

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

IN THE MATTER OF THE RECEIVERSHIP OF CAMTON EXPLORATION INC.

**RECEIVER'S SECOND REPORT
ALGER & ASSOCIATES INC.**

JANUARY 11, 2010

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Camton Exploration Inc.
Receiver's Second Report
Alger & Associates Inc.
January 11, 2010

Exhibits

A. Statement of Receipts and Disbursements to January 11, 2010

Introduction

1. On December 2, 2009, upon application by Trafina Energy Ltd. ("Trafina" or the "Secured Creditor"), Alger & Associates Inc. was appointed Receiver and Manager ("Alger" or the "Receiver") of Camton Exploration Inc. ("Camton" or the "Company") by the Court of Queen's Bench of Alberta pursuant to the Order of the Court of Queen's Bench Action No. 0901-18056.
2. On December 14, 2009, the Receiver issued its First Report to this Honourable Court outlining actions taken to date and requesting an increase in its borrowing powers.
3. On December 16, 2009, the Receiver's borrowing powers were increased from \$200,000 to \$700,000 pursuant to an Order by the Court of Queen's Bench of Alberta.
4. The purpose of the Receiver's Second Report is to provide this Honourable Court with:
 - a. Actions taken by the Receiver since the issuance of its First Report;
 - b. The Receiver's Statement of Receipts & Disbursements to January 7, 2010; and
 - c. Information on the sale of Camton's oil and gas assets.

Limitations of Report

5. The information contained in this report has been obtained from the records of Camton. The Receiver has relied on this information and has not performed an audit, review or other verification of such information.

Background / Current State of Affairs

6. As outlined in the Receiver's First Report, Camton's oil and gas properties ("Properties") are comprised of approximately 40 sections of mineral interests in southwestern Saskatchewan and working interests in and associated facilities relating to lands in Alberta and Saskatchewan, specifically:
 - a. 15 shut-in oil wells;
 - b. 12 shut-in natural gas wells;

- c. 7 salt water disposal wells;
 - d. 3 suspended oil wells; and
 - e. 3 suspended natural gas wells.
7. Additionally, Camton holds an inventory of over 30 low-risk seismically defined drilling opportunities.
8. All of the above wells have been shut-in since early 2009, and have remained shut-in during the Receivership.
9. The directors and officers of Camton resigned in early 2009. As a result, few, if any, of the mineral leases, surface leases, property taxes or other priority payables have been paid by Camton since that time, thus increasing the risk of the loss of the Company's Properties, if this situation continues.
10. The Receiver and the Secured Creditor have made certain payments in order to rectify some of the above situations and are continuing to attempt to rectify others as required in order to allow the Receiver to be in a position to sell Camton's oil and gas Properties.

Actions Taken by the Receiver

11. The Receiver has undertaken the following actions the issuance of its First Report:

Administrative

12. Obtained an Order increasing the Receiver's borrowing powers from \$200,000 to \$700,000 in order to obtain the funding necessary to preserve and protect Camton's assets.
13. Obtained insurance coverage for the assets of Camton.
14. Contracted Camton's software services provider to continue to extract financial information from Camton's office computer as considered necessary to administer Camton's operations.
15. Reviewed Camton's records and unopened mail from 2009 and processed a redirection of mail request with Canada Post.

16. Requested current tax information from Canada Revenue Agency.
17. Discussed and reviewed Camton's tax pool information with Trafina representatives and advisors.
18. Reviewed the report of the agent who attempted to market Camton's oil and gas assets in 2008 on the results of this sales process.
19. Requested Camton's minute book from Camton's former counsel.
20. Contacted various parties contained in the corporate search results and other information provided by Trafina in order to determine the status of their claims.
21. Obtained an independent legal opinion on Trafina's security.

Operations

22. Discussed with representatives of Trafina, the first secured lender, items necessary to preserve and protect Camton's assets and administer Camton's activities.
23. Contacted utilities to recommence service to Camton's wells and facilities and allow for testing of same.
24. Discussed with Saskatchewan government officials the outstanding amounts owed for mineral leases, crown royalties, outstanding work orders and other matters falling under their jurisdiction (e.g. surface leases) and paid certain of these items as required to preserve and protect the assets.
25. Reviewed available information from the operator of the Alberta properties that Camton is a working interest partner in and discussed with the operator the status of operations.
26. Reviewed, along with legal counsel, the purchase and sale agreement submitted by Trafina for the purchase of Camton's oil and gas assets.

Financial Position

27. As outlined in the Receiver's First Report, the Receiver believes the amounts contained in Camton's trial balance and accounts payable reports generated by Camton's software supplier are out of date, based upon the fact they have not been updated in over a year.
28. The Receiver's preliminary assessment of the situation has been confirmed in the numerous discussions that the Receiver has had with Camton's creditors, who have indicated to the Receiver that the liabilities from Camton's records used for the Notice and Statement of Receiver are understated.
29. The Receiver will be considering the need to have these financial records updated for priority claims matters in order for the Receiver to be able to properly administer Camton's affairs.

Receiver's Statement of Receipts & Disbursements

30. Attached as Exhibit "A" is the Receiver's Statement of Receipts & Disbursements to January 11, 2010. The Receiver has funded the disbursements outlined therein with \$500,000 in Receiver Certificates issued to Trafina, Camton's first secured lender.

Sale of Oil and Gas Assets

31. The Receiver has entered into a Purchase and Sale Agreement (the "Agreement") with Trafina for the sale of all of Camton's Saskatchewan oil and gas assets. The Agreement is attached as Exhibit "A" to the confidential addendum to this report. The Receiver is requesting that the confidential addendum and the Agreement be sealed so as to not taint any future sales process in the event the sale does not close.
32. The Agreement is subject to Court approval and also calls for the immediate vesting of the assets, which approval the Receiver is now seeking.
33. The Receiver supports the sale of the Properties to Trafina for reasons provided in the confidential addendum and summarized below:
 - a. The management and board of directors left the Company or resigned in early 2009. The oil and gas assets were all shut in at that time.

- b. Since then, the oil and gas assets have not been maintained and issues have arisen in regard to mineral and surface leases, royalties and other unpaid amounts. All these issues impact the value of the assets.
 - c. The secured creditor is owed in excess of \$7 million, not including the amounts paid by the Receiver and Secured Creditor on account of priority claims and costs. Based on the information provided to the Receiver, the value of the assets is less than the amount owed to the Secured Creditor.
 - d. Trafina is willing to assume the liability for all of the priority claims against the Properties.
34. Camton's remaining oil and gas properties represent non-operated interests in two oil and gas wells in Chipman, Alberta. These properties are in the process of being quit claimed to the operator of these properties as the estimated abandonment cost of the properties is in excess of their estimate fair market value. Trafina supported this quit claim.

Legal Opinion on Security of Secured Lender

35. The Receiver's legal counsel, Miles Davison LLP, was instructed to provide an independent legal opinion in regard to the enforceability and priority of the secured debt held by Trafina.
36. The Security was originally granted by Camton to the Bank of Nova Scotia and assigned to Trafina. Trafina is owed approximately \$7 million at the date of the Receivership Order.
37. Our legal counsel has advised, based upon review of the Lender's security documents and searches conducted, that Trafina maintains security from Camton for the outstanding loan indebtedness in the form of a registered General Security Agreement and a general assignment of book debts which appears to be validly executed and registered in Alberta and Saskatchewan.
38. The security is subject to priority claims in favour of the crown and one lien registered in priority to the security, in the amount of approximately \$20,000.

Priority Claims

39. A listing of potential priority claims was contained in Exhibit C to our First Report. The Receiver has done as much work as possible to quantify these claims, has paid certain of them after verifying balances with the applicable parties and will retain sufficient funds to discharge the remaining potential claims, not otherwise assumable by Trafina in the sale of the assets.
40. In the Agreement, Trafina is willing to assume the liability of any other priority claims relating to the Properties that may arise in the future.

Proposal

41. The Receiver has filed a Notice of Intention to File a Proposal pursuant to the Bankruptcy and Insolvency Act as allowed under the powers granted to it in the Initial Order.
42. One of the potential assets of Camton is the tax pools that will remain after the sale to Trafina. A proposal would be required to create value to the creditors from these tax pools. The tax pool information and the structure of a proposal are currently being reviewed in order to ensure that sufficient value exists to justify the incurrence of the costs of the proposal.

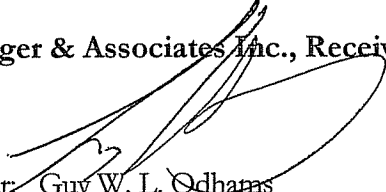
Intended Course of Action

43. The Receiver's future course of action will include:
- Complete the sale to Trafina;
 - Review and resolve all competing lien and priority claims;
 - Review information on Camton's tax pools in regard to filing a proposal;
 - Final distribution of funds; and
 - Discharge as Receiver of Camton.

Camton Exploration Inc.
Receiver's Second Report
Alger & Associates Inc.
January 11, 2010

DATED at Calgary, Alberta this 11th day of January, 2010.

Alger & Associates Inc., Receiver



Per: Guy W. L. Odhams
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ACTION # 0901-18056

IN THE MATTER OF THE RECEIVERSHIP OF CAMTON EXPLORATION INC.
RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM DECEMBER 2, 2009 TO JANUARY 11, 2010

Receipts

Receipts from secured lender	\$ 500,000.00
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Total Receipts

500,000.00

Disbursements

Property taxes	185,076.97
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Receiver fees	51,922.50
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Mineral leases	43,424.25
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Receiver's counsel fees	11,681.57
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Site Inspection Costs	7,934.25
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Crown royalties	4,270.96
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Consulting	2,000.00
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Insurance	4,000.00
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Other disbursements	112.00
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GST	496.71
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Total Disbursements

310,919.21

Cash Held in Trust

\$ 189,080.79

Action No. 0901-18056

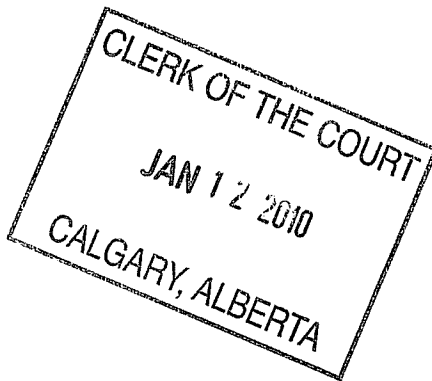
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IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE
RECEIVERSHIP OF
CAMTON EXPLORATION INC.

RECEIVER'S SECOND REPORT
ALGER & ASSOCIATES INC.
JANUARY 11, 2010

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