



RECEIVER'S INTERIM STATEMENT

(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)

WHITEMUD RESOURCES INC. – IN RECEIVERSHIP

Estate No. 25-094104

BACKGROUND

Pursuant to a Consent Order granted by the Court of Queen's Bench of Alberta (the "Court") on December 15, 2011 (the "Receivership Order"), Deloitte & Touche Inc. ("Deloitte") was appointed as receiver and manager (the "Receiver") of Whitemud Resources Inc. ("Whitemud" 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.

This is the first interim report, issued pursuant to subsection 246(2) of the *Bankruptcy and Insolvency Act*, pertaining to this matter.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

The Receiver's Interim Statement of Receipts and Disbursements for the period from December 15, 2010 to May 17, 2011 is attached hereto as Appendix 1.

STATEMENT OF PROPERTY

On March 31, 2011, the Court granted an Order (the "March 31 Order") approving the filing of a Proposal by the Receiver, on behalf of Whitemud, pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act* (the "Proposal"). Kasten Energy Inc. ("Kasten") is the beneficial owner of the first secured charge (the "First Secured Debt") on the assets of Whitemud and is providing funding and support for the Proposal. Pursuant to the March 31 Order, the Proposal was lodged with the Office of the Superintendent of Bankruptcy on April 1, 2011. Deloitte is acting as Trustee under the Proposal.

The meeting of creditors to consider the Proposal (the "Creditors' Meeting") was held on April 21, 2011. At the Creditors' Meeting, Kasten put forward numerous amendments (the "Amendments") to the Proposal, which would substantially increase the recovery to Whitemud's creditors. As the Amendments were significant and the voting letters held by the Trustee could have affected the outcome of the vote on the Proposal, the First Creditors' Meeting was adjourned in order that the Trustee could receive a copy of the Proposal including the Amendments (the "Amended Proposal"). A final version of the Amended Proposal was filed with the Office of the Superintendent of Bankruptcy on April 28, 2011.

The only creditor who is now affected by the Amended Proposal and will be paid pursuant to the Amended Proposal is the Regional Municipality of Old Post No. 43, who has an outstanding claim for property taxes (the "Affected Creditor"). The Affected Creditor was the only creditor eligible to vote on the Amended Proposal and will be paid in full by the Trustee upon ratification of the Amended Proposal by the Court ("Court Ratification"). The funds to pay the Affected Creditor will be paid to the Trustee by Kasten with that amount being added to the First Secured Debt.

Whitemud had issued 12% convertible secured subordinated debentures (the "Debentures") pursuant to a trust indenture dated August 6, 2009 (the "Indenture"). Olympia Trust Company ("Olympia") acted as Trustee pursuant to the Indenture and held registered security over all of Whitemud's present and after acquired personal property, which ranked subsequent to the First Secured Debt. At the Creditors' Meeting, Kasten provided the Receiver with a bank draft in the amount of \$12.995 million, which was anticipated to be an amount sufficient to pay the Debentures in full. On May 10, 2011, the Court granted the Receiver with an Order (the "May 10 Order") approving payment of the Debentures in full (the "Debenture Payment") and granting Kasten a second-place secured charge on the assets of Whitemud, in the amount of the Debenture Payment. The Debenture Payment in the amount of approximately \$12.959 million was made to Olympia, as trustee pursuant to the Indenture, by the Receiver.

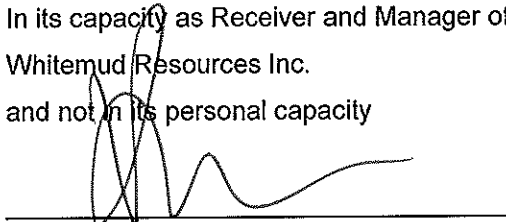
The claims of the Crown, preferred creditors and ordinary unsecured creditors (collectively the "Unsecured Claims") are unaffected by the Amended Proposal and will be paid in full by the Receiver pursuant to a claims process in the Receivership (the "Receivership Claims Process"). Kasten has provided the Receiver with two letters of credit, totalling \$2.3 million, which is the estimated amount required to pay the Unsecured Claims in full. The Receiver is seeking Court approval for the Receivership Claims Process in conjunction with the application for Court Ratification. The amount required to pay the claims of the Crown and the preferred creditors will be added to the First Secured Debt. The amount required to pay the ordinary unsecured creditors will be secured by a third-place charge on the assets of Whitemud to be granted to Kasten by Whitemud upon Court Ratification.

The Creditors Meeting will be reconvened on May 18, 2011. Provided the Amended Proposal is approved by the Affected Creditor, the Trustee will be seeking Court approval of both the Amended Proposal and the Receivership Claims Process.

Dated at Calgary, Alberta, this 17th day of May, 2011.

DELOITTE & TOUCHE INC.

In its capacity as Receiver and Manager of
Whitemud Resources Inc.
and not in its personal capacity



Victor P. Kroeger, CA•CIRP, CFE
Senior Vice-President

Estate No. 25-094104

**Whitemud Resources Inc. - in Receivership ("Whitemud")
Receiver and Manager's (the "Receiver") Interim Statement of Receipts & Disbursements
For the Interim Period from December 15 to May 17, 2010**

Receipts		Notes
Proposal funding provided by Kasten Energy Inc. (held in trust)	\$ 200,000	1
Trust Funds for payment to debenture holders	12,958,964	2
Office Furniture and Equipment	8,586	3
Pre-Receivership Accounts Receivable	154,969	
GST on Pre-Receivership Accounts Receivable	7,748	
Finished Goods Product	187,234	4
GST Collected	9,791	
Total Receipts	13,527,292	
Operations		
Rent	5,477	5
Mineral Leases	23,301	
Payroll	127,896	6
Employee Expenses	2,180	
Equipment Leases	80,246	
Operating Expenses	8,467	
Utilities	33,539	
Insurance	33,699	7
Receiver's Fees	82,205	8
Receiver's Legal Fees	10,597	9
Appraisal Fees	10,000	
Storage	1,826	
GST Paid	15,644	
Server Hosting	3,070	
Miscellaneous	6,541	
Total - Operations	444,687	
 Cash Surplus/ (Shortfall) from Operations	 13,082,605	
Administration of Receivership		
Management Fees	5,250	10
Total Administration of Receivership	5,250	
 Cash Surplus/ (Shortfall) before Receiver's Certificate	 13,077,355	
 Receiver's Certificate Funding	 136,036	11
 Cash Surplus/ (Shortfall) after Receiver's Certificate	 \$ 13,213,391	
Cash Surplus/ (Shortfall) after Receiver's Certificate comprised of:		
Proposal funding provided by Kasten Energy Inc. (held in trust)	\$ 200,000	
Payment to debenture holders	12,958,964	12
Cash on hand	54,427	
	\$ 13,213,391	

Notes:

1. Pursuant to the Order granted by the Court of Queen's Bench of Alberta (the "Court") on May 31, 2011, the Receiver filed a Proposal on behalf of Whitemud pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act* (the "Proposal"). Pursuant to the terms of the Proposal, Kasten Energy Inc. provided the Receiver with \$200,000 of the Working Capital Loan (as such term is defined in the Proposal), which funds are to be held in trust pending creditor approval and Court ratification of the Proposal.
2. Whitemud had issued 12% convertible secured subordinated debentures (the "Debentures") pursuant to a trust indenture dated August 6, 2009. At the meeting of creditors to consider the Proposal held April 21, 2011, Kasten Energy Inc. provided funds to the Receiver to pay the Debentures in full.
3. Office furniture and equipment from the Head Office (as defined below) was sold by Century Services Inc. ("Century") for a fee of 20% commission plus selected costs, including agreed upon moving costs and garbage disposal.
4. A portion of the finished goods product that has been sold has yet to be picked up.
5. Monthly rent for the head office at 3345 8 Street SE, Calgary, AB (the "Head Office") is \$19,806. Prorated rent was paid for the period from December 15 to 23, 2010.
6. Five former Whitemud employees have been retained on a contract basis to assist in the maintenance at the plant. Payroll is being processed on a bi-weekly basis.
7. Insurance has been paid in full for the period ended May 31, 2011.
8. Includes the Receiver's fees and disbursements for the period ended January 7, 2011.
9. Includes the Receiver's legal counsel's fees and disbursements for the period ended January 3, 2011.
10. A former Whitemud employees was retained on a part-time contract basis to assist in the administration of the Receivership and the preparation of a sale package.
11. Advanced by way of Receiver's Certificates pursuant to the Order of the Court of Queen's Bench of Alberta granted on December 15, 2010.
12. Pursuant to the Order granted by the Court on May 10, 2011, the Debentures have now been paid in full.