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COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	ATB FINANCIAL (FORMERLY ALBERTA TREASURY BRANCHES)	
RESPONDENTS	TRAVERSE ENERGY LTD.	
DOCUMENT	**THIRD REPORT OF THE RECEIVER** **OCTOBER 19, 2020**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. Calgary City Centre 2200, 215 2nd Street SW Calgary, AB T2P 1M4 Attention: Peter Chisholm / Ross Graham Telephone: (403) 206-5061 / (403) 206-5431 Fax: (403) 206-5075 Email: peter.chisholm@ca.ey.com / ross.graham@ca.ey.com **RECEIVER'S COUNSEL** MCCARTHY TÉTRAULT LLP Suite 4000, 421 7th Avenue SW Calgary, AB T2P 4K9 Attention: Sean Collins / Pantelis Kyriakakis Telephone: (403) 260-3531 / (403) 260-3536 Email: scollins@mccarthy.ca / pkyriakakis@mccarthy.ca	

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INTRODUCTION

1. Ernst & Young Inc. ("**EYI**") was appointed Receiver (the "**Receiver**") of the assets, undertakings and property (the "**Property**") of Traverse Energy Ltd. ("**Traverse**") pursuant to an Order of this Honourable Court (the "**Receivership Order**") dated December 6, 2019 (the "**Receivership Date**").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of Traverse, to take possession and control of the Property, to receive, protect and maintain control of the Property, and to market and solicit offers to purchase the Property.

3. On February 1, 2020, Barrel Oil Corporation ("**Barrel**") entered into an asset purchase agreement (the "**Stalking Horse APA**") to purchase certain property and assets of Traverse (the "**Assets**"). The Receiver's motion and support for this Stalking Horse APA was presented in the first report of the Receiver (the "**First Report**").

4. Pursuant to an Order of this Honourable Court, the Receiver obtained approval of the Stalking Horse APA as part of the sales and investment solicitation process (the "**SISP**") approved pursuant to the Order granted on February 14, 2020 (the "**SISP Order**").

5. On April 23, 2020, the Honourable Court approved the sale and vested title of the Assets of Traverse to Barrel pursuant to the Stalking Horse APA, as amended pursuant to the Asset Purchase Amending Agreement. The Stalking Horse APA and Asset Purchase Amending Agreement are collectively referred to as the "**Amended Stalking Horse APA**".

6. The purpose of this third report of the Receiver (the "**Third Report**") is to provide this Honourable Court with the Receiver's comments with respect to:

   a) the activities of the Receiver since the Second Report, including a statement of receipts and disbursements of the Receiver from the Receivership Date to October 16, 2020;

   b) the request for discharge of the Receiver of Traverse, following the Receiver's completion of the administration of the estate;

   c) liens filed by two oilfield service companies that performed services on certain of Traverse's oil & gas wells prior to the Receivership Date and the Receiver's proposed distribution regarding same;

   d) the remaining efforts to be undertaken by the Receiver to complete the administration of the Traverse Receivership; and

e) The Receiver's recommendations.

BACKGROUND

7. Traverse is a publicly traded company incorporated pursuant to the laws of the Province of Alberta with its registered office in Calgary, Alberta. Traverse is in the business of exploration, development and production of oil and natural gas products in Alberta.

8. Traverse encountered financial difficulties primarily as a result of significant cost overruns associated with the drilling and completion of a well in the Chigwell area of the Duvernay formation in the Western Canadian Sedimentary Basin (the "**Chigwell Well**"). Since its completion in late-2017, the Chigwell Well has provided insignificant production of oil and natural gas products. The unsuccessful production of the Chigwell Well had a material adverse impact on Traverse's liquidity, and with restricted capital available for capital expenditures, production in Traverse's other operating areas declined and further negatively impacted Traverse's liquidity.

9. As at the Receivership Date, the aggregate indebtedness owed to ATB Financial ("**ATB**"), the primary secured creditor of Traverse, totaled approximately $6.5 million.

10. ATB applied to this Honourable Court for an Order appointing EYI as receiver, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985. c. B-3.

11. On June 5, 2020, the sale and vesting title of the assets of Traverse to Barrel closed pursuant to the Amended Stalking Horse APA.

10. Additional information on Traverse is available on the Receiver's website at www.ey.com/ca/traverse.

TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this Third Report, the Receiver has relied upon unaudited financial information, Traverse's records, and discussions with management of Traverse. The Receiver has not performed an audit, review or other verification of such information that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of such information.

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

ACTIVITIES OF THE RECEIVER

13. As described in the Second Report of the Receiver dated April 22, 2020, the Receiver and the Sayer Energy Advisors (the "**Selling Agent**") have concluded the SISP. The SISP resulted in a sale of substantially all of Traverse's property to Barrel pursuant to the Amended Stalking Horse APA.

14. The Amended Stalking Horse APA closed on June 5, 2020 (the "**Closing Date**"). Pursuant to the Amended Stalking Horse APA, $1.5 million of the purchase price was to be satisfied through the issuance of a promissory note. However, Barrel elected to settle the purchase price in full with cash on the Closing Date and the Receiver collected sales proceeds of $3.61 million, including amounts paid by Traverse pursuant to the final statement of adjustments.

Interim Distributions to ATB Financial

15. Per an Order of this Honourable Court on April 24, 2020, the Receiver was granted the authority to issue interim distributions to ATB, the first-ranking secured lender to Traverse. As of the date of this Third Report, the Receiver has distributed $3.2 million to ATB.

Statement of Receipts and Disbursements

16. The following is a summary of the receipts and disbursements (the "**Statement of Receipts and Disbursements**") that have occurred since the Receivership Date up to October 16, 2020 (the "**Reporting Period**"):

Traverse Energy Ltd.		**Exhibit 1.0**
Statement of Receipts and Disbursements		
December 6, 2019 to October 16, 2020		
	Notes	
Opening Cash Balance		-
Receipts		
Sale proceeds to Barrel Oil Corp	*a*	3,610,561
Oil and natural gas revenue	*b*	1,822,755
Receiver's certificate	*c*	250,000
Total receipts		**5,683,316**
Disbursements		
Distributions to secured creditors	*d*	3,200,000
Operating and G&A expense	*e*	943,650
Payroll and contractor expense	*d*	466,684
Loan repayments on Receiver's certificate	*f*	252,618
Receiver's fees	*h*	204,931
Legal fees	*h*	129,802
Surface lease payments	*i*	128,772
Property tax	*j*	80,000
Insurance		56,418
Net GST remitted to Receiver General		44,836
Rent		31,500
Royalties		32,711
Bank charges		3,963
Total disbursements		**5,575,885**
Cash on hand at October 16, 2020		**107,431**

17. Notes to the Statement of Receipts and Disbursements are as follows:

a) The Receiver collected net proceeds of approximately $3.61 million pursuant to the sale of the Amended Stalking Horse APA;

b) The Receiver collected approximately $1.82 million in oil and natural gas production revenues during the Reporting Period, representing production for the months of December 2019 to June 2020. Since the Receivership Date, Traverse's actual production mix has been approximately 50% oil and 50% natural gas and natural gas liquids. Revenues include immaterial amounts collected from royalties and operating expense reimbursements;

c) ATB advanced $250,000 to the Receiver under the Receiver's Borrowings Charge, as permitted under the Receivership Order. Advances to the Receiver were used to fund Traverse's operations from the Receivership Date until the November 2019 oil and natural gas revenues were collected (at the end of December 2019). On February 5, 2020, these amounts were repaid, including interest;

d) The Receiver distributed $3.2 million to the first secured creditor of Traverse, ATB;

e) The Receiver incurred approximately $943,000 in operating expenses during the Reporting Period, associated with the production of oil and natural gas products. Approximately $158,000 of these disbursements related to general and administrative expenses;

f) Payroll and consultant expenses of $466,000 incurred during the Reporting Period and relate to wages paid to employees and contractors retained by the Receiver to provide accounting, engineering and field operating services;

g) The total repayment on the Receiver's Certificate was $252,571 including interest and principle payments as of the repayment date (February 5, 2020).

h) The Receiver made surface lease payments to landowners of approximately $128,000 during the Reporting Period, to ensure continued access to Traverse's owned and operated well sites and facilities in Alberta;

i) The Receiver collected approximately $204,000 in professional fees after close of the Amended Stalking Horse APA, and paid out approximately $129,000 to the Receiver's counsel, inclusive of applicable taxes; and

j) As at the Receivership Date, Traverse had accrued but unpaid property taxes owing to the municipality of Hanna, Alberta, in the amount of $80,000. The Receiver settled the property tax balance in full in January 2020.

PROFESSIONAL FEES

18. The Receiver's total fees and expenses are $195,000 (plus applicable taxes). The Receiver has approximately $10,000 of unbilled time to date. The Receiver's legal counsel's fees and disbursements total $124,000 (plus applicable taxes). The Receiver's legal counsel has approximately $15,000 of unbilled time to date.

19. 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.

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

Traverse Energy Ltd.			Exhibit 2.0
Schedule of Professional Fees			
December 6, 2019 to October 16, 2020			
Receiver Fees			
Invoice Number	Sub-total	GST	Total
CA12C500004918	119,667	5,983	125,651
CA12C500005413	25,088	1,254	26,343
CA12C500005243	24,064	1,203	25,268
CA12C500005658	10,738	537	11,274
CA12C500005130	9,956	498	10,453
CA12C500004543	5,660	283	5,942
Total Receiver Fees	**195,172**	**9,759**	**204,931**
Legal Fees			
Invoice Number	Sub-total	GST	Total
8008937	35,834	1,591	37,425
8008346	28,775	1,439	30,214
8006936	25,380	1,269	26,649
8006232	20,578	1,026	21,604
8007689	7,051	353	7,403
8009867	6,199	308	6,507
Total Legal Fees	**123,817**	**5,985**	**129,802**

LIENS OF SAVANNA WELL SERVICING INC. AND RAISE PRODUCTION INC.

21. During the Receivership Proceedings, the Receiver was made aware of three liens filed against Traverse. Two liens were filed by Savanna Well Servicing Inc. ("**Savanna**") on December 17, 2019, and one was filed by Raise Production Inc. ("**Raise**") on January 10, 2020. A summary of the amounts filed include:

a) Savanna Lien #1903008 - $9,071.48 and Savanna Lien #1903009 - $8,380.36 (collectively, the "**Savanna Liens**"); and

b) Raise Lien #201 006 611 - $26,766.60 (the "**Raise Lien**").

22. The liens were filed to secure outstanding amounts for improvements furnished on certain of Traverse's oil and gas wells prior to the Receivership Date.

Savanna Liens

23. The Receiver, with the assistance of its legal counsel, reviewed the liens filed by Savanna and concluded that the liens were valid and ranked in priority to the other secured lenders of Traverse, as:

a) The invoices associated with the liens were for services performed on wells sold as part of the Amended Stalking Horse APA;

b) The liens were filed within the required timeline of 90 days from the service date; and

c) The liens were determined to be properly filed on the Crown mineral leases belonging to Traverse where Savanna performed its services.

24. The Receiver is seeking the authority from this Honourable Court to settle the amounts due to Savanna under the Savanna Liens (the "**Savanna Lien Settlement**") by distributing $17,451.84 to Savanna as part of the Receiver's final distribution.

Raise Lien

25. The Receiver's legal counsel reviewed the Raise Lien. The review determined that the Raise Lien was registered against the fee simple interest of the title to the surface lands instead of against any of Traverse's interest in any corresponding Crown mineral leases, to which Traverse had a participating interest in. As a result, the Raise Lien does not rank in priority to the security of ATB over the proceeds derived from the sale of Traverse's mineral interests and, furthermore, the Raise Lien has not been discharged as part of the Amended Stalking Horse APA.

26. The Receiver is therefore seeking approval from this Honourable Court to distribute the remaining proceeds from the estate of Traverse without settling or withholding any reserve for the amounts due to Raise under the Raise Lien.

COMPLETION OF THE TRAVERSE RECEIVERSHIP

27. The following tasks must be resolved in order to complete the administration of the Receivership:

a) Issuing the Savanna Lien Settlement;

b) Completing certain final administrative tasks and winding down the receivership of Traverse; and

c) Distributing any remaining funds in the Receivership of Traverse to ATB.

DISCHARGE OF THE RECEIVER

28. The Receiver has completed the majority of its administration of the receivership and its remaining tasks, as outlined above, are largely administrative in nature and do not require any further appearance before this Court. Specifically, following the closing of the sale of the Amended Stalking Horse APA, all assets of the Debtor have been realized upon or otherwise dealt with and upon the Receiver's distribution of (i) the Savanna Lien Settlement; and, (ii) all residual and surplus funds to ATB, any and all Property remaining and all funds gathered, on account of the Debtor, will have been distributed or otherwise dealt with. As such, the administration of the estate of the Debtor is complete and the Receiver is therefore of the view that it should be discharged from its mandate, such discharge being conditional upon fulfilling the tasks outlined above.

29. The Receiver respectfully requests that this Court approve an Order discharging the Receiver from any and all obligations as Receiver of Traverse on the filing of the corresponding Receiver's Certificate indicating the distribution of all remaining proceeds, as set out in paragraph 32 above.

RECOMMENDATIONS

30. The Receiver respectfully recommends that this Honourable Court approve:

a) The activities of the Receiver during, and the statement of the receipts and disbursements for, the Reporting Period;

b) The fees and disbursements of the Receiver and the Receiver' s legal counsel;

c) The Savanna Lien Settlement;

d) The distribution of the net funds remaining in the Receivership of Traverse to ATB, without settling or holding a reserve for the amounts due under the Raise Lien; and

e) The discharge of the Receiver of Traverse, following the completion of the tasks identified in paragraph 32 of this Third Report.

Dated at Calgary, this 19th day of October, 2020.

ERNST & YOUNG INC.,
in its capacity as the Receiver and Manager of Traverse
and not in its personal or corporate capacity

Peter Chisholm, CPA, CA, CIRP, LIT
Senior Vice President