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PLAINTIFF	CANADIAN WESTERN BANK	
DEFENDANTS	COUGAR OIL AND GAS CANADA INC.	

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DOCUMENT

FOURTH REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF COUGAR OIL AND GAS CANADA INC.

July 25, 2013

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On February 3, 2012 (the "Initial Filing Date"), Cougar Oil and Gas Canada Inc. ("Cougar" or the "Company") sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial Order").

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Cougar (the "Monitor").

3. Subsequent to the Initial Filing Date, Cougar encountered multiple setbacks which prevented Cougar from being able to continue operating under the CCAA. These setbacks are described in two material adverse change reports prepared by the Monitor, the second report of the Monitor dated April 12, 2012 and the fifth report of the Monitor dated May 10, 2012.

4. On May 11, 2012 (the "Appointment Date"), this Honourable Court granted an order ceasing Cougar's proceedings under the CCAA and an order (the "Appointment Order") appointing Ernst & Young Inc. as receiver and manager (the "Receiver") of the property, assets and undertakings (the "Property") of Cougar.

5. The purpose of this fourth report (the "Fourth Report") of the Receiver is to advise this Honourable Court with respect to:

   a) the activities of the Receiver for the period of January 11, 2012 to July 22, 2013 (the "Reporting Period");

   b) the results of the marketing initiative undertaken by the Receiver to sell the Property after the initial sales process undertaken in the spring of 2012 and the second sales process undertaken in the fall of 2012 which did not result in a sale of the Property; and

   c) an overview of the proposed transaction to be entered into between the Receiver and Gryphon Petroleum Corp. ("Gryphon") for the sale of certain of Cougar's Property located in the Trout Lake area of Alberta (the "Assets");

d) the proposed distribution of funds recovered by the Receiver to secured creditors;

e) the request for the discharge of the Receiver; and

f) the Receiver's recommendations.

6. Capitalized terms not defined in this Fourth Report are as defined in the Appointment Order.

BACKGROUND

7. Cougar is a publicly traded oil and gas exploration and production company focusing on the exploration and development of Canadian based onshore oil and gas properties.

8. Cougar's assets primarily consists of oil and gas properties including majority interests in what is known as the "Trout Property" located in north central Alberta, which Cougar operates, and interests in the Lucy Horn River Basin Mukwa shale gas project in northeast British Columbia. The head office of Cougar Oil and Gas is located in Calgary, Alberta.

9. For further background on Cougar and the receivership please refer to the Receiver's website:

http://www.ey.com/ca/cougaroilandgas

ACTIVITES OF THE RECEIVER DURING THE REPORTING PERIOD

10. As described in the third report of the Receiver dated January 15, 2013 (the "Third Report"), the Receiver had been in the final stages of negotiations with Verity Energy Ltd. ("Verity") to sell all of Cougar's oil and gas properties to Verity (the "Verity Transaction"). The sale to Verity was originally to close on or before January 31, 2013 however after providing Verity with an extension to enter into an asset purchase agreement, Verity advised the Receiver on February 15, 2013 that it was withdrawing its offer to purchase Cougar's oil and gas properties.

11. Cougar's oil wells had been operating since the Appointment Date however as revenue from production on the three remaining operating wells was not sufficient to cover costs associated with operating the wells the Alberta Energy Regulator ("AER") required Cougar to post a Liability Management Rating security deposit (the "LMR Security Deposit") to continue operating the wells. The Receiver did not have any funding available to cause Cougar to post the LMR Security Deposit, with the result that the Receiver caused Cougar to suspend production at the wells on February 28, 2013.

12. Cougar's oil wells generating negative cash flow and other administrative costs resulted in the Receiver borrowing $200,000 in Receiver's Borrowings authorized pursuant to the Appointment Order from the Canadian Western Bank ("CWB") to fund operations and subsequently, the Receiver funded from its own account approximately $60,000 to pay costs associated with Cougar's operations during the receivership. Operational costs funded by the Receiver primarily relate to electricity provided to the oil wells and associated facilities in Trout Lake Alberta, road repairs to access the wells sites, services to the field camp and payment of field Contractor's fees. The Receiver estimates that a further $20,000 of operational costs to be funded by the Receiver prior to closing the proposed transaction with Gryphon.

13. Furthermore, since the Initial Filing Date, no professional fees or reimbursements of administrative costs have been paid to Cougar's legal counsel in the proceedings under the CCAA, the Monitor, the Monitor's counsel, the Receiver or the Receiver's counsel.

14. The following table sets out the receipts and disbursements of the Receiver for the period of the Appointment Date to July 15, 2013.

Statement of Receipts & Disbursement
For the period of May 11, 2012 to July 15, 2013

	Notes	
Receipts		
Oil and Gas Revenue	*a*	**$ 725,095**
Receiver's Borrowings	*b*	**200,000**
Receiver's Charge	*c*	**61,678**
Sale of Property	*d*	**40,000**
GST Collected		**35,917**
Recovery of Joint Venture Expenses		**2,435**
Total Receipts		**1,065,126**
Disbursements		
Operating Expenses		
Field Operator Fees	*e*	**413,714**
Misc. Operating and Camp Expenses		**97,475**
Electricity for Facilities		**118,075**
Repair of well access roads		**40,358**
Oil Transportation		**14,646**
Deposits to Field Suppliers		**5,000**
Administrative and Other Costs		
Insurance	*f*	**87,201**
Office Lease		**61,333**
Accounting Service (Contract & Production)	*g*	**59,755**
Salaries and Wages	*h*	**46,725**
GST Paid		**36,326**
Mineral Lease Costs and ERCB Fees		**30,938**
Interest on Receiver's Borrowings		**22,707**
IT Consultant and Software Licences		**9,310**
Utilities		**5,091**
Daily Oil Bulletin Advertising		**3,000**
Office Equipment Lease		**2,658**
Moving and Storage		**2,728**
Administrative Costs		**2,724**
Advertising Property		**2,632**
Commission on Sale of Property		**1,200**
Bank charges		**898**
Filing fees paid to OSB		**70**
Total Disbursements		**1,064,562**
Net Change in Cash		**563**
Opening Cash Balance		**-**
Ending Cash Balance		**$ 563**

15. Notes to the statement of receipts and disbursements above are as follows:

a) production was consistent from May 2012 to August 2012 with 4 wells producing at approximately \$75,000 per month however receipts varied per month dependent upon the ability to transport crude oil via trucks. Production decreased in October 2012 due to a rod failure at one of the wells which ceased production at the well. Estimated repairs to bring this well back into production are approximately \$100,000 and the Receiver did not have funding to complete this repair. The Receiver caused Cougar to cease production at Cougar's 3 wells on February 28, 2013;

b) the Receiver was authorized to borrow a maximum of \$200,000 under the Appointment Order and \$200,000 has been borrowed to date;

c) as described above, the Receiver was required to fund approximately \$60,000 from its own account for Cougar's operations during the receivership period;

d) as described in the Third Report, the Receiver sold Cougar's interest in oil and gas properties in the Buffalo Lake area of Alberta for \$40,000;

e) the Receiver had retained two field operators who were on-site at the Trout Lake properties however their contracts were terminated effective March 31, 2013 and the Receiver has retained one field operator on a part-time basis to check-in on the wells on a periodic basis;

f) the Receiver has been required to renew several insurance policies for Cougar which had or were about to lapse as a result of non-payment by Cougar prior to the Appointment Date;

g) the Receiver retained the production accounting company that had previously performed production accounting services for Cougar and the Receiver was required to hire a contract accountant to update the joint venture accounting and bookkeeping for Cougar; and

h) the Receiver had retained Cougar's controller and a junior land man since Appointment Date. The controller left on June 30, 2012 and the junior land man's employment ceased on July 31, 2013. Salaries and wages also include payment of wages owing to Cougar's geologist and Chief Financial Officer as at the Appointment Date.

SALES PROCESS

16. As described in the second report of the Receiver dated October 26, 2012, the Receiver had undertaken a sales process in the spring of 2012 (the "Initial Sales Process") to sell the Property shortly after the granting of the Appointment Order however the Receiver was unable to close a transaction based upon the offers received in the Initial Sales Process.

17. As described in the Second Report, the Receiver subsequently undertook another sales process in the fall of 2012 (the "Second Sales Process") in accordance with the Sales Process Order granted October 29, 2012. The Second Sales Process resulted in an offer from Verity as described above however Verity withdrew the offer prior to the Verity Transaction closing.

18. The Receiver had retained NRG Divestitures Inc. ("NRG") to act as selling agent with respect to the sale of the Property during the Second Sales Process. Upon Verity withdrawing their offer for the Property, the Receiver had NRG issue a marketing brochure to over 1,600 parties in their marketing database advertising the Property and NRG contacted specific parties which they believed may be interested in acquiring all or a portion of the Property (the "Third Sales Process").

19. As a result of the Third Sales Process, the Receiver received 3 offers on all or certain of the Property.

Analysis of Offers

20. The Receiver had previously extensively marketed the Property during the First Sales Process and the Second Sales Process and was unable to close a transaction to sell the

majority of the Property. The Receiver has only been able to realize upon certain non-operating working interests in oil and gas properties in Buffalo Lake, Alberta which were sold to Ember Resources for $40,000.

21. If the Receiver is unable close a transaction to sell certain of the Property as a result of the Third Sales Process, the Receiver will have no alternative but to apply for its discharge and not recover any costs that were expended operating Cougar's oil wells and will not recover any of the fees owing under the Administrative Charge (as defined in the Initial Order) or the Receiver's Charge (as defined in the Receiver's Order).

22. The Receiver believes that the Property has been adequately exposed to the Market through the three marketing processes undertaken by the Receiver to date.

23. The Receiver reviewed the offers received in detail. The following factors were considered in reviewing and assessing each offer:

    a) the total purchase price;

    b) the type of consideration being offered;

    c) the capability of the prospective purchaser to close the transaction in a timely manner; and

    d) the terms and conditions of the offer.

24. The Receiver notes that the purchase price per the offer from Gryphon was $2,000 less than the highest offer received in the Third Sales Process however the Receiver concluded that the offer from Gryphon would have the highest likely hood of closing based upon the following:

    a) the offer from Gryphon included pipelines and facilities which were required to operate the oil wells being acquired in the Assets while the other offers received in the Third Sales Process only included oil wells which could not be operated without acquiring the associated pipelines and facilities; and

b) Gryphon understood that it would have to post a LMR Security Deposit with the AER in order to acquire the pipeline and facilities required to operate the oil wells. The Receiver believed there was significant risk associated with the other parties that submitted offers withdrawing their offers upon identifying that an LMR Security Deposit would have to be placed with the AER to close a transaction to purchase oil and gas properties from the Receiver.

GRYPHON TRANSACTION

25. Set out below is a summary of the terms of the proposed asset purchase agreement to be entered into between the Receiver and Gryphon (the "Gryphon Transaction"):

a) Gryphon is acquiring Cougar's interest in 15 wells in the Trout Lake area of Alberta including the associated mineral rights, surface leases, pipelines and a blending facility for cash consideration of $300,000 (the "Purchase Proceeds");

b) the effective date of the transaction under the Gryphon APA is the same date as closing;

c) closing of sale of the Assets to Gryphon is to occur upon the later of the following:

i. first business day following Court approval;

ii. three business days after the notice period under the Right of First Refusal associated with the Assets have expired or have been waived by the holder; or

iii. on such other day as agreed upon by the Receiver and Gryphon; and

d) Purchase Proceeds are to be held in escrow with Gryphon's legal counsel pending the AER transferring the licences for the Cougar Assets to Gryphon.

26. The Gryphon APA contemplates that the assets being acquired are to be vested free and clear of any claims or unassumed contracts/agreements, save and except certain permitted encumbrances, as more fully set out in the Gryphon APA and proposed Sale Approval and Vesting Order.

PROPOSED DISTRIBUTION

27. The Receiver estimates recovering the following funds net of administrative costs (excluding the Receiver's professional fees and Receiver's counsel's professional fees):

Forecast Proceeds to be Recovered from Receivership	
Gryphon APA - Cash Consideration	300,000
Fee to NRG as Selling Agent (3% of Proceeds)	(18,000)
Estimated collection of Joint Venture Receivables (Net of Joint Venture Payables)	-
Net proceeds from operating oil wells	-
Total Forecast Proceeds to be Recovered	**$ 282,000**

28. Paragraph 32 of the Appointment Order listed the following priority of charges and the Receiver has identified the amounts owed to the specific creditors as follows:

Creditor	Description of Debt/Security	Amount Owed
165023 Alberta Ltd. ("165 AB")	Interim Financing providing during Cougar's proceedings under the CCAA.	$810,489
Receiver (Ernst & Young Inc.), McCarthy Tétrault (Receiver's Counsel) and Borden Ladner Gervais LLP (Cougar Oil and Gas's Counsel)	Administration Charge to a maximum of $250,000 pursuant to the Initial Order and the Receiver's Charge under the Appointment Order, on a pari passu bais. The Receiver understands that professional fees owing under the Administration Charge are in excess of $250,000 and outstanding professional fees under the Receiver's Charge are currently $277,585 not including forecast fees to complete the receivership.	527,585
Canadian Western Bank	Receiver's Borrowings pursuant to the Appointment Order	200,000
Canadian Western Bank	Estimated balance owed by Cougar Oil and Gas to CWB as at the Initial Filing Date	2,500,000
165023 Alberta Ltd. ("165")	Estimated interest and legal fees owing under DIP facility	200,000
Total Priority Charges per Appoinbtment Order		**$4,238,073.62**

29. 165 AB funded interim financing (the "Interim Financing") to Cougar during its proceedings under the CCAA. The Interim Financing was used by Cougar to fund an LMR Security Deposit of approximately $810,000 with the ERCB (the "Current LMR

Security Deposit") and 165 AB has a first charge against the Current LMR Security Deposit. As a portion of the Property including wells, pipelines and facilities are not being acquired by Gryphon, the Existing LMR Security Deposit will be retained by the ERCB and used to deal with the Property not being transferred to Gryphon in accordance with applicable legislation.

30. 165 AB's charge against the Purchase Proceeds is subsequent to the Administrative Charge, Receiver's Charge, the Receiver's Borrowings owing to CWB and amounts owing to CWB as at the Initial Filing Date.

31. The Receiver understands that as at the Appointment Date property taxes owing to the Municipal District of Opportunity No. 17 ("MD of Opportunity") on the Assets being sold to Gryphon were outstanding since 2010. Futhermore, the Receiver has been unable to cause Cougar to pay property taxes that arose subsequent to the Appointment Date on the Assets due to the Receiver having insufficient funds available for such purpose. Based upon the Cougar's 2013 property tax information provided by the MD of Opportunity, the Receiver estimates property taxes outstanding on the Assets to the MD of Opportunity, excluding penalties and interest, are as follows:

Estimated Property Taxes owing to the MD of Opportunity on the Assets

Classification of Property	May 11, 2012 to July 23, 2013	Pre-May 11, 2012	Total
Linear Property	74,921	174,815	249,736
Non-Linear Property	21,768	50,791	72,559
Total	**96,688**	**225,606**	**322,294**

32. The Receiver is proposing (the "Proposed Distribution") to distribute the funds recovered from realizing upon the Property to settle the Administration Charge under the Initial Order and the Receiver's Charge under the Appointment Order on a *parri pasu* basis (collectively the ("Outstanding Professional Fees").

33. To be clear, the Receiver is seeking an order vesting title to the Assets free and clear of all claims, charges and encumbrances including any claim of the MD of Opportunity for unpaid municipal property taxes. Moreover, the Proposed Distribution is such that, if approved, no funds will be paid to the MD of Opportunity.

Professional Fees Outstanding under the Administrative Charge

34. Professional fees owing to Cougar's legal counsel, the Monitor and the Monitor's legal counsel (collectively, the "CCAA Professional Fees") are in excess of $250,000, the maximum amount of the Administrative Charge as defined in the Initial Order. The total amount of CCAA Professional Fees outstanding are $286,284.53 (including disbursements and applicable taxes), as follows:

Cougar Oil and Gas Canada Inc.
CCAA Professional Fees covered by Administration Charge

Debtor's Counsel - Borden Ladner Gervais LLP				
Date	Invoice #	Sub-Total	GST	Total
30-Mar-12	696847076	$ 72,124.46	$ 3,606.23	$ 75,730.69
23-Apr-12	696855031	11,171.07	558.56	11,729.63
30-Apr-12	696857399	7,705.00	385.25	8,090.25
24-May-12	696864192	28,669.05	1,433.46	30,102.51
31-Jul-12	696885601	16,062.75	803.14	16,865.89
		$ 135,732.33	$ 6,786.64	$ 142,518.97

Monitor - Ernst & Young Inc.				
Date	Invoice #	Sub-Total	GST	Total
14-Mar-12	CA0189681820	$ 43,066.28	$ 2,153.31	$ 45,219.59
20-Apr-12	CA0189690758	25,414.20	1,270.71	26,684.91
11-May-12	CA0189700000	22,690.94	1134.547	23,825.49
		$ 91,171.42	$ 4,558.57	$ 95,729.99

Monitor's Counsel - McCarthy Tétrault				
Date	Invoice #	Sub-Total	GST	Total
09/03/2012	2543219	$ 9,195.70	$ 459.79	$ 9,655.49
09/04/2012	2548735	1,826.00	91.30	1,917.30
07/05/2012	2555762	16,745.50	837.28	17,582.78
07/06/2012	2561488	17,980.95	899.05	18,880.00
		$ 45,748.16	$ 2,287.41	$ 48,035.57

Total CCAA Professional Fees	**$ 272,651.91**	**$ 13,632.62**	**$ 286,284.53**

35. The Receiver has examined the bills of costs referred to above, and is of the opinion that the services referred to therein have been duly authorized and duly rendered and the charges therein are reasonable.

36. In accordance with the listing of priority charges as described in paragraph 32 of the Appointment Order, the CCAA Professional Fees covered by the Administrative Charge up to a maximum of $250,000 will be paid *pari passu* with the Receiver's Charge under the Appointment Order. The distribution under the Administrative Charge will be distributed on a pro rata basis between Cougar's Counsel, the Monitor and the Monitor's counsel based upon the total amount of CCAA Professional Fees owed to each party.

Professional Fees Outstanding under the Receiver's Charge

37. The Receiver's total fees are $225,267 (including applicable taxes). The Receiver's counsel's billed fees are $37,270.73 (including applicable taxes) and accrued but not billed fees are $15,047.71. The Receiver has examined the bills of costs referred to above, and is of the opinion that the services referred to therein have been duly authorized and duly rendered and the charges therein are reasonable.

38. Copies of the invoices for these Receiver's and the Receiver's counsel's fees are available to this Honourable Court if requested.

39. The Receiver's and the Receiver's counsel estimate fees to completion of this engagement will not exceed $100,000.

40. The Receiver respectfully requests that this Honourable Court approve the Receiver's and the Receiver's counsel fees and disbursements along with the estimate of fees to completion.

DISCHARGE OF THE RECEIVER

41. The Receiver's administration of the estates is essentially complete and the Receiver's discharge will be granted upon the Receiver issuing the Proposed Distribution. The Receiver may have some miscellaneous administrative items to attend to post-discharge including the filing of GST returns with the Canada Revenue Agency, but these items are

immaterial and in the Receiver's opinion should not prevent this Honourable Court from granting an unconditional discharge.

42. The Receiver respectfully requests that this Honourable Court approve an Order discharging absolutely, forever and unconditionally discharging the Receiver from any and all obligations as Receiver of Cougar.

RECOMMENDATIONS

43. The Receiver recommends that this Honourable Court approve:

a) the sale of the Property contemplated by the Gryphon Transaction;

b) the Proposed Distribution; and

c) the discharge of the Receiver.

Dated at Calgary, this 25th day of July, 2013.

ERNST & YOUNG INC.
in its capacity as the Receiver
of Cougar Oil and Gas

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