

**IN THE MATTER OF THE BANKRUPTCY OF
PIPER RESOURCES LTD.**

Estate # 25-093702

TRUSTEE'S PRELIMINARY REPORT

INTRODUCTION

On February 15, 2008, Piper Resources Ltd., formerly known as 2937077 Canada Inc. ("Piper") filed for protection under the Companies' Creditors Arrangement Act ("CCAA") and obtained an initial Order from the Court of Queen's Bench of Alberta (the "Court"). Under the terms of the CCAA Order, all proceedings against Piper were stayed for an initial period ended March 17, 2008. The Court granted six Stay Extension Orders, with the final stay of proceedings expiring on August 18, 2008. Deloitte & Touche Inc. ("Deloitte") acted as Monitor pursuant to the CCAA proceedings.

On July 22, 2008, the Court granted a Receivership Order in respect of Piper and Deloitte was appointed as Interim Receiver, and Receiver and Manager (the "Receiver") of all of Piper's current and future assets, undertakings and properties. Subsequently, on August 18, 2008, the Court granted a Bankruptcy Order in respect of Piper and Deloitte was appointed as Trustee of the estate of the bankrupt. The Receivership and Bankruptcy proceedings are operating concurrently. Further information on these proceedings can be accessed on Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link.

Both the Receivership Order and the Bankruptcy Order were the result of applications by Matco Capital Ltd. ("Matco"), who holds security over all of Piper's current and future assets, undertakings and properties. The Receiver has obtained a legal opinion that Matco's security is valid and enforceable and ranks in first position, subject to the Court's determination with respect to any potential priority claims.

BACKGROUND

Piper is a non-listed reporting issuer, incorporated under the laws of Canada in July 1993. The Company was engaged in the exploration, development and production of mainly natural gas in Western Canada.

POSSESSION & PRESERVATION OF ASSETS

At the date of bankruptcy, Piper's assets were in the possession of the Receiver who had taken appropriate actions to inventory, secure, and protect the assets.

PRELIMINARY EVALUATION OF ASSETS

The Receiver has now completed the sale of all of Piper's petroleum and natural gas rights, tangibles and miscellaneous interests (the "PNG Assets") to Glenogle Energy Inc. ("Glenogle"), effective July 1, 2008. The PNG Assets were sold to Glenogle for 68,486,200 Class B common non-voting shares of Glenogle (the "Glenogle Shares"), which transaction was approved by the Court on August 18, 2008.

The First Report of the Court-Appointed Receiver, dated August 15, 2008 (the "First Report") provides additional information with respect to the sale of the PNG Assets to Glenogle. The First Report can be found on Deloitte's website.

The sale of the PNG Assets was the first step in a two-step transaction that the Court directed Deloitte to complete pursuant to the Receivership Order. The second step is the delivery to Matco of both the Glenogle Shares and any remaining assets held by Piper (all cash and current assets) in order to discharge Matco's secured claim.

In addition to the Glenogle Shares, at the date of bankruptcy, Piper listed the following cash and current assets:

- An outstanding refundable input tax credit from Quebec Revenue estimated at \$847,000, the timing and collectibility of which is uncertain;
- Estimated deposits of \$622,858, comprised mainly of Crown royalty deposits;
- Cash held by the Receiver, estimated at just over \$2.1 million of which \$405,349 is being held in trust pending a determination as to the priority of certain joint venture and builder's lien claims.

It is anticipated that subject to Inspector and/or Court approval, the Glenogle Shares, as well as the remaining assets held by the Receiver, will be transferred by the Trustee to Matco in satisfaction of their outstanding secured claim. As such, it is not anticipated that there will be any funds available for distribution to any secured creditors ranking subsequent to Matco or to the unsecured creditors.

ANALYSIS OF CLAIMS & ESTIMATED RECOVERIES

Based on a review of Piper's financial records, the Statement of Affairs listed the following creditors as at the date of bankruptcy:

Type of Claim	Estimated Amount
Secured Claims	\$ 51,700,000
Unsecured Claims*	16,046,094
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Total Debt	<u>\$ 67,746,094</u>

*It is anticipated that there would be a shortfall of \$12 million in satisfying the claims of the secured creditors; therefore, this amount has been included in the unsecured claims.

Priority Claims

Two of Piper's joint venture partners, Lexington Oil & Gas Co. and Wycan Inc. made an application to Court for an Order declaring that their claims, consisting of excess funds advanced to Piper for payment of well expenses and oil and gas revenue, be declared to be trust funds, eligible for immediate repayment (the "Joint Venture Claims"). On August 18, 2008, the Court ordered that funds totaling \$309,000 be held in trust by the Receiver, pending a determination as to the priority of the Joint Venture Claims.

Various encumbrances were registered with the Alberta Department of Energy against certain crown agreements in which Piper had an interest. Funds totaling \$96,349 continue to be held in trust pending a determination as to the validity and enforceability of these liens.

Secured Claims

As noted above, Matco holds security over all of Piper's current and future assets, undertakings and properties. Piper's outstanding indebtedness to Matco is estimated at \$51.7 million.

Preferred Unsecured Claims

Piper's records do not indicate any unsecured creditors whose claims may be granted a priority pursuant to Section 136 of the *Bankruptcy and Insolvency Act*.

Ordinary Unsecured Claims

The Company has ordinary unsecured creditors with estimated claims of just over \$16 million dollars. As noted above, this amount includes an unsatisfied subsequent secured claim of up to \$12 million held by 1329749 Alberta ULC, a.k.a. Vitus Oil and Gas ULC and 1329750 Alberta ULD, a.k.a Bering Exploration Company ULC (collectively "1329750").

CREDITOR CLAIMS FILED

As at the date of this report, the Trustee had received ten unsecured proofs of claim totaling \$272,867.

PROJECTED DISTRIBUTIONS

As noted above, it is not anticipated that any funds will be available for distribution to any secured creditors ranking subsequent to Matco or to the unsecured creditors.

LEGAL PROCEEDINGS

The Trustee has not commenced any legal proceedings and is not aware of any proceedings commenced against the estate other than that related to the Joint Venture Claims, which is detailed above.

Prior to the date of the first meeting of creditors, the Trustee retained the law firm of Macleod Dixon LLP.

REVIEWABLE TRANSACTIONS AND PREFERENCES

The Receiver is in possession of Piper's books and records. The Trustee has not yet completed a review of the Company's financial transaction to determine if any reviewable transactions or preferences may have occurred.

DUAL APPOINTMENT

Deloitte acts as both Receiver and as Trustee of Piper. Pursuant to Section 13.4(1) of the *Bankruptcy and Insolvency Act*, the Trustee may act in a dual capacity, provided they have obtained an independent legal opinion as to the validity and enforceability of the secured creditor.

As noted above, the Trustee has obtained an independent legal opinion that the security held by Matco, is valid and enforceable as against all current and future assets, undertakings and property of Piper, subject to any statutory priority charges.

INDEMNITY

Matco has provided the Trustee with an indemnity with respect to professional fees and disbursements related to the administration of the estate of the Bankrupt.

DELOITTE & TOUCHE INC.,
in its sole capacity as Trustee of the Estate
of Piper Resources Ltd., a bankrupt and not
in its personal capacity.



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