COURT FILE NUMBER	1201-01367
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED AND IN THE MATTER OF COUGAR OIL AND GAS CANADA, INC.
DOCUMENT	**PROPOSED MONITOR'S REPORT ON DEBTOR'S CASH FLOW STATEMENT** **FEBRUARY 3, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**PROPOSED MONITOR** ERNST & YOUNG 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Peter Chisholm Telephone: 403-206-5067 / 403-206-5061 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com peter.chisholm@ca.ey.com

CLERK OF THE COURT
FILED
Clerk's Stamp
FEB 6 2012
JUDICIAL CENTRE
OF CALGARY

Introduction

1. In accordance with section 10(2) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"), the Applicants (or collectively the "Company") have prepared a cash flow forecast (the "Cash-Flow Statement") for their receipts and disbursements for the period of February 3, 2012 to March 2, 2012 (the "Reporting Period"). In preparing the Cash-Flow Statement, management of the Company has used the probable and hypothetical assumptions set out in notes 1 to 4 (the "Notes") to the Cash-Flow Statement.

2. A copy of the Cash-Flow Statement and Notes are appended as Exhibit "B" to the Affidavit of William S. Tighe sworn February 2, 2012 (the "Tighe Affidavit"). A copy of the signed Cash-Flow Statement, Notes and a report containing the prescribed representations of the Company regarding the preparation of the Cash Flow Statement are attached hereto as Appendix "A".

3. As indicated in the Cash-Flow Statement, the Company estimates that it will have total receipts of approximately $176,519 and total disbursements of approximately $373,965 for the period of February 3, 2012 to March 2, 2012. As reflected in the Cash-Flow Statement and as set out in the Tighe Affidavit, the Company has sufficient funds to satisfy its projected uses of cash for the Forecast Period.

Proposed Monitor's review of the Cash-Flow Statement

4. We have reviewed the Cash-Flow Statement in our capacity as proposed monitor (the "Proposed Monitor") of the Company. The sole purpose of the Proposed Monitor's report is to provide the Court with our findings with respect to our review of the Company's Cash-Flow Statement as to its reasonableness in accordance with section 23(1)(b) of the CCAA.

5. Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the

Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash-Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions and the preparation and presentation of the Cash-Flow Statement.

Proposed Monitor's opinion on Cash-Flow Statement

6. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

   a) the hypothetical assumptions are not consistent with the purpose of the Cash-Flow Statement;

   b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash-Flow Statement, given the hypothetical assumptions; or

   c) the Cash-Flow Statement does not reflect the probable and hypothetical assumptions.

7. Since the Cash-Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash-Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

8. The Cash-Flow Statement has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 3rd day of February, 2012.

ERNST & YOUNG INC.
in its capacity as the proposed
Monitor of the Applicants

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

APPENDIX A

COUGAR

COUGAR OIL AND GAS CANADA INC.
Suite 1120, 833 – 4 Avenue S.W.
Calgary, Alberta T2P 3T5
Phone: +1 403-262-8044
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February 2, 2012

Ernst & Young Inc.

1000, 440 – 2nd Avenue SW

Calgary, Alberta T2P 5E9

Attention: Neil Narfason, CA•CIRP, CBV

Dear Sir:

Re: **Proceedings under the Companies' Creditors Arrangement Act ("CCAA")**

Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application by Cougar Oil and Gas Canada, Inc. ("Cougar Oil and Gas") for the commencement of proceedings under the CCAA in respect of Cougar Oil and Gas, the management of Cougar Oil and Gas ("Management") has prepared the attached Cash-Flow Statement and the assumptions on which the Cash-Flow Statement is based.

Cougar Oil and Gas confirms that:

1. The Cash-Flow Statement and the underlying assumptions are the responsibility of Cougar Oil and Gas;
2. All material information relevant to the Cash-Flow Statement and to the underlying assumptions has been made available to Ernst & Young Inc., in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
   a. That the individual assumptions underlying the Cash-Flow Statement are appropriate in the circumstances; and
   b. That the individual assumptions underlying the Cash-Flow Statement, taken as a whole, are appropriate in the circumstances.

COUGAR

Yours truly,

Wm S. (Bill) Tighe

Chief Executive Officer

Cougar Oil and Gas Canada, Inc.

Cash Flow Forecast for the period of February 3, 2012 to March 2, 2012
CDN $

	Notes	Feb. 3/12 to Mar 2/12
Receipts		
Petroleum and natural gas revenue	2	125,709
Non-operated joint venture revenue		5,330
GST Received		6,285
Overhead recovery		4,195
Joint Venture Receipts		35,000
Total Receipts		176,519
Disbursements		
Operating expenses		74,500
General & administrative expenses		109,100
Capital expenditures	3	20,000
Mineral and Surface lease rentals & Acquisitions		23,243
Joint Venture payments		74,392
GST Paid		12,730
CCAA professional fees		60,000
Total Disbursements		373,965
Net Cash Flow		(197,445)
Opening Cash		200,000
Ending Cash		2,555

Notes:

Management of Cougar Oil and Gas Canada, Inc. have prepared this Projected Cash Flow Statement based on the probable and hypothetical assumptions detailed in Notes 1 - 4. Consequently, actual results will likely vary from performance projected and such variations may be material.

1. Receipts and disbursements are based upon historical results and forecasted production levels.

2. Petroleum and Natural Gas Revenues are received on the 25th of the month following production.

3. Estimated Capital Expenditures are considered necessary for the general preservation and maintenance of the capital assets.

4. The Company anticipates applying for a $1.2 million Debtor-in-possession financing facility to be used for the ERCB deposit shortfall and to fund ongoing operations.

William S. Tighe
Chief Executive Officer

February 02/2012
Date