Deloitte.

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COURT	**COURT OF QUEEN'S BENCH OF ALBERTA**
JUDICIAL CENTRE	**CALGARY**
PLAINTIFF	**BURNSWEST CORPORATION**
DEFENDANT	**RILEY RESOURCES INC.**
DOCUMENT	**THIRD REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF RILEY RESOURCES INC.** **DATED APRIL 15, 2013** **PREPARED BY DELOITTE & TOUCHE INC.**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Gowling Lafleur Henderson LLP** **1400, 700 – 2nd Street SW** **Calgary, AB T2P 4V5** **Attention: Jeffrey Oliver** **Telephone/Facsimile: 403-298-1818/ 403-695-3558** **Email: Jeffrey.Oliver@gowlings.com**

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Introduction and Background

Introduction

1. Pursuant to a Consent Order granted by the Court of Queen's Bench of Alberta (the "Court") on May 26, 2011 (the "Receivership Order"), Deloitte & Touche Inc. ("Deloitte") was appointed as receiver and manager (the "Receiver") of Riley Resources Inc. ("Riley" or the "Company"). A copy of the Receivership Order and other information on these proceedings can be accessed on Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link.

Notice to Reader

2. In preparing this report, Deloitte has relied on unaudited financial information, the Company's records and discussions with Riley's former management, interested parties and the Company's stakeholders. The Receiver has not performed an independent review or audit of the information provided.

Background

3. The Receiver has prepared two previous reports dated August 23, 2011 and March 23, 2012 (the "Reports"). The Receiver has also prepared a confidential supplement to the First Report, dated August 25, 2011 (the "Supplement"). The Reports can be accessed on Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link. The Supplement was sealed by the Court pursuant to an Order granted on August 30, 2011. We highlight the following with respect to the administration of the Receivership:

   a. The Receiver undertook a sale process (the "Sale Process") to market Riley's petroleum and natural gas assets (the "PNG Assets"). On August 30, 2011, the Court granted an Order approving both the Sale Process and the sale of Riley's PNG Assets located in the Nosehill region (the "West Central Assets") to CPE Energy Management Corporation ("CPE", the "CPE Sale").

   b. The Sale Process was unsuccessful with respect to Riley's PNG Assets located in the Big Bend, Duncan, Edwand, Grasslands and Twin Lakes regions ("Central Alberta"), which included a well described as 00/06-13-068-18 W4M (the "06-13 Well"). At the Receiver's application on March 28, 2012 (the "March 2012 Application"), the Court approved the quitclaim of the 06-13 Well to

Signalta Resources Limited and Husky Oil Operations Limited (the "Quitclaim"). The Quitclaim has now been completed.

c. Based on the results of the Sale Process and additional inquiries made by the Receiver, the Receiver does not believe that the remaining assets located in Central Alberta (the "Central Assets") are saleable. The Central Assets are described in detail herein under the section "Assets – Central Alberta".

4. In addition to approving the Quitclaim, the Court granted the following Order at the March 2012 Application:

   a. Approving the reported actions of the Receiver to date with respect to the administration of these receivership proceedings;

   b. Approving the Receiver's Statement of Receipts and Disbursements for the period from May 26, 2011 to March 21, 2012;

   c. Approving the professional fees and disbursements of the Receiver for the period ended December 7, 2011 and of the Receiver's legal counsel for the period ended December 31, 2011; and

   d. Approving an interim distribution to Burnswest Corporation ("Burnswest"), Riley's sole secured creditor, in the amount of $600,000 (the "Interim Distribution").

5. This report represents the third report of the Receiver (the "Third Report"). It is being filed in support of the Receiver's application on April 19, 2013 (the "April 19 Application") at which time the Receiver will be seeking the following:

   a. Approval of the reported actions of the Receiver, since March 23, 2012, with respect to the administration of these receivership proceedings;

   b. Approval of the Receiver's Statement of Receipts and Disbursements for the period from May 26, 2011 to March 31, 2013 (defined herein as the "R&D");

   c. Approval of the professional fees and disbursements of the Receiver for the period from December 8, 2011 to March 31, 2013 and the professional fees and disbursements of the Receiver's legal counsel for the period from January 1, 2012 to March 31, 2013, including an estimate to complete the administration of the receivership (the "Remaining Professional Fees");

   d. Approval of a final distribution to the Energy Resources Conservation Board (the "ERCB") in the amount of $71,897 (the "ERCB Settlement"), representing the net estimated abandonment and reclamation liabilities due from Riley related to the Central Assets (as defined herein). The Receiver has requested that the ERCB assume responsibility for the Abandonment Assets (also as defined herein) under the Orphan Well Fund;

   e. Approval of a final distribution of approximately $318,365 to Burnswest, who is owed an outstanding principal balance of $1.2 million (the "Final Burnswest Distribution");

f. Approval of the assignment of the Equipment Proceeds, the Crown Refund, the GST Refunds and the Insurance Refunds (as defined herein) to Burnswest;

g. The discharge of Deloitte as Receiver; and

h. A release from all claims against the Receiver that arise from or are in any way connected to the Receiver's administration of the receivership, except where such claims arise from gross negligence or wilful neglect.

Assets

West Central Alberta

6. As noted above, the West Central Assets were sold to CPE. The CPE Sale closed on September 30, 2011 and had an effective date of June 1, 2011.

Central Alberta

7. The Central Assets include five non-producing wells, which have associated abandonment and reclamation liabilities. The following paragraphs outline the Receiver's intended course of action with respect to the Central Assets.

12-27 Wells

8. With respect to the two wells described respectively as 00/12-27-067-18W4 and 02/12-27-067-18W4 (the "12-27 Wells"), Riley is not a current working interest participant. Riley has a gross-overriding royalty interest in the 12-27 Wells, which was convertible, at Riley's election, to a working interest upon pay-out of the 12-27 Wells. Blacksteel Energy Inc., formerly Blacksteel Oil Sands Inc. ("Blacksteel"), is the 100% working interest participant in the 12-27 Wells. Since the 12-27 Wells are no longer producing, they will not achieve pay-out and Riley will not be entitled to convert its royalty interest to become a working interest participant in the 12-27 Wells. As a result, Blacksteel will remain the sole working interest participant in the 12-27 Wells. Although Riley is not a working interest participant in the 12-27 Wells, it held the licenses for the 12-27 Wells pursuant to a Farmout Agreement, dated November 21, 2008, as amended (the "Farmout Agreement"), between Riley and Blacksteel.

9. As a matter of general practice, the operator of a petroleum and natural gas property will also be a current working interest participant. We are advised by Riley's former Vice-President of Operations that Riley maintained the operatorship of the 12-27 Wells, despite the fact that they were not a current working interest participant in the 12-27 Wells due to the following:

    a. Prior to the receivership, Riley and Blacksteel shared office space and Riley's former management were acquainted with members of Blacksteel's management team;

    b. Riley's former management had knowledge of the 12-27 Wells; and

    c. Blacksteel was not registered as an operator with the ERCB.

10. On March 29, 2012, Deloitte issued two letters to Blacksteel whereby they resigned, effective immediately, as operator of the 12-27 Wells pursuant to Clause 202(a)(i) of the 1990 CAPL Operating Procedure (the "Resignations"), which is attached to and forms a part of the Farmout Agreement. Copies of the Resignations are attached as "Appendix 1". The issuance of the Resignations was done in an attempt to have the licenses for the 12-27 Wells transferred into the name of Blacksteel, as the 100% working interest participant. The Receiver subsequently initiated the transfer of operatorship of the 12-27 Wells to Blacksteel (the "Transfer"). To date, Blacksteel has refused to provide its concurrence to the Transfer.

11. The ERCB has assessed the abandonment and reclamation costs for the 12-27 Wells at $69,475. It is the Receiver's opinion that the abandonment and reclamation costs of the 12-27 Wells should be borne by Blacksteel as the 100% working interest participant in the 12-27 Wells.

The Abandonment Assets

12. The remaining three wells included in the Central Assets, which have associated abandonment and reclamation liabilities, are described as 00/11-10-068-18W4, 00/01-35-061-17W4 and 02/12-34-067-18W4 (the "12-34 Well", collectively the "Abandonment Wells"). In addition to the Abandonment Wells, the Central Assets include a facility located adjacent to the 12-34 Well (the "12-34 Facility"). The Abandonment Wells and the 12-34 Facility will collectively be referred to as the "Abandonment Assets". The Receiver has requested that the ERCB assume responsibility for the Abandonment Assets under the Orphan Well Fund.

Other

13. Riley also has a small amount of equipment located on the Abandonment Wells, which may have some salvage value (the "Equipment"). The Receiver retained International Oilfield Equipment Brokers ("IOEB") to complete a valuation of the Equipment and, on December 12, 2012, the Receiver entered into an Equipment Brokerage Agreement with IOEB to sell the Equipment on a commission basis. IOEB continues to market the Equipment; however, they have yet to receive any offers. IOEB has indicated that the main barriers to sale are the fact that the Equipment is still connected to process, fuel gas, electrical and/or piles and has not been cleaned out. Should the sale of the Equipment be unsuccessful, the Receiver will be abandoning the Equipment. Should the sale of the Equipment be successful, the Receiver is seeking Court approval to assign any proceeds that may be generated from the sale of the Equipment (the "Equipment Proceeds") to Burnswest, subject to their remaining outstanding secured claim.

14. Alberta Energy is currently holding a refund of $54,608 related to crown royalties (the "Crown Refund"). The Receiver has requested the release of the Crown Refund; however, Alberta Energy has indicated that no portion of the Crown Refund will be released until at least June 2013. As such,

the Receiver is seeking Court approval to assign the Crown Refund to Burnswest, subject to their remaining outstanding secured claim.

15. Refunds for goods and services tax (the "GST Refunds") of approximately $15,900 are anticipated to be collected for the post-receivership period. The Receiver is seeking Court approval to assign the GST Refunds to Burnswest, subject to their remaining outstanding secured claim.

16. Insurance coverage for the Central Assets currently expires on May 26, 2013. An insurance refund of $2,588 is currently outstanding and a nominal additional refund will likely be forthcoming assuming that the Receiver is discharged on April 19, 2013 (the "Insurance Refunds"). The Receiver is seeking Court approval to assign the Insurance Refunds to Burnswest, subject to their remaining outstanding secured claim.

Abandonment and Reclamation Liabilities

License Liability Rating Program

17. At the time of the Receiver's second report (March 23, 2012), the ERCB estimated that the Central Assets had total net abandonment and reclamation liabilities of $389,875. This amount was being held in trust by the Receiver. A recent Liability Rating View provided by the ERCB, however, attributed abandonment and reclamation liabilities of $380,757 to the Central Assets (the "ERCB Liability"). The ERCB is currently holding a security deposit of $72,928 for Riley pursuant to the License Liability Rating Program (the "LLR Program"). The ERCB Liability can be broken down as follows:

Surface Location	License No.	Description	Riley Working Interest	Deemed Net Liability
11-10-068-18W4	W0102107	Well	100%	$36,225
01-35-061-17W4	W0370671	Well	100%	$39,700
12-34-067-18W4	W0377686	Well	100%	$44,850
12-27-067-18W4	W0378207	Well	NIL	$39,700
12-27-067-18W4	W0402849	Well	NIL	$29,282
12-34-067-18W4	F39585	Facility	100%	$191,000
TOTAL Liability assessed by the ERCB				**$380,757**
Less: Deposit held in trust by the ERCB				(72,928)
Net Liability assessed by the ERCB				**$307,829**

12-27 Wells

18. Pursuant to the LLR Program, the ERCB has assessed Riley for abandonment and reclamation liabilities of $68,982 in respect of the 12-27 Wells. Blacksteel is the 100% working interest participant of the 12-27 Wells, therefore, it is the Receiver's opinion that Blacksteel is ultimately responsible for the associated abandonment and reclamation liabilities (the "Blacksteel Liability"). On April 12, 2012, the Receiver provided the ERCB with copies of the Resignations, advised the ERCB that Blacksteel

is the 100% working interest participant in the 12-27 Wells and notified the ERCB of Blacksteel's refusal to provide concurrence to the Transfer.

The Abandonment Assets

19. As previously reported, the Receiver has requested that the ERCB assume responsibility for the Abandonment Assets under the Orphan Well Fund.
20. The Abandonment Assets include the 12-34 Facility, which is located adjacent to the 12-34 Well (the 12-34 Well and the 12-34 Facility will collectively be referred to as the "12-34 Site"). The 12-34 Well was originally dually completed in two shallow sweet gas zones and placed on production with the installation of two small skid mounted separator packages placed on steel piles, which was considered by the ERCB to constitute a battery. The upper zone of the 12-34 Well produced for only a very short time after which it was suspended and one of the separator packages was removed. The Company then applied to have the 12-34 Facility abandoned. On January 3, 2012, the Receiver requested that the ERCB revisit the reclamation liability assigned to the abandoned 12-34 Facility based on the fact that the liability had been assessed for a battery, when, in fact, there was only a single separator package remaining at the 12-34 Site. Pursuant to this request, the Receiver retained Abandonrite to conduct a site-specific well assessment on the 12-34 Site (the "Assessment"). On October 18, 2012, based on the results of the Assessment, the Receiver requested that the ERCB reduce the assessed abandonment and reclamation liabilities under the LLR Program from $44,850 to $36,100 for the 12-34 Well (the "Well Reduction") and from $191,000 to $23,100 for the 12-34 Facility (the "Facility Reduction").
21. On December 18, 2012, the ERCB provided correspondence indicating that, in order to consider the Well Reduction, the Receiver would need to provide detailed site-specific abandonment and reclamation cost estimates for all of the wells included in the Central Assets. Given the reduction being requested, such an exercise would have been cost prohibitive.
22. On February 21, 2013, following certain additional requests for information, the ERCB indicated that they would agree to a Facility Reduction of $147,350 for the 12-34 Facility. This would result in assessed abandonment and reclamation liabilities of $43,650 (reduced from $191,000) for the 12-34 Facility (the Facility Liability"). Attached as "Appendix 2" is correspondence from the Receiver to the ERCB dated March 25, 2013 (the "March 25 Correspondence") that provides a timeline of recent correspondence related to the Facility Reduction. As noted therein, the Receiver believes that certain amounts assessed for the Facility Liability have been double-counted and that the Facility Liability should now be $24,050 (the "Updated Facility Liability"), as opposed to $43,650. As at the date of this report, the ERCB had not responded to the March 25 Correspondence.

23. The following is an amended calculation of the ERCB Liability, which excludes the Blacksteel Liability and includes the Updated Facility Liability. Based on this calculation, the net ERCB Liability is $71,897 (the "Amended ERCB Liability").

Surface Location	License No.	Description	Riley Working Interest	Deemed Net Liability
11-10-068-18W4	W0102107	Well	100%	$36,225
01-35-061-17W4	W0370671	Well	100%	$39,700
12-34-067-18W4	W0377686	Well	100%	$44,850
12-34-067-18W4	F39585	Facility	100%	$24,050
TOTAL Amended ERCB Liability				**$144,825**
Less: Deposit held in trust by the ERCB				(72,928)
Net Amended ERCB Liability				**$71,897**

24. In advance of the April 19 Application, the Receiver requested that its legal counsel consider the impact of relevant legislation and case law, including the recent decision of the Supreme Court of Canada in *Newfoundland and Labrador v. AbitibiBowater Inc.,* on the priority of any contingent claim advanced by the ERCB for abandonment and reclamation liabilities. Based on their review, the Receiver's legal counsel advised that they believed that any contingent claim by the ERCB for abandonment and reclamation liabilities would represent an ordinary unsecured claim, which would be subordinate to the secured claim of Burnswest.

25. Based on the quantum of the Amended ERCB Liability and in order to complete the administration of the Receivership in a timely manner, the Receiver is proposing, despite legal advice that any claim by the ERCB for abandonment and reclamation liabilities is unsecured, that $71,897 be paid to the ERCB in final satisfaction of any contingent claims they may have related to the abandonment and reclamation of the Central Assets (previously defined as the "ERCB Settlement"). Burnswest is supportive of the ERCB Settlement being paid in priority to their secured claim. Outside of what is reported herein, the ERCB has not commented on the Updated Facility Liability or the Blacksteel Liability, which give rise to the Amended ERCB Liability and the proposed ERCB Settlement.

Statement of Receipts and Disbursements

26. The R&D is attached as “Appendix 3”. As at March 31, 2013, the excess of cash receipts over cash disbursements was $1,014,412, which was represented as follows:

    a. Pursuant to the Order granted by the Court of Queen’s Bench of Alberta on March 28, 2012, an interim distribution of $600,000 was paid to Burnswest (previously defined as the “Interim Distribution”); and

    b. The Receiver is currently holding $414,412 in trust, which is anticipate to be paid out as follows:

        i. Additional professional fees of the Receiver and the Receiver’s legal counsel of $21,000 (including GST) are estimated to be required to complete the administration of the receivership;

        ii. $71,897 is anticipated to be payable to the ERCB pursuant to the ERCB Settlement;

        iii. $3,150 (including GST) is anticipated to be payable for additional consulting fees related to work done by Riley’s former production and royalty accountants; and

        iv. $318,365 is anticipated to be paid pursuant to the Final Burnswest Distribution (26.b.i through iv. will collectively be referred to as the Final Distributions).

27. The R&D reflects total receipts of $1,807,133. The Receiver highlights the following with respect to the more significant receipts:

    a. At the date of receivership, Riley held cash in financial institutions of $212,626;

    b. Sale proceeds, net of allowable adjustments, from the CPE Sale totalled $1,150,078;

    c. Production revenues for the post-receivership period total $242,628; and

    d. Receipts for gross-overriding royalties for the post-receivership period total $142,326.

28. The R&D reflects total disbursements of $792,722. The Receiver highlights the following with respect to the more significant disbursements:

    a. Joint interest billings for the post-receivership period total $100,532; and

b. Professional fees and disbursements of the Receiver totalling $290,098 plus GST and professional fees and disbursements of the Receiver's legal counsel totalling $31,586 plus GST were paid by the Receiver for professional services rendered for the period ended March 31, 2013.

29. At the March 2012 Application, the Court approved professional fees and disbursements of the Receiver totalling $183,153 plus GST and professional fees and disbursements of the Receiver's legal counsel totalling $14,452 plus GST. Attached as "Appendix 4" is a summary of the professional fees and disbursements paid since the March 2012 Application, which includes unpaid estimated professional fees and disbursements to complete the administration of the Receivership. The Remaining Professional Fees include professional fees and disbursements of the Receiver of $106,944 plus GST and professional fees and disbursements of the Receiver's legal counsel of $17,134 plus GST as well as estimated professional fees and disbursements for the Receiver and the Receiver's legal counsel of $10,000 each plus GST to complete the administration of the Receivership. A summary of the Remaining Professional Fees is attached as "Appendix 4" and copies of the invoices described therein, including detailed time analysis, can be made available to the Court at the April 19 Application.

Recommendation and Conclusion

30. The Receiver is recommending approval of the Final Distributions based on the following:

    a. The Receiver has obtained an independent legal opinion that the security held by Burnswest is valid and enforceable;

    b. As at the date of this report, Burnswest was owed approximately $1.2 million. Following payment of the Final Burnswest Distribution and any subsequent receipts from the Equipment Proceeds, the Crown Refund, the GST Refunds and the Insurance Refunds, Burnswest will continue to suffer a substantial shortfall with respect to their secured claim.

    c. The Receiver's legal counsel has reviewed the priority of the ERCB in light of the recent decision of the Supreme Court of Canada in *Newfoundland and Labrador v. AbitibiBowater Inc.* and has concluded that the ERCB's contingent claim related to any abandonment and reclamation liabilities would be subordinate to the claim of Burnswest; however, based on the quantum of the Amended ERCB Liability and in order to complete the administration of the receivership in a timely manner, the Receiver is proposing and Burnswest has expressed support for the ERCB Settlement.

31. The Third Report is being filed in support of the April 19 Application seeking the following:

    a. Approval of the reported actions of the Receiver, since March 23, 2012, with respect to the administration of these receivership proceedings;

    b. Approval of the R&D;

    c. Approval of the Remaining Professional Fees;

    d. Approval of the Final Distributions (including payment of the ERCB Settlement and the Final Burnswest Distribution);

    e. Approval of the assignment of the Equipment Proceeds, the Crown Refund, the GST Refunds and the Insurance Refunds to Burnswest;

    f. The discharge of Deloitte as Receiver; and

g. A release from all claims against the Receiver that arise from or are in any way connected to the Receiver's administration of the receivership, except where such claims arise from gross negligence or wilful neglect.

DELOITTE & TOUCHE INC.,
in its capacity as Receiver and Manager
of Riley Resources Inc. and not in its personal capacity

Jeff Keeble CA●CIRP, CBV
Senior Vice President

APPENDICES

APPENDIX 1

Deloitte.

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March 29, 2012

VIA COURIER

Blacksteel Energy Inc.
220, 840 – 6th Avenue SW
Calgary, AB T2P 3E5

Attention: Curtis Hartzler

Re: Riley Resources Inc. - in Receivership ("Riley" or the "Company")

Resignation of Operator

Re-Completion Agreement dated June 1, 2009 between Blacksteel Oil Sands Inc. and Riley (the "Re-Completion Agreement")

00/12-27-067-18W4 (the "Well")

Twp 67 Rge 18 W4M Y& Twp 68 Rge 17 W4M, Grasslands, AB

As you are aware, Deloitte & Touche Inc. was appointed as Receiver and Manager (the "Receiver") of Riley Resources Inc. pursuant to a Court Order granted on May 26, 2011.

Riley currently operates the Well on behalf of Blacksteel Energy Inc. ("Blacksteel")(successor in interest to Blacksteel Oil Sands Inc.) pursuant to the terms of the Re-Completion Agreement and the terms of the 1990 CAPL Operating Procedure (the "Operating Procedure") incorporated therein. As a result of the receivership, Riley hereby resigns, effective immediately, as operator of the Well pursuant to Clause 202(a)(i) of the Operating Procedure, which provides:

> (a) The Operator shall be replaced immediately and another Operator appointed forthwith pursuant to Clause 206 upon notice to such effect being served by any party to the other parties if:
>
> (i) the Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership…

As there are no Joint Owners (as that term is defined in the Operating Procedure) capable of being appointed or assuming operatorship of the Well, Clause 206(b) of the Operating Procedure provides that Blacksteel shall become the operator of the Well.

We request that Blacksteel contact the undersigned at your earliest opportunity in order to arrange the transfer of the Well, the well license and the books and records related thereto.

Should you have any questions, please contact the undersigned.

Yours Truly

DELOITTE & TOUCHE INC.,
In its capacity as Receiver and Manager of
Riley Resources Inc.
and not in its personal capacity

Vanessa A. Grant, B. Comm, CIRP
Vice-President

Deloitte.

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March 29, 2012

VIA COURIER

Blacksteel Energy Inc.
220, 840 – 6th Avenue SW
Calgary, AB T2P 3E5

Attention: Curtis Hartzler

Re: Riley Resources Inc. - in Receivership ("Riley" or the "Company")

Resignation of Operator

Farmout Agreement dated November 21, 2008 between Blacksteel Oil Sands Inc. and Riley (the "Farmout Agreement")

02/12-27-067-18W4 (the "Well")

Twp 67 Rge 18 W4M Y& Twp 68 Rge 17 W4M, Grasslands, AB

As you are aware, Deloitte & Touche Inc. was appointed as Receiver and Manager (the "Receiver") of Riley Resources Inc. pursuant to a Court Order granted on May 26, 2011.

Riley currently operates the Well on behalf of Blacksteel Energy Inc. ("Blacksteel") (successor in interest to Blacksteel Oil Sands Inc.) pursuant to the terms of the Farmout Agreement and the terms of the 1990 CAPL Operating Procedure (the "Operating Procedure") incorporated therein. As a result of the receivership, Riley hereby resigns, effective immediately, as operator of the Well pursuant to Clause 202(a)(i) of the Operating Procedure, which provides:

> (a) The Operator shall be replaced immediately and another Operator appointed forthwith pursuant to Clause 206 upon notice to such effect being served by any party to the other parties if:
>
> (i) the Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership…

As there are no Joint Owners (as that term is defined in the Operating Procedure) capable of being appointed or assuming operatorship of the Well, Clause 206(b) of the Operating Procedure provides that Blacksteel shall become the operator of the Well.

We request that Blacksteel contact the undersigned at your earliest opportunity in order to arrange the transfer of the Well, the well license and the books and records related thereto.

Should you have any questions, please contact the undersigned.

Yours Truly

DELOITTE & TOUCHE INC.,
In its capacity as Receiver and Manager of
Riley Resources Inc.
and not in its personal capacity

Vanessa A. Grant, B. Comm, CIRP
Vice-President

APPENDIX 2

Deloitte.

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VIA EMAIL: Sasha.Willard@ercb.ca

March 25, 2013

Energy Resources Conservation Board
Liability Management Group
Field Surveillance and Operations Branch
Suite 1000, 250 - 5th Street S.W.
Calgary, AB T2P 0R4

Attention: Sasha Willard, Science Specialist

Re: Riley Resources Inc. – in Receivership ("Riley" or the "Company")
Review of variation to licensee liability rating formula parameters for Riley Resources Inc.
(License Nos: W0377686 & F39585)

As you are aware, Deloitte & Touche Inc. acts as Receiver and Manager (the "Receiver") of Riley.

We are writing further to our request (the "Variation Request") that the ERCB revisit the liability associated with the suspended well described as 02/12-34-067-18 W4M (the "12-34 Well") and the corresponding facility (the "12-34 Battery"). The 12-34 Well and the 12-34 Battery will collectively be referred to as the "12-34 Site".

As described in our letter dated October 18, 2012 (the "October 18 Letter"), the 12-34 Well was dually completed in two shallow sweet gas zones and placed on production with the installation of two small skid mounted separator packages placed on steel piles. The upper zone of the 12-34 Well produced for only a very short time after which it was suspended and the separator package was removed. The Company then applied to have the 12-34 Battery abandoned.

The Variation Request was based on a site-specific liability assessment (the "Assessment") completed by Abandonrite with respect to the 12-34 Site. Pursuant to the ERCB's license liability rating program (the "LLR Program"), the ERCB had assigned a liability of $44,850 to the 12-34 Well and $191,000 to the 12-34 Battery for a cumulative liability of $235,850. The Assessment was submitted to the ERCB in conjunction with the October 18 Letter and recommended that the total liability assigned to the 12-34 Site be reduced from $235,850 to $59,200, which was broken down as follows:

Recommended Liability for the 12-34 Site pursuant to the Assessment	
Decommissioning and pipeline abandonment/ suspension and abandonment of the12-34 Battery	$23,100
Abandonment of the 12-34 Well	17,000
Reclamation of the 12-34 Well	19,100
Total	**$59,200**

On December 18, 2012, you issued correspondence including questions and comments related to the Variation Request, which are summarized below:

- You refused the Variation Request as it related to the 12-34 Well, indicating that, in order to consider such a request, you would require that Riley provide detailed site-specific abandonment cost estimates for all of its wells.
- You indicated that the cost estimate included in the Assessment for the 12-34 Battery did not appear to include a cost estimate related to the reclamation of the 12-34 Battery.

On January 10, 2013, Syndicated Ventures Inc ("SVI"), who was retained by the Receiver to assist with the Request for Variation provided a detailed Form 001-B Large Facility Remediation and Reclamation Cost Estimate Report, which provided a revised estimate for the decommissioning and pipeline abandonment/ suspension and abandonment of the12-34 Battery of $20,550 (reduced by $2,550 from the original estimate of $23,100, which was included in the Assessment).

On February 21, 2013, you issued correspondence in which you indicated that the ERCB would support a reduction of the liability assigned to the 12-34 Battery to $43,650, which was the total of the original estimate of $23,100 and the revised estimate of $20,550 both of which related to the same work for the decommissioning and pipeline abandonment/ suspension and abandonment of the 12-34 Battery.

On February 22, 2013, SVI, submitted a revised Form 001-A Suspension and Abandonment Cost Estimate Report (the "Revised Form 001-A"), which included additional suspension and abandonment costs of $3,500, which included backhoe digging around some piles that remained at the 12-34 Site and the removal and backfilling of those piles with a vibrator hoe during non-frozen conditions. These activities related to the second separator package, which has already been removed from the 12-34 Site. The costs to abandon the initial separator package, which remains at the 12-34 Well is included in the abandonment and reclamation costs assigned to the 12-34 Well. Based on the Revised Form 001-A, the estimate for the decommissioning and pipeline abandonment/ suspension and abandonment of the12-34 Battery was revised to $24,050.

On March 4, 2013, you issued correspondence indicating that the liability cost estimate for the 12-34 Battery needed to include all equipment or buildings on-site and represent all of the work required to obtain a reclamation certificate from Alberta Environment and Sustainable Resource Development, In a further telephone correspondence you were unable to provide a response as to whether the cost to abandon the initial separator package was or was not included in the abandonment and reclamation costs assigned to the 12-34 Well.

Further to this series of correspondence, we request that you reduced the liability assigned to the 12-34 Battery to $43,650 as indicated in your letter dated February 21, 2013. Once you have done so, please forward a revised Liability Rating View to the undersigned via email.

We further request that you provide additional information to confirm whether or not the cost to abandon the initial separator package was or was not included in the abandonment and reclamation costs assigned to the 12-34 Well.

As we discussed, we will be proceeding to be discharged as Receiver of Riley in early April 2013; therefore, your prompt reply is appreciated.

Yours truly,
DELOITTE & TOUCHE INC.
In its sole capacity as Receiver of
Riley Resources Inc.
And not in its personal capacity

Vanessa A. Grant, B. Comm, CIRP
Vice-President

cc (VIA EMAIL). Carole.Hachey@ercb.ca; Anu.Nandiwada@ercb.ca

APPENDIX 3

Riley Resources Inc. - in Receivership ("Riley")
Receiver's Statement of Receipts & Disbursements
For the Period from May 26, 2011 to March 31, 2013

			Notes
Receipts			
Cash held in financial institutions	$	212,626	
Net proceeds from the sale of petroleum and natural gas properties		1,150,078	1
Deposits on the sale of petroleum and natural gas properties		2,500	2
Sale of office furniture and equipment		1,940	3
Sale of petroleum and natural gas products		242,628	4
Joint interest billings		36,677	
Royalties		142,326	
Miscellaneous		6,126	
GST Collected		12,231	
Total Receipts		1,807,133	
Disbursements			
Rent		1,200	5
Lease Payments		8,176	
Operating expenses		86,291	6
Joint interest billings		100,532	
Consulting services		71,233	7
Accounting services		11,060	
Site assessment		11,861	
Computer services		1,049	
Insurance		23,064	8
Gross-Overriding Royalties		3,447	
Crown royalties		68,024	
Miscellaneous		5,437	
Energy Resources Conservation Board (License Liability Rating Deposit)		52,649	9
Receiver's professional fees and expenses		290,098	10
Legal fees and disbursements		31,586	11
GST Paid		27,015	
Total Disbursements		792,722	
Excess of cash receipts over cash disbursements	**$**	**1,014,412**	
Represented by:			
Interim distribution to Burnswest Corporation	$	600,000	12
Estimated professional fees required to complete the administration of the estate		21,000	
Estimated consulting and accounting services required to complete the administration of the estate		3,150	
Estimated final distribution to the Energy Resources Conservation Board (License Liability Rating Program)		71,897	13
Estimated final distribution to Burnswest Corporation		318,365	14
	$	**1,014,412**	

Notes:

1. The sale of Riley's petroleum and natural gas properties located in the West Central region of Alberta (the "West Central Alberta Sale") was approved by the Court of Queen's Bench of Alberta on August 30, 2011 and closed on September 30, 2011. The West Central Alberta Sale had an effective date of June 1, 2011.

Riley Resources Inc. - in Receivership ("Riley")
Receiver's Statement of Receipts & Disbursements
For the Period from May 26, 2011 to March 31, 2013

2. A deposit of $2,500 (the "Deposit") was paid for the sale of selected petroleum and natural gas properties. The sale was not completed and the Deposit has been forfeited by the purchaser.

3. Proceeds from the sale of a small amount of office furniture and equipment held at Riley's office and at an off-site storage facility.

4. Production revenues were paid to Riley on the 25th of each month pursuant to marketing agreements with Altagas Ltd., Pan-Alberta Gas Ltd. and Keyera Partnership.

5. Pro-rata rent was paid for the month of June 2011, during which month the Receiver occupied Riley's office premises located at 220, 840 - 6th Avenue SW in Calgary, Alberta.

6. Includes a pre-receivership billing of $1,774, which relates to work done on one of Riley's operated properties, where the contract operator provided ongoing assistance and where lien rights were likely applicable.

7. Various consultants were retained to assist in Riley's ongoing operations and in the sale process being undertaken with respect to Riley's petroleum and natural gas properties. Of the total for consulting services, $28,773 was paid to Niven Fischer Energy Services Inc. with respect to their assistance in preparing the sales package and electronic data room.

8. Riley's pre-Receivership insurance coverage has been retained and coverage has been extended to May 25, 2013.

9. In order to allow for the transfer of the well described as 06-13-068-18 W4M and the corresponding facilities to Signalta Resources Limited and Husky Oil Operations Limited, the Receiver paid the deposit, which was outstanding at the time pursuant to the Energy Resources & Conservation Board's (the "ERCB") license liability rating program.

10. The Receiver's fees have been paid in full for the period ended March 31, 2013.

11. The Receiver's legal counsel's fees have been paid in full for the period ended March 31, 2013.

12. An interim distribution was paid to Burnswest Corporation ("Burnswest") pursuant to the Order granted by the Court of Queen's Bench of Alberta on March 28, 2012.

13. On April 19, 2013, the Receiver will be making a Court application seeking approval of a final distribution to the ERCB in the amount of $71,897.

14. On April 19, 2013, the Receiver will be making a Court application seeking approval of a final distribution to Burnswest up to the value of their secured indebtedness.

15. On April 19, 2013, the Receiver will be making a Court application seeking approval to assign any additional proceeds, which may be generated from the sale of equpment, Crown royalty refund(s), post-receivership GST refunds and insurance refunds to Burnswest.

APPENDIX 4

Riley Resources Inc. - In Receivership
Summary of Professional Fees and Disbursements of the Receiver and the Receiver's Legal Counsel paid since March 28, 2012

Receiver: Deloitte & Touche Inc.

Invoice #	Period Covered	Amount	GST	Total
3048358	December 8, 2011 to March 30, 2012	$ 48,705	$ 2,435	$ 51,140
313369	Period ended July 9, 2012	18,300	915	19,215
3286058	Period ended March 31, 2013	39,939	1,997	41,936
Estimated fees required to complete the administration of the estate:		10,000	500	10,500
Total		**116,944**	**5,847**	**122,791**

Receiver's Legal Counsel: Gowling Lafleur Henderson LLP

Invoice #	Period Covered	Amount	GST	Total
17428922	January 1 to February 27, 2012	1,036	52	1,088
17439431	Period ended March 12, 2012	2,190	110	2,300
17460565	Period ended April 12, 2012	7,026	351	7,378
17503118	Period ended May 31, 2012	2,000	114	2,114
17537975	Period ended July 31, 2012	84	4	88
17559461	Period ended August 31, 2012	86	4	90
17588382	Period ended October 31, 2012	85	4	90
17635269	Period ended December 31, 2012	337	17	354
17702054	Period ended March 31, 2012	4,290	214	4,504
Estimated fees required to complete the administration of the estate:		10,000	500	10,500
Total		**27,134**	**1,371**	**28,505**

Total professional fees and disbursements of the Receiver and the Receiver's Legal Counsel paid since March 28, 2012.	**$ 144,078**	**$ 7,218**	**$ 151,296**