



COURT FILE NUMBER	1001-17751
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	CANADIAN WESTERN BANK
DEFENDANT	WHITEMUD RESOURCES INC.
DOCUMENT	SECOND REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF WHITEMUD RESOURCES INC.
	DATED MAY 6, 2011
	PREPARED BY DELOITTE & TOUCHE INC.

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

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Appendix 1 – Amended Proposal, dated April 29, 2011

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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 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.
2. The Receivership Order was the result of an application by Canadian Western Bank ("CWB"), which held registered security over all of the Company's assets, undertakings, and properties that were acquired for, or used in relation to Whitemud's business, including all proceeds thereof (the "CWB Security"). As at March 15, 2011, CWB was owed approximately \$907,500 (the "First Secured Debt"). Kasten Energy Inc. ("Kasten") subsequently purchased the CWB Security. The Receiver's legal counsel, Bennett Jones LLP ("Bennett Jones"), completed an independent review of the CWB Security in Alberta and determined that it is valid and enforceable. Macpherson, Leslie & Tyerman LLP ("MLT"), who was retained as an agent for Bennett Jones, completed an independent review of the CWB Security in Saskatchewan and also determined that it is valid and enforceable in that province.
3. 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") acts as Trustee pursuant to the Indenture and holds registered security over all of Whitemud's present and after acquired personal property (the "Debenture Security"). Bennett Jones and MLT completed independent reviews of the Debenture Security in Alberta and Saskatchewan respectively and determined that it is valid and enforceable and ranks subsequent to the CWB Security.

Notice to Reader

4. In preparing this report, Deloitte has relied on unaudited financial information, the Company's records and discussions with Whitemud'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

5. The first report of the Receiver, dated March 23, 2011, and the Receiver's confidential supplement to the First Report (the "Confidential Report") were both filed in support of the Receiver's application to this Honourable Court on March 31, 2011 (the "March 31 Application") seeking approval of the sales

process completed in respect of Whitemud's assets (the "Assets") and approval of and authorization for the Receiver filing a proposal (the "Proposal") pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act* (the "BIA"). The Confidential Report was sealed by the Court in order to avoid tainting any future sale process, which may be required should the Proposal fail to be approved by the creditors or ratified by the Court. The Proposal is being funded by and has the full support of Kasten.

6. This report constitutes the second report of the Receiver (the "Second Report"). The Second Report is being filed in support of the Receiver's application to this Honourable Court on May 10, 2011 (the "May 10 Application") seeking the following:
 - a. Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings;
 - b. Approval of a distribution to Olympia representing payment in full of the Debentures (the "Olympia Distribution"); and
 - c. Granting to Kasten a second-place secured charge over the Assets in the amount of the Olympia Distribution (the "Second Secured Charge"). The Second Secured Charge will rank subsequent to the First Secured Debt and any claims that rank in priority to the First Secured Debt, including the Receiver's Borrowings Charge (as such term is defined in the Receivership Order).

AMENDED PROPOSAL

7. At the March 31 Application, the Court granted an Order authorizing the Receiver to file the Proposal, which the Receiver did subsequently file with the Office of the Superintendent of Bankruptcy on April 1, 2011. Deloitte acts in a dual capacity as Receiver and as Proposal Trustee. The terms of the Proposal are discussed in the Confidential Report and a copy of the Proposal is appended thereto.
8. 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 Creditors' Meeting was adjourned in order that the Trustee could receive a copy of the Proposal including the Amendments (the "Amended Proposal"). The Amended Proposal was filed with the Office of the Superintendent of Bankruptcy on April 29, 2011.
9. Attached as "Appendix 1" is a copy of the Amended Proposal. The Amendments are summarized below:
 - a. Only the Regional Municipality of Old Post No. 43 (the "RM of Old Post") is affected by the Amended Proposal. As such, the RM of Old Post is the only creditor eligible to vote on the Amended Proposal and will be paid in full by the Trustee upon Court Ratification of the Amended Proposal. The funds to pay the RM of Old Post will be paid to the Trustee by Kasten with that amount being added to the First Secured Debt.

- b. The holders of the Debentures (the "Debenture Holders") are now unaffected by the Amended Proposal and will be paid in full, subject to Court approval of the Olympia Distribution. At the Creditors' Meeting, Kasten provided the Receiver with a bank draft in the amount of \$12.995 million, which is the estimated amount required to pay the Debentures in full. As the Debenture Holders are unaffected by the Amended Proposal, no shares will be issued to the Debenture Holders pursuant to the Amended Proposal.
 - c. Claims of Her Majesty in right of Canada or a Province coming within Section 60(1.1) of the BIA (the "Crown Claims") and claims of those creditors granted a preference pursuant to Section 136 of the BIA (the "Preferred Claims") are now unaffected by the Amended Proposal and will be paid in full pursuant to a claims process in the Receivership (the "Receivership Claims Process"). The Receiver will be seeking Court approval of the Receivership Claims Process in conjunction with the application for Court approval of the Amended Proposal ("Court Ratification"). Pursuant to the Receivership Claims Process, the Crown Claims and the Preferred Claims will be paid on an individual basis, upon acceptance of each claim, with all payments being made within three months of Court Ratification of the Amended Proposal. The amount required for payment of the Crown Claims and the Preferred Claims will be provided by Kasten and added to the First Secured Debt.
 - d. Claims of ordinary unsecured creditors (the "Unsecured Claims") are now unaffected by the Amended Proposal and will be paid in full pursuant to the Receivership Claims Process. The Unsecured Claims will be paid on an individual basis, upon acceptance of each claim, with all payments being made within three months of Court Ratification. The amount required for payment of the Unsecured Claims will be provided by Kasten and secured by a third-place secured charge on the Assets to be granted to Kasten by Whitemud upon Court approval of the Receivership Claims Process. Kasten has provided two letters of credit to the Receiver totaling \$2.3 million, which is the estimated amount required to pay the Crown Claims, the Preferred Claims and the Unsecured Claims in full.
 - e. The new board of directors of Whitemud will now consist of five directors, of which two will be appointed by Kasten and three will be independent third parties.
 - f. Certain definitions have been added, amended or deleted, as required based on the Amendments.
10. The Amendments will result in all of Whitemud's creditors, with the exception of Kasten, being paid in full and will allow Whitemud to continue to operate as a going concern for the benefit of all of its stakeholders.

Creditors' Meeting

11. The Creditors' Meeting is being reconvened on May 18, 2011 (the "May 18 Meeting"). As the RM of Old Post is now the only creditor affected by the Amended Proposal, only the RM of Old Post will attend the May 18 Meeting and vote on the Amended Proposal.

Trust Agreement

12. Kasten has entered into a trust agreement (the "Trust Agreement") with the Receiver to confirm the terms whereby Deloitte is holding in trust the amount required to pay the Debenture Holders in full and the amount required to pay the Crown Claims, the Preferred Claims and the Unsecured Claims in full. A copy of the Trust Agreement is attached as "Appendix 2". Pursuant to the Trust Agreement, the Receiver is holding \$12.995 million in trust to pay the Debentures (the "Debenture Trust Property") and letters of credit totaling \$2.3 million in trust to pay the Crown Claims the Preferred Claims and the Unsecured Claims in full (the "Unsecured Trust Property"). The Debenture Trust Property and the Unsecured Trust Property will collectively be referred to as the "Trust Funds".
13. The Debenture Trust Property will only be returned to Kasten should one of the following events occur (the "Debenture Events"):
 - a. Payment of the Olympia Distribution is not approved by the Court; or
 - b. Payment of the Olympia Distribution is approved by the Court, but on terms that are unacceptable to Kasten, acting reasonably.
14. The Unsecured Trust Property will only be returned to Kasten should one of the Debenture Events occur or should one of the following other events occur:
 - a. Whitemud's creditors vote against or are deemed to have voted against the Amended Proposal at the May 18 Meeting;
 - b. The Amended Proposal is not approved by the Court;
 - c. Whitemud becomes bankrupt; or
 - d. Any creditor or other person makes an application to the Court for injunctive or other relief, which in Kasten's opinion, frustrates or alters the terms of the Amended Proposal or otherwise prevents the Amended Proposal from being carried out.
15. Should the Trust Funds not be sufficient to pay in full the Debenture Holders, the Crown Claims, the Preferred Claims and the Unsecured Claims, the Receiver will notify Kasten of that fact. Pursuant to the Trust Agreement, Kasten will then provide the amount required to satisfy a shortfall in the Trust Funds to the Receiver as soon as a reasonably practical following receipt of such notice.

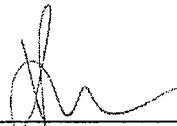
THE OLYMPIA DISTRIBUTION

16. As noted above, the Receiver's legal counsel has completed a review of the Debenture Security and determined that it is valid and enforceable and ranks subsequent to the CWB Security.
17. Olympia has provided a payout statement, indicating that approximately \$12,959 million will be required to pay the Debentures in full as of May 11, 2011. At the May 10 Application, the Receiver is requesting Court approval of payment of approximately \$12,959 million to Olympia (representing the Olympia Distribution).

CONCLUSION

18. This report is being filed in support of the May 10 Application by the Receiver seeking the following:
- a. Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings;
 - b. Approval of the Olympia Distribution, as defined herein; and
 - c. Granting the Second Secured Charge, as defined herein.

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

APPENDICES

APPENDIX 1

**IN THE MATTER OF THE PROPOSAL OF
WHITEMUD RESOURCES INC.
OF CALGARY, ALBERTA**

AMENDED PROPOSAL

On December 15, 2010, Deloitte & Touche Inc. was appointed by the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") as Receiver and Manager (the "Receiver"), without security, of all of the assets, undertakings and properties of Whitemud Resources Inc. ("Whitemud"), that were acquired for, or used in relation to Whitemud's business, including all proceeds thereof (the "Receivership"). A copy of the Receivership Order can be found at www.deloitte.ca under the Insolvency and Restructuring link.

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 BIA (this proposal and the following amendments are hereinafter collectively referred to as the "Proposal"). Pursuant to the Order, the Proposal was lodged with the Office of the Superintendent of Bankruptcy on April 1, 2011, the Proposal was mailed to the creditors of Whitemud on April 7, 2011 and a general meeting of creditors to consider the Proposal (the "First Meeting of Creditors") was held on April 21, 2011 at 2:00 p.m. at the offices of Bennett Jones LLP in Calgary, Alberta.

At the First Meeting of Creditors, the Unaffected Secured Creditor proposed substantial amendments to the Proposal, which would significantly benefit the creditors of Whitemud. As a result, the Receiver adjourned the First Meeting of Creditors so that the Proposal, as amended, could be mailed to the creditors of Whitemud.

This Proposal, as amended, is being filed pursuant to the BIA, Part III, Division I, for approval by the Affected Creditor and ratification by the Court with the full intent and hope that Whitemud will be reinstated as a going concern for the benefit of all of its stakeholders, namely: its creditors, employees and shareholders. This Proposal has the full support and backing of the Unaffected Secured Creditor.

**PART I
INTERPRETATION**

1. In this Proposal, unless otherwise stated or unless the subject matter or context otherwise requires, the following terms are defined as follows:

- (a) "Administrative Fees and Expenses" means the Receiver's Proper Fees and expenses and the Trustee's Proper Fees and expenses, including legal fees and disbursements (if any) incurred by the Receiver and the Trustee, on or incidental to the administration of the Receivership, the appointment of the Trustee, the negotiations in connection with the preparation of the Proposal, any amendments thereto and any subsequent proposals and any proceedings relating to, arising out of, or under the Proposal including the preparation and implementation of the Proposal and any subsequent proposals, including bankruptcy proceedings and including advice to Whitemud and including any fees and expenses in connection with the Receiver's duties pursuant to the Receivership Order and the Trustee's duties pursuant to the Proposal;
- (b) "Affected Creditor" means the Regional Municipality of Old Post No. 43;
- (c) "BIA" means the Bankruptcy and Insolvency Act, R.S.C. 1985;
- (d) "Claim(s)" means any right or claim of any Person that may be asserted or made in whole or in part against Whitemud at the Claims Date, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims of any kind that, is a debt provable in bankruptcy within the meaning of the BIA;

- (e) "Claims Date" means December 15, 2010, the date on which the Receiver was appointed;
- (f) "Class "A" Common Shares" means the authorized Class "A" Common Shares of Whitemud;
- (g) "Class "B" Non-Voting Common Shares" means the authorized Class "B" Non-Voting Common Shares of Whitemud;
- (h) "Court Ratification" means (a) the approval of the Proposal by Order of the Court having received the report of the Trustee and other relevant information from Whitemud or any interested creditor, and (b) the expiry of all appeal periods in relation to such Order of the Court;
- (i) "Crown Claims" means those Claims of Her Majesty in right of Canada or a Province coming within Section 60(1.1) of the BIA;
- (j) "Debentures" means the 12% Convertible Secured Subordinated Debentures of Whitemud due July 31, 2012 issued under the Trust Indenture;
- (k) "Debenture Holders" means the holders of the Debentures;
- (l) "Filing Date" means the date on which the Proposal was lodged with the Office of the Superintendent of Bankruptcy, namely April 1, 2011;
- (m) "First Secured Debt" means the debt owed by Whitemud to the Unaffected Secured Creditor that is subject to a first secured charge on the property, assets and undertaking of Whitemud, which the Unaffected Secured Creditor has acquired from Canadian Western Bank;
- (n) "GST" means goods and services tax payable pursuant to the Excise Tax Act (Canada);
- (o) "Levy" means the levy payable to the Superintendent of Bankruptcy pursuant to Section 147 of the BIA;
- (p) "Ordinary Unsecured Creditors" means those persons with Claims that are proved in respect of debts and liabilities present or future to which Whitemud was subject at the Filing Date or to which Whitemud may become subject by reason of any obligations incurred before the Filing Date, except for those Claims:
 - (i) that are by the Unaffected Secured Creditor;

- (ii) that are by the Affected Creditor;
 - (iii) that are Crown Claims;
 - (iv) that have been finally and conclusively disallowed or found by the Court not to be provable Claims;
 - (v) that are by Preferred Creditors; or
 - (vi) that are for Administrative Fees and Expenses;
- (q) "Person" is to be broadly interpreted and includes any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government authority or any agency, officer or instrumentality thereof or any other entity, wherever situated or domiciled, and whether or not having legal status;
- (r) "Post Filing Goods and Services" means in respect of this Proposal the goods supplied or services rendered to Whitemud after the Filing Date and prior to Court Ratification;
- (s) "Post Ratification Goods and Services" means in respect of this Proposal the goods supplied or services rendered to Whitemud after Court Ratification;
- (t) "Preferred Creditors" means those persons with Claims that are provable and proved under the BIA and which are required by Section 136 of the BIA to be paid in priority to the Claims of Ordinary Unsecured Creditors;
- (u) "Proven Claim" means a Claim by the Affected Creditor that has been accepted by the Trustee;
- (v) "Receivership Claims Process" means a process, to be approved by the Court, for determining and paying Claims whereby the remaining Unaffected Claims shall be paid in full within three months of Court Ratification;
- (w) "Receiver's Proper Fees" means the time charges incurred, at normal hourly rates, by the Receiver or its duly appointed successor or successors appointed under or in connection with the carrying out of its duties pursuant to the Receivership Order;
- (x) "Trust Indenture" means the Trust Indenture dated August 6, 2009 between Whitemud and Olympia Trust Company, as Trustee;

- (y) "Trustee" means Deloitte & Touche Inc. or its duly appointed successor or successors appointed under or in connection with the carrying out of this Proposal;
- (z) "Trustee's Proper Fees" means the time charges incurred, at normal hourly rates, by the Trustee or its duly appointed successor or successors appointed under or in connection with the carrying out of this Proposal;
- (aa) "Unaffected Claims" means all Claims, including Claims of the Unaffected Secured Creditor, Crown Claims, Claims of the Debenture Holders, Claims of Preferred Creditors, Claims of the Ordinary Unsecured Creditors but excluding the Claim of the Affected Creditor;
- (bb) "Unaffected Secured Creditor" means Kasten Energy Inc., the holder of the First Secured Debt; and
- (cc) "Working Capital Loan" means the loan of \$1,000,000 to be made by the Unaffected Secured Creditor, of which \$200,000 was paid to the Receiver on the Filing Date, with the balance to be paid in cash to Whitemud upon Court Ratification, such funds to be used: (i) to pay the Administrative Fees and Expenses, (ii) to provide working capital to allow Whitemud to operate, maintain and preserve its assets, and (iii) to allow Whitemud to take the steps necessary to allow it to have lifted the cease trade order issued against it by the Alberta Securities Commission on December 3, 2010.

PART II

TIMING AND PAYMENT OF CLAIMS

Crown Claims

- 2. THAT all Crown Claims will be Unaffected Claims in the Proposal.
- 3. THAT all Crown Claims incurred after the Filing Date and before Court Ratification shall be paid in full by the Receiver as they become due.
- 4. THAT all Crown Claims incurred prior to the Filing Date shall be paid in full by the Receiver within three months of Court Ratification, as set out in the Receivership Claims Process, with funds provided to the Receiver by the Unaffected Secured Creditor, which amount shall be added to the First Secured Debt.

Affected Creditor

5. THAT upon Court Ratification, the Affected Creditor and the Levy will be paid in full with funds provided to the Receiver by the Unaffected Secured Creditor, which amount shall be added to the First Secured Debt.

Preferred Creditors

6. THAT all Claims of Preferred Creditors will be Unaffected Claims in the Proposal.
7. THAT all Claims of Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered before the Filing Date shall be paid in full by the Receiver within three months of Court Ratification, as set out in the Receivership Claims Process, with funds being provided to the Receiver by the Unaffected Secured Creditor, which amount shall be added to the First Secured Debt.
8. THAT all Claims of Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered after the Filing Date and before Court Ratification shall be paid in full by the Receiver, who will continue to manage the operations of Whitemud during that period; and
9. THAT all Claims of Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered after Court Ratification shall be paid by Whitemud in the ordinary course of business.

Debenture Holders

10. THAT all Claims of Debenture Holders will be Unaffected Claims in the Proposal.
11. THAT the Debentures shall be paid in full by the Receiver subject to the Receiver obtaining Court approval for the payment of the Debentures on or before Court Ratification with funds provided to the Receiver by the Unaffected Secured Creditor.
12. THAT the Unaffected Secured Creditor has deposited with the Receiver the sum of \$12,995,000, which amount is anticipated to be sufficient to pay the Debentures in full.
13. THAT upon Court approval of both the Receiver paying the Debentures in full from funds provided by the Unaffected Secured Creditor and Whitemud granting security to the Unaffected Secured Creditor in respect of the amount required to pay the Debentures in full, Whitemud shall grant to the Unaffected Secured Creditor a second charge debenture (ranking in priority only behind the First Secured Debt) for the amount

advanced by the Unaffected Secured Creditor to pay the Debentures (the "Second Secured Debt").

Ordinary Unsecured Creditors

14. THAT all Claims of Ordinary Unsecured Creditors will be Unaffected Claims in the Proposal.
15. THAT all Claims of Ordinary Unsecured Creditors shall be paid in full by the Receiver within three months of Court Ratification, as set out in the Receivership Claims Process, with funds provided to the Receiver by the Unaffected Secured Creditor.
16. THAT the Unaffected Secured Creditor has deposited with the Receiver one or more letters of credit totalling \$2,300,000, which amount is anticipated to be sufficient to pay the estimated Crown Claims, the estimated Claims of the Preferred Creditors and the estimated Claims of the Ordinary Unsecured Creditors in full.

Administrative Fees and Expenses

17. THAT, notwithstanding anything to the contrary in the Proposal, payment of all Administrative Fees and Expenses shall be made in priority to all Claims of the Affected Creditor. All of the Administrative Fees and Expenses shall be paid by Whitemud out of the proceeds of the Working Capital Loan to be advanced to Whitemud by the Unaffected Secured Creditor.

Goods and Services

18. THAT Claims arising in respect of Post Filing Goods and Services shall be paid in full by the Receiver, who will continue the operations and preserve the assets of Whitemud after the Filing Date and before Court Ratification.
19. THAT Claims arising in respect of Post Ratification Goods and Services shall be paid in full by Whitemud in the ordinary course of business.

Timing of Payments

20. THAT the Unaffected Secured Creditor shall fund the Proposal by providing the Working Capital Loan, of which \$200,000 has been paid to the Receiver in cash on the Filing Date, with the balance to be paid in cash to Whitemud upon Court Ratification and by providing the necessary funds to pay out the Affected Creditor in full.

PART III
UNAFFECTED SECURED CREDITOR

Working Capital Loan from the Unaffected Secured Creditor

21. THAT upon Court Ratification, the Unaffected Secured Creditor shall advance the remaining amount due under the Working Capital Loan to Whitemud (i) to pay the Administrative Fees and Expenses, (ii) to provide working capital to allow it to maintain and preserve its assets, and (iii) to allow it to take the steps necessary to allow it to have lifted the cease trade order issued against Whitemud by the Alberta Securities Commission on December 3, 2010.

Third Charge Debenture Granted to the Unaffected Secured Creditor

22. THAT upon funding of the required amounts by the Unaffected Secured Creditor and Court Ratification, Whitemud shall grant to the Unaffected Secured Creditor a third charge debenture (ranking in priority only behind the First Secured Debt and the Second Secured Debt) for the amount advanced by the Unaffected Secured Creditor to pay the Claims of the Ordinary Unsecured Creditors and the Working Capital Loan.

Issuance of Shares to the Unaffected Secured Creditor

23. THAT upon Court Ratification, in further consideration for its agreement to fund the payments required to be made by it (including the Working Capital Loan) and for having taken the initiative in creating this Proposal to have Whitemud reinstated as a going concern for the benefit of all of its stakeholders (being its employees, its creditors and its shareholders), the Unaffected Secured Creditor (or its nominee or nominees) shall be issued 16,000,000 Class "A" Common Shares and 110,184,100 Class "B" Non-Voting Common Shares. As a result, the current shareholders of Whitemud will continue to own 52.98% of the issued Class "A" Common Shares (being 12.50% of all of the issued shares).

PART IV
AMENDMENTS

24. THAT the Proposal may be amended by Whitemud or the Trustee at any time prior to or at the continuation of the First Meeting of Creditors provided that any such amendments shall be considered by Whitemud to be in the best interests of the creditors. The

Proposal may be amended or further amended by Whitemud after the First Meeting of Creditors:

- (a) If the amendment is non-substantive in nature or in the interest of all of the creditors of Whitemud, with the approval of the Inspectors only;
- (b) upon a vote conducted by the Trustee at a further meeting of creditors; and/ or
- (c) upon approval of the Court.

PART V
MEETING OF CREDITORS

- 25. THAT the Proposal will only be deemed to have been accepted by the creditors if the Affected Creditor has voted in favour of the Proposal. For greater clarity, the Affected Creditor will be the only creditor eligible to vote on the Proposal.
- 26. THAT at the continuation of the First Meeting of Creditors (being the statutory meeting of the creditors to be held to consider the Proposal), the creditors may appoint one but not exceeding a total of five inspectors under the Proposal whose duties shall be restricted to:
 - (a) advising the Trustee concerning any dispute as to the validity of the claim of any creditor under this Proposal; and
 - (b) advising the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee.

PART VI
TRUSTEE AND RECEIVER

- 27. THAT Deloitte & Touche Inc., Licensed Trustee, shall be the Trustee acting under the Proposal.
- 28. THAT the Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Whitemud.
- 29. THAT the Receiver is acting in its capacity as Receiver and not in its personal capacity and no officer, director, employee or agent of the Receiver shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Whitemud.

30. THAT all monies payable under the Proposal to the Affected Creditor, shall be paid over to the Trustee who shall make the payment thereof to the Affected Creditor as set out herein.
31. THAT upon making the payments and distributions contemplated in Part II of this Proposal to the Affected Creditor, the Proposal shall be fully performed and the Trustee and Receiver shall be entitled to apply for their respective discharges as Trustee and Receiver. For greater certainty, neither the Trustee nor the Receiver will be responsible or liable for any obligations of Whitemud and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

PART VIII

MISCELLANEOUS

32. THAT the Trustee or Whitemud may apply to the Court for direction from time to time.
33. THAT as part of the Receivership Claims Process, all of the creditors of each and every class shall be under a duty to take all normal and customary steps to mitigate their respective damages.
34. THAT all Claims to which the Receivership Claims Process applies shall be subject to all of the normal and customary rights of determination by the Receiver acting reasonably.

Releases

35. THAT all Claims of creditors against the former officers or directors of Whitemud that arose prior to the Filing Date and that related to the obligations of Whitemud where the directors are by law liable in their capacity as officers or directors for the payment of such obligations, shall be compromised and satisfied in full upon Court Ratification and the performance by Whitemud of its obligations under the Proposal.
36. THAT the Affected Creditor will accept the distribution in the Proposal herein as full settlement and complete satisfaction of its Claim.

Consents, Waivers and Agreements

37. THAT upon Court Ratification, the Affected Creditor will be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. The Affected Creditor will be deemed to have waived any default by Whitemud in any provision express or

implied or in any agreement existing between the Affected Creditor and Whitemud that occurred on or prior to the Filing Date. The Affected Creditor will be deemed to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

Binding Effect

38. THAT the provisions of the Proposal shall be binding on the Affected Creditor, Whitemud and their respective heirs, executors, administrators, personal and legal representatives, successors and assigns upon Court Ratification.

PART IX

APPOINTMENT OF NEW DIRECTORS

39. THAT upon Court Ratification, a new board of directors of Whitemud shall be appointed consisting of five (5) directors, of which two (2) shall be appointed by the Unaffected Secured Creditor and three (3) shall be independent third parties (the "New Directors"). The New Directors shall hold office until the next general annual meeting of Whitemud's shareholders.

PART X

ANNULMENT OF PROPOSAL

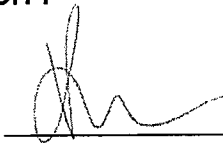
40. THAT Whitemud covenants and agrees that time shall be of the essence in the Proposal, and in the event that any term, covenant or provision herein is not fully performed at the time and in the manner specified, each such deficiency shall constitute a default in the performance of a provision of the Proposal, and, subject to Section 62.1 of the BIA, Whitemud shall consent to any application for annulment of this Proposal.

41. If the Proposal is annulled by an Order of the Court, all payments made pursuant to the terms of the Proposal will reduce the Claims of the respective creditors of Whitemud to whom the payments were made.

DATED at Calgary, Alberta, this 29th day of April, 2011.

**DELOITTE & TOUCHE INC. IN ITS SOLE CAPACITY AS COURT APPOINTED RECEIVER
AND MANAGER OF WHITEMUD RESOURCES INC. AND NOT IN ITS PERSONAL
CAPACITY**

By:



Authorized Signatory

APPENDIX 2

TRUST AGREEMENT

THIS AGREEMENT made this 5th day of May, 2011.

BETWEEN:

**DELOITTE & TOUCHE INC., in its capacity as
Trustee under the Amended Proposal in Bankruptcy of
Whitemud Resources Inc. (hereinafter called "Whitemud" or
the "Company") and in its capacity as Court-Appointed
Receiver and Manager of Whitemud, and not in its personal
capacity**

("Deloitte")

OF THE FIRST PART

- and -

KASTEN ENERGY INC.

("Kasten")

OF THE SECOND PART

RECITALS

WHEREAS, pursuant to a Consent Order granted by the Court of Queen's Bench of Alberta (the "Court") on December 15, 2010 (the "Receivership Order"), Deloitte was appointed as Receiver and Manager of Whitemud;

AND WHEREAS, pursuant to a sales process carried out with respect to Whitemud by Deloitte under the terms of the Receivership Order (the "Sales Process"), Kasten submitted to the Receiver a Proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") in relation to Whitemud (the "Proposal");

AND WHEREAS, pursuant to an Order granted by the Court on March 31, 2011, Deloitte filed the Proposal with the Office of the Superintendent of Bankruptcy on April 1, 2011;

AND WHEREAS at the meeting of Whitemud's creditors held on April 21, 2011 to consider the Proposal (the "Creditors' Meeting"), Kasten introduced significant amendments to the Proposal and the Creditors' Meeting was adjourned to permit Kasten to submit an Amended Proposal to Deloitte to be distributed to the creditors of Whitemud (the "Amended Proposal"), which was in fact submitted and distributed to the creditors of Whitemud on April 29, 2011;

AND WHEREAS the Amended Proposal contemplates that the claims of Whitemud's unsecured creditors (the "Unsecured Creditors") as determined in accordance with a claims process to be established and approved by the Court (the "Claims Process"), are to be paid in full after the ratification of the Amended Proposal by the Court ("Court Ratification");

AND WHEREAS the Amended Proposal contemplates that the claims of the holders of the 12% Convertible Secured Subordinated Debentures due July 31, 2012 issued under the Trust Indenture dated August 6, 2009 between Whitemud and Olympia Trust Company (the "Debentureholders") are to be paid in full (the "Debenture Payment"), after the granting by the Court of an Order authorizing the Debenture Payment (the "Debenture Order");

AND WHEREAS Kasten has provided in trust to Deloitte a Bank Draft in the sum of \$12,995,000, being an amount sufficient to make the Debenture Payment (the "Debenture Trust Property") for the purpose of making the Debenture Payment;

AND WHEREAS Deloitte has provided to Kasten (based on the unsecured and preferred proofs of claim received by Deloitte prior to the Creditors' Meeting) an estimate of the claims of the Unsecured Creditors and Whitemud's preferred creditors and Crown claims, being \$2.3 Million, more or less;

AND WHEREAS Kasten has provided in trust to Deloitte two letters of credit totalling \$2.3 Million (the "Unsecured Trust Property") for the purpose of paying the Unsecured Creditors and the preferred creditors and holders of Crown claims the amounts of their claims as finally determined in the Claims Process, pursuant to the Amended Proposal (the "Unsecured, Preferred and Crown Payments");

AGREEMENT

NOW THEREFORE for good and valuable consideration, the receipt of which is hereby acknowledged, Deloitte and Kasten hereby acknowledge and agree as follows:

Debenture Trust Property

1. Deloitte hereby acknowledges and confirms that it holds the Debenture Trust Property for the sole purpose of making the Debenture Payment, in accordance with the terms of this Trust Agreement and the Amended Proposal.

2. Deloitte shall not mortgage, sell, transfer, assign or otherwise encumber or use the Debenture Trust Property, or do any other act in relation thereto except as follows:
 - (a) upon the Debenture Order being granted in a form satisfactory to Kasten (including but not limited to granting to Kasten a second-priority charge over all of Whitemud's assets to secure the amount of the Debenture Payment), acting reasonably, and not being subject to appeal or having been stayed, Deloitte shall use the Debenture Trust Property to make the Debenture Payment to Olympia Trust Company.
3. The Debenture Trust Property is in an amount that Deloitte has estimated to be sufficient to make the Debenture Payment on or about May 10, 2011. In the event that the Debenture Trust Property is not in an amount sufficient to make the Debenture Payment, Deloitte shall notify Kasten of that fact, and Kasten hereby agrees to, as soon as reasonably practical following receipt of such notice, provide to Deloitte any shortfall amount required to make the Debenture Payment (the "Debenture Shortfall"). Upon payment of the Debenture Shortfall from Kasten to Deloitte, the Debenture Shortfall shall be incorporated into and form part of the Debenture Trust Property.
4. Deloitte shall be obligated to pay the Debenture Trust Property to Kasten upon the occurrence of any one of the following events:
 - (a) the Court refuses to grant the Debenture Order; or
 - (b) the Court grants the Debenture Order on terms unacceptable to Kasten, acting reasonably.
5. After Deloitte makes the Debenture Payment, it shall return to Kasten any surplus Debenture Trust Property.

Unsecured Trust Property

6. Deloitte hereby acknowledges and confirms that it holds the Unsecured Trust Property for the sole purpose of making the Unsecured, Preferred and Crown Payments, in accordance with the terms of this Trust Agreement and the Amended Proposal.

7. Deloitte shall not mortgage, sell, transfer, assign or otherwise encumber or use the Unsecured Trust Property, or do any other act in relation thereto except as follows:
 - (a) upon the Amended Proposal being approved by a vote of Whitemud's creditors and thereafter receiving Court Ratification, Deloitte shall use the Unsecured Trust Property to make the Unsecured, Preferred and Crown Payments.
8. The Unsecured Trust Property is in an amount that Deloitte has estimated to be sufficient to make the Unsecured, Preferred and Crown Payments, based on known claims and proofs of claim received by the date of the Creditors' Meeting. In the event that the Unsecured Trust Property is not in an amount sufficient to make the Unsecured, Preferred and Crown Payments, Deloitte shall notify Kasten of that fact, and Kasten hereby agrees to, as soon as reasonably practical following receipt of such notice, provide to Deloitte any shortfall amount required to make the Unsecured, Preferred and Crown Payments (the "Unsecured, Preferred and Crown Shortfall"). Upon payment of the Unsecured, Preferred and Crown Shortfall from Kasten to Deloitte, the Unsecured, Preferred and Crown Shortfall shall be incorporated into and form part of the Unsecured Trust Property. Both parties hereto acknowledge that there may be more than one notice issued by Deloitte to Kasten under this provision, and more than one Unsecured, Preferred and Crown Shortfall.
9. Deloitte shall be obligated to pay the Unsecured Trust Property to Kasten upon the occurrence of any one of the following events:
 - (a) the Court refuses to grant the Debenture Order;
 - (b) the Court grants the Debenture Order on terms unacceptable to Kasten, acting reasonably;
 - (c) those creditors of Whitemud entitled to vote on the Amended Proposal vote against or are deemed to vote against, or refuse to approve the Amended Proposal;
 - (d) the Court does not approve the Amended Proposal after the creditor vote;
 - (e) Whitemud becomes bankrupt; or

- (f) any creditor or any other person makes an application to the Court for injunctive or other relief which, in Kasten's opinion, frustrates or alters the terms of the Amended Proposal, or otherwise prevents the Amended Proposal from being carried out.
10. After Deloitte makes all of the Unsecured, Preferred and Crown Payments, it shall return to Kasten any surplus Unsecured Trust Property.

General Terms

11. This Trust Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
12. This Trust Agreement may be executed in counterparts and by means of email or facsimile transmission and all such executed counterparts together shall constitute the entire Trust Agreement.

IN WITNESS WHEREOF Kasten and the Trustee have executed this Agreement
this 5th day of May, 2011.

**DELOITTE & TOUCHE INC., in its
capacity as Trustee under the Amended
Proposal in Bankruptcy of Whitemud
Resources Inc. and not in its personal
capacity**

Per: _____
Victor Kroeger, CA, CIRP, CFE
Senior Vice President

KASTEN ENERGY INC.

Per:  _____
Robert Gillies

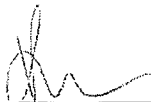
- (f) any creditor or any other person makes an application to the Court for injunctive or other relief which, in Kasten's opinion, frustrates or alters the terms of the Amended Proposal, or otherwise prevents the Amended Proposal from being carried out.
10. After Deloitte makes all of the Unsecured, Preferred and Crown Payments, it shall return to Kasten any surplus Unsecured Trust Property.

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IN WITNESS WHEREOF Kasten and the Trustee have executed this Agreement
this 5th day of May, 2011.

**DELOITTE & TOUCHE INC., in its
capacity as Trustee under the Amended
Proposal in Bankruptcy of Whitemud
Resources Inc. and not in its personal
capacity**

Per: 
Victor Kroeger, CA•CIRP, CFE
Senior Vice President

KASTEN ENERGY INC.

Per: _____
Robert Gillies

FORM 27
[RULES 6.3 AND 10.52(1)]

CLERK'S STAMP

COURT FILE NUMBER	1001 – 17751
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF (APPLICANT)	CANADIAN WESTERN BANK
DEFENDANT (RESPONDENT)	WHITEMUD RESOURCES INC.
DOCUMENT	<u>APPLICATION BY DELOITTE & TOUCHE INC., AS RECEIVER OF WHITEMUD RESOURCES INC.</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	BENNETT JONES LLP Barristers and Solicitors 4500, 855 – 2 nd Street S.W. Calgary, Alberta T2P 4K7

Attention: Chris Simard/Alexis Teasdale
Telephone No.: 403-298-3067
Fax No.: 403-265-7219
Client File No.: 27113.24

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the judge.

To do so, you must be in Court when the application is heard as shown below:

Date:	May 10, 2011 on the Commercial Duty List
Time:	3:00 p.m.
Where:	Calgary Courts Centre
Before Whom:	The Honourable Justice K. M. Horner

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. An Order:

- (a) approving the reported actions of Deloitte and Touche Inc. (the "Receiver") in its capacity as Court-appointed Receiver and Manager of Whitemud Resources Inc. ("Whitemud" or the "Company") since March 31, 2011, as reported in the Second Report of the Receiver dated May •, 2011 (the "Second Report");
- (b) authorizing the Receiver to pay to Olympia Trust Company ("Olympia"), in Olympia's capacity as Trustee for and on behalf of the holders of those 12% Convertible Secured Subordinated Debentures (the "Debentures") issued by Whitemud pursuant to the terms of that Trust Indenture dated August 6, 2009 (the "Indenture"), a sum sufficient to fully discharge Whitemud's obligations under the Debentures (the "Debenture Payment");
- (c) declaring that, upon the Receiver making the Debenture Payment to Olympia, Whitemud's obligations to the holders of the Debentures shall be fully discharged;
- (d) declaring that, upon the Debenture Payment being made, Kasten Energy Inc. ("Kasten") shall be entitled to the benefit of and shall be granted a charge (the "Debenture Payment Charge") on all of the Property (as defined in the December 15, 2010 Consent Order appointing Receiver and Manager granted in this Action, hereinafter the "Consent Receivership Order") to secure all of Whitemud's obligations to Kasten regarding the funds provided by Kasten to the Receiver for the purpose of making the Debenture Payment (the "Debenture Payment Funds");
- (e) ordering and declaring that, upon the Debenture Payment being made, the Receiver is authorized and empowered to execute and deliver to Kasten, in the name of Whitemud, such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively the "Definitive Documents") as may be reasonably required by Kasten with respect to its provision of the Debenture Payment Funds;
- (f) declaring that, upon the Debenture Payment being made:

- (i) the Debenture Payment Charge shall constitute a charge on the Property and shall rank in priority immediately subordinate to the security interests, mortgages and charges granted by Whitemud to Canadian Western Bank, which have since been assigned to and acquired by Kasten, and subordinate to any other claims that rank in priority to the charges granted by Whitemud to Canadian Western Bank;
- (ii) the filing, registration and perfection of the Distribution Payment Charge shall not be required; and
- (iii) the Distribution Payment Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Debenture Payment Charge;
- (g) requesting the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Saskatchewan or any other jurisdiction to give effect to the Order sought and to assist the Receiver and its agents in carrying out the terms of the Order sought;
- (h) respectfully requesting all courts, tribunals, regulatory and administrative bodies in Saskatchewan or any other jurisdiction to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to the Order sought or to assist the Receiver and its agents in carrying out the terms of the Order sought;
- (i) declaring that the Receiver will be at liberty to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of the Order sought and for assistance in carrying out the terms of the Order sought; and
- (j) granting such further and other relief as this Honourable Court deems just.

Grounds for making this application:

1. the Receiver filed a Proposal in Bankruptcy on behalf of Whitemud on April 1, 2011, pursuant to the Order of Mr. Justice LoVecchio, granted in this Action on March 31, 2011 (the "Proposal");

2. the funder and promoter of the Proposal is Kasten;
3. Kasten is the assignee of the loan and security granted by Whitemud to Canadian Western Bank, the first-ranking (subject only to statutory liens or charges) secured creditor of Whitemud;
4. the Receiver has obtained a legal opinion from its counsel and their Saskatchewan agent, opining that the security of Canadian Western Bank is valid and enforceable;
5. the security granted by Whitemud to the Debentureholders ranks subordinate to Canadian Western Bank's security;
6. the Receiver has obtained a legal opinion from its counsel and their Saskatchewan agent, opining that the security of the Debentureholders is valid and enforceable;
7. at the creditors' meeting convened to consider the Proposal held on April 21, 2011 (the "Creditors' Meeting"), Kasten put forward a significant series of amendments to the Proposal, and provided to the Receiver a bank draft in the full amount of the Debenture Payment Funds, for the purpose of paying out the Debentureholders;
8. the Creditors' Meeting was adjourned in order for Kasten to prepare a written Amended Proposal dated April 29, 2011 (the "Amended Proposal");
9. the Consent Receivership Order permits the Receiver to:
 - (a) settle, extend or compromise any indebtedness owing to or by Whitemud; and
 - (b) apply from time to time to the Court of Queen's Bench of Alberta for advice and directions in the discharge of its powers and duties under the Consent Receivership Order;
10. the Consent Receivership Order further directs the Receiver to deposit and hold all cheques, instruments, and other forms of payments received by the Receiver from and after the making of the Consent Receivership Order, from any source whatsoever, in

specified accounts, to be paid in accordance with the terms of the Consent Receivership Order or any further Order of the Court of Queen's Bench of Alberta.

11. the Receiver currently holds the Debenture Payment Funds in trust for the purpose of paying out the Debentureholders and Kasten and the Receiver requires an Order of this Court to permit the Receiver to pay out the Debenture Payment Funds in accordance with the terms of the Consent Receivership Order;
12. the order sought is just and equitable, will allow payment in full of the Debentureholders in a timely fashion and will not prejudice any other creditors or stakeholders of Whitemud, other than Kasten; and
13. such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

1. the First Report of the Receiver, dated March 23, 2011;
2. the Confidential Supplement to the First Report of the Receiver, dated March 28, 2011;
3. the Second Report; and
4. such further and other material as counsel may advise and this Honourable Court may permit.

Applicable rules:

1. Part 6 of the *Alberta Rules of Court*, A.R. 124/2010.

Applicable Acts and regulations:

1. *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, Parts III and XI;
2. *Judicature Act*, R.S.A. 2000, c. J-2, section 13(2);
3. *Personal Property Security Act*, R.S.A. 2000, c. P-7, section 65(7); and

4. such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

1. None.

How the application is proposed to be heard or considered:

1. Before the Honourable Justice K. M. Horner in Chambers on the Commercial Duty List with one or more of the parties to this Action and other interested parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes.

If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.