

Action No: 1001-08669

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

NATIONAL BANK OF CANADA

And

POWER PLAY RESOURCES LTD.

**SECOND REPORT OF THE RECEIVER
HARDIE & KELLY INC.
OCTOBER 28, 2010**

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INTRODUCTION

1. On June 10, 2010, National Bank of Canada (“NBC”) made application to the Court of Queen’s Bench of Alberta (the “**Court**”) for the appointment of an Interim Receiver of the assets, property and undertakings of Power Play Resources Ltd. (“**Power Play**” or the “**Company**”) as a result of the sudden resignation of the Company’s Board of Directors and officers (“**Management**”) on June 9, 2010.
2. The Court granted an Interim Receivership Order on June 10, 2010 (the “**Interim Receivership Order**”) appointing Hardie & Kelly Inc. as Interim Receiver (the “**Receiver**”).
3. In light of the sudden resignation of Management, NBC had not previously issued to Power Play a demand for repayment (the “**Demand**”) of its outstanding indebtedness or a Notice of Intention to Enforce Security pursuant to Section 244 (1) of the *Bankruptcy and Insolvency Act* (the “**Notice**”).
4. On June 10, 2010, NBC issued the Demand and the Notice to Power Play such that on June 24, 2010 a further application to the Court was made by NBC for the appointment of a Receiver. On June 24, 2010, the Court granted an order (the “**Receivership Order**”) appointing Hardie & Kelly Inc. as Receiver.
5. On September 27, 2010, the Receiver filed an initial report (the “**First Report**”) providing an overview of the Company and a summary of the Receiver’s initial activities in advance of an application for approval of the sale of non-core assets in the Enchant area (“**Enchant**”).
6. The purpose of this report (the “**Second Report**”) is to provide the Court with:
 - (a) An update as to the status of the proceedings including the status of the sales processes undertaken;
 - (b) A Statement of Receipts and Disbursements as at October 24, 2010; and
 - (c) The Receiver’s recommendation in respect of the sale of the remainder of Power Play’s oil and gas assets.

TERMS OF REFERENCE

7. In preparing this Second Report, the Receiver has relied upon certain unaudited financial information, the records of Power Play and discussions and information obtained from the Receiver's oil and gas consultant, Cord Resource Management Limited ("**Cord**").
8. The Receiver assumes no responsibility or liability for any loss or damage suffered by any party because of the publication, circulation, reproduction or use of this Second Report. Any use which any party may make of this Second Report or any reliance or decisions to be based on it is the responsibility of the party.

OPERATIONAL UPDATE

9. As the Company operates substantially all of its working interests, Cord continues to operate and administer the oil and gas operations on a day-to-day basis.
10. As of the date of this Second Report, the Company's net production continues to remain at approximately 200 BOED.
11. The Receiver continues to have ongoing communication with Energy Resources and Conservation Board ("**ERCB**") to keep them apprised of the status of the proceedings.

ENCHANT SALE

12. On September 30, 2010, this Honourable Court granted an Order approving the sale of Enchant to Bowood Energy Ltd. ("**Bowood**"). The sale to Bowood closed on September 30, 2010, and the Receiver is in possession of the net sales proceeds.

MARKETING OF OIL & GAS PROPERTIES

13. In the First Report, the Receiver advised this Honourable Court that several months prior to the appointment of the Receiver, the Company's management had engaged Sayer Energy Advisors ("**Sayer**") as its financial advisor to effect either the sale of the Company or the sale of the Company's assets. In order to avoid a duplication of costs, the Receiver initially deemed it prudent to allow Sayer the opportunity to continue working

with the parties they had engaged in the hopes of effecting an expedient resolution to the receivership proceedings.

14. Over the course of the following weeks the various parties Sayer had been negotiating with either withdrew their offers or, with the exception of the offer for the sale of Enchant, the offers were in such a form that they were unacceptable or would not be possible to close in the circumstances.
15. Consequently, on September 8, 2010, Sayer was notified that the Receiver would now be conducting its own sale process of the assets with a view to independently canvassing the marketplace. The Receiver then engaged Cord to expand its initial mandate to include the marketing of the Company's remaining assets.
16. Cord has taken the following steps to market the Company's remaining oil and gas properties located in the areas of Ante Creek, Blueberry, Whitecourt, Carvel and Manyberries (the "Assets"):
 - (a) Prepared a mailing advertising the opportunity that was sent to approximately 50 strategic potential interested parties based on activity in the geographical areas of Power Play's operations as determined by recent land sales and recent drilling activity, as well as Capital Pool Companies, who had not yet completed their "major transaction" and whose stated area of interest was the resources sector;
 - (b) Contacted twelve select parties with whom Cord has had previous dealings to advise them of the opportunity; and
 - (c) Contacted certain of the interested parties who had previously had negotiations with Sayer.

17. In addition to the above steps taken by Cord, the Receiver published two advertisements in the Daily Oil Bulletin advertising the Assets for sale and also posted notice of the sales process on the Receiver's website.
18. As a result of the marketing process undertaken by the Receiver, on October 8, 2010 the Receiver entered into a Letter of Intent ("**LOI**") for the sale of all of the Assets. The Receiver expects that an Asset Purchase and Sale Agreement ("**PSA**") will be executed shortly, a copy of which be provided to the Court pursuant to a Supplemental Confidential Report as described in the following paragraph.
19. A copy of the PSA and a summary of the results from the marketing process will be contained in the Receiver's Supplemental Confidential Report which will be filed prior to the hearing date for the Approval and Vesting Order (the "**Confidential Report**"). The Receiver is concerned that in the event the pending sale does not close for any reason, the disclosure of the respective details may affect the Receiver's efforts to remarket the Assets. The Receiver will be seeking the Court's approval to have the Confidential Report sealed.
20. In accordance with the terms of the LOI the proposed purchaser has confirmed in writing that it is prepared to proceed to execute a purchase and sale agreement which the Receiver expects will be executed on or before November 1, 2010. The PSA contemplates a closing date of November 5, 2010. Consequently, the Receiver is filing its Second Report in advance of filing its Confidential Report in order to provide all interested parties with sufficient notice of the proceedings.
21. NBC, the Company's principal secured creditor currently owed in excess of \$11.4 Million, is also supportive of closing the current offer. The Receiver's legal counsel has reviewed the NBC security and determined that it is valid and enforceable.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

22. A copy of the Receiver's Statement of Receipts and Disbursements is attached as Appendix "A" indicating the Receiver holds approximately \$202,000 in its trust account excluding the deposit held with respect to the pending sale.

RECOMMENDATIONS

23. This portion of the Receiver's report to this Honourable Court is for information purposes only. A recommendation will be made together with the filing of the Receiver's Confidential Report referred to above.

All of which is respectfully submitted this 28 day of October, 2010.

Hardie & Kelly Inc., in its capacity
as Receiver of Power Play Resources
Ltd. and not in its personal capacity

Per: _____

A. Ronald Hardie, CA-CIRP
President

POWER PLAY RESOURCES LTD.

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Appendix A

Power Play Resources Ltd., in receivership
Statement of Receipts and Disbursements
as at October 24, 2010

| | | |
|---|---------------|---------------|
| Oil and gas receivables/revenues | \$ 521,236.88 | |
| Sale of assets | 125,000.00 | |
| Cash on hand | 12,411.90 | |
| Sale of furniture | 2,150.00 | |
| GST collected | 7,270.30 | |
| Miscellaneous | 1,611.29 | |
| | | 669,680.37 |
| Interest charges and legal fees of secured creditor | 79,423.72 | |
| Processing fees | 66,053.94 | |
| Crown and freehold royalties | 64,762.91 | |
| Contract management | 57,203.19 | |
| Property taxes | 46,115.65 | |
| Processing fee deposit | 33,000.00 | |
| Oilfield services and supplies | 32,489.11 | |
| Contract field operators | 26,048.40 | |
| Joint venture billings | 20,173.44 | |
| Surface and mineral lease rentals | 11,150.94 | |
| ERCB annual fee | 8,625.82 | |
| Software | 6,046.99 | |
| GST paid | 4,988.35 | |
| Sales commission | 3,750.00 | |
| Insurance | 2,974.00 | |
| Production accountant | 2,775.00 | |
| Miscellaneous | 2,271.59 | |
| | | 467,853.05 |
| Balance of funds on hand (<i>note 1</i>) | | \$ 201,827.32 |

Notes:

1) Excludes deposit held in respect of pending sale of assets.

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BETWEEN:

NATIONAL BANK OF CANADA

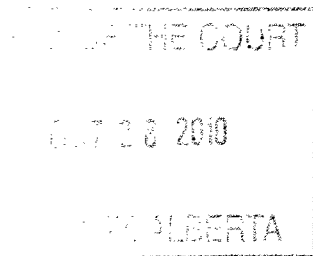
Plaintiff

- and -

POWER PLAY RESOURCES LTD.

Defendant

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DAVIS LLP
Barristers & Solicitors
1000 - 250 2nd St. SW
Calgary, Alberta
T2P 0C1

Larry B. Robinson, Q.C.
Phone: 403.698.8715
Fax: 403.697.6609
File No. 77918-1