Funds potentially available for distribution	752,957	
Proposed Second Interim distribution	750,000	
Funds potentially available for final distribution	$ 2,957	d

36. The estimated receipts and disbursements to complete the Receivership relate to the following:

a. Professional fees include outstanding professional fees incurred to date but not paid and estimated costs of the Receiver and the Receiver's counsel to complete the administration of the Receivership;

b. Consulting fees - other, primarily management and accounting related;

c. The Receiver will hold back a contingency reserve (the "**Reserve**") of approximately $25,000 which will be sufficient to fully settle any unforeseen costs to complete the administration of the Receivership; and

d. Excess funds held by the Receiver at the completion of the Receivership will be distributed to ATB.

SECOND INTERIM AND FINAL DISTRIBUTION TO ATB

37. The Receiver is proposing to make a Second Interim Distribution to ATB of $750,000.

38. The Receiver will hold back a Reserve of the remaining cash held by the Receiver, which will be more than sufficient to complete the administration of the Receivership.

39. Excess funds held by the Receiver will be distributed to ATB as part of the final distribution (the "**Final Distribution**").

APPROVAL OF PROFESSIONAL FEES

40. The following exhibit shows the fees of the Receiver and its counsel incurred and paid to October 24, 2016.

Northpoint Resources Ltd. - In Receivership	
Professional Fees	
CDN$, Unaudited	
Receiver's fees	
To May 30, 2016	$ 8,636
May 30 - October 21, 2016	16,453
	$ 25,089
Receiver's legal fees	
June 9 - October 12, 2016	19,958
Total fees	$ 70,136

41. Copies of the Receiver's invoices and the Receiver's legal counsel's invoices are not attached but are available to this Honourable Court if requested.

42. The Receiver and the Receiver's legal counsel estimate that the fees that will be incurred to complete the administration of the Receivership will not exceed $17,500.

43. The Receiver respectfully requests that this Honourable Court approve the Receiver's and the Receiver's legal counsel's fees and disbursements along with the estimate of fees to complete the administration of the Receivership.

DISCHARGE OF THE RECEIVER

44. The Receiver has completed the majority of its administration of the receivership. Upon finalizing outstanding GST returns and remitting any final funds to ATB, the Receiver is not aware of it being required for any further purpose herein and is therefore of the view that it should be discharged from its mandate with the Receiver's discharge being effective upon the filing of the Receiver's Certificate in the form contemplated by the proposed form of Order concerning the discharge of the Receiver.

45. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver, on the condition of the completion of the items described above, from any and all obligations as Receiver of Northpoint.

RECOMMENDATIONS

46. The Receiver recommends that this Honourable Court approve the following:

a) The activities of the Receiver since the First Report;

b) The Statement of Receipts and Disbursements for the period May 30 to October 24, 2016;

c) The Second Interim Distribution and Final Distribution (if any) to ATB;

d) The fees and disbursements of the Receiver and its counsel; and

e) The discharge of the Receiver.

All of which is respectfully submitted this 25th day of October, 2016.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver and Manager of Northpoint

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