COURT FILE NUMBER 1601-06131

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 CONNACHER OIL AND GAS LIMITED

DOCUMENT **FOURTH REPORT OF THE MONITOR**

September 8, 2016

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

MONITOR

ERNST & YOUNG INC.
Calgary City Centre
2200, 215 - 2nd Street SW
Calgary, Alberta T2P 1M4
Attention: Neil Narfason
Telephone: 403-206-5067
Fax: 403-206-5075
Email: neil.narfason@ca.ey.com

COUNSEL

McCarthy Tétrault LLP
Suite 4000, 421 7th Avenue SW
Calgary, Alberta T2P 4K9
Attn: Sean Collins
Walker MacLeod
Telephone: 403-260-3531
403-460-3710
Email: scollins@mccarthy.ca
wmacleod@mccarthy.ca

TABLE OF CONTENTS OF THE FOURTH REPORT

APPENDICES

INTRODUCTION

1. On May 17, 2016, Connacher Oil and Gas Limited (the "Company" or "Connacher"), sought and obtained protection pursuant to the *Companies' Creditors Arrangement Act, R.S.C. 1985, C-36*, as amended (the "CCAA") pursuant to an Order of this Honourable Court (the "Initial Order").

2. Ernst & Young Inc. was appointed as Monitor (the "Monitor") of the Company pursuant to the terms of the Initial Order.

3. The purpose of this fourth report of the Monitor (the "Fourth Report") is to provide this Honourable Court with the Monitor's comments with respect to the following:

   a) the Company's forecast to actual cash flow results for the period July 30, 2016 to August 26, 2016 (the "Reporting Period");

   b) the Company's cash flow projection (the "Cash Flow Projection") for the period August 27, 2016 to November 25, 2016 (the "Forecast Period");

   c) the Company's request for an extension of the stay period; and

   d) the Monitor's recommendations.

4. All references to dollars are in Canadian currency unless otherwise noted.

5. Capitalized terms not defined herein are as defined in the Initial Order.

BACKGROUND

6. Additional background information on Connacher and these CCAA proceedings is available on the Monitor's website at www.ey.com/ca/connacheroilandgas.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Fourth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events

and actual results achieved will vary from this information and the variations may be material.

CASH FLOW PROJECTION BUDGET TO ACTUAL

8. Attached as Appendix "A" to this Fourth Report is a summary of the Company's actual receipts and disbursements for the Reporting Period with an analysis of variances from the cash flow forecast (the "Second Report Forecast") previously provided to this Honourable Court in the Second Report of the Monitor dated August 5, 2016. A summary budget to actual analysis is provided in the table below:

Connacher Oil and Gas Limited — **Exhibit 1.0**
Budget to Actual
$000's

Cash flow	**Jul-30-16 to Aug-26-16**		
	Actual	**Forecast**	**Variance**
Receipts	12,986	13,588	(602)
Disbursements	10,151	14,451	4,300
Net change in cash	**2,835**	**(863)**	**3,698**
Opening cash	10,760	10,760	-
Ending cash	13,595	9,897	3,698
Restricted cash	7,100	7,100	-
Cash (including restricted cash)	**20,695**	**16,997**	**3,698**
Interim financing borrowings			
Opening borrowings	13,000	13,000	-
Draws	1,915	2,000	(85)
Ending borrowings	**14,915**	**15,000**	**(85)**

9. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $13.0 million, which is $602,000 lower than the Second Report Forecast as a result of lower spot prices for non-contracted sales and an increase in sales at Connacher's plant gate. Connacher receives a lower price per barrel for plant gate sales, however this lower price is off-set by Connacher not being responsible for transportation costs. Cash receipts include a draw of $1.9 million under the Interim Financing.

10. Connacher's total disbursements for the Reporting Period were $10.2 million, which is $4.3 million lower than the Second Report Forecast. The variance results primarily from (i) lower than forecast natural gas costs, (ii) a re-timing of payments for monthly electricity costs, (iii) lower than forecast office lease costs resulting from the relocation completed by the Company at the end of July, (iv) lower than forecast restructuring costs, legal and professional fees invoices to the Company during this period and (v) lower than forecast restructuring costs invoiced and paid during the Reporting Period.

11. Connacher has funded and continues to hold $7.1 million into a segregated bank account to be held as restricted cash for shut-in costs, as described in the report of the proposed Monitor dated May 16, 2016 (the "Proposed Monitor's Report").

12. The ending net cash balance, as described above, as at August 26, 2016 was $20.7 million including $7.1 million of restricted cash.

CASH FLOW PROJECTION

13. The Company, with the assistance of the Monitor, has prepared the Cash Flow Projection for the Forecast Period. Management has prepared the Cash Flow Projection based on the most current information available. The following is a summary of the Cash Flow Projection:

Connacher Oil and Gas Limited Revised Consolidated 7 Week Cash Flow For the period of August 27 to November 25, 2016 $000's	Exhibit 2.0
Opening available cash	13,595
Restricted cash	7,100
Opening cash (including restricted)	**20,695**
Cash receipts	33,061
Cash disbursements	42,069
Net change in cash	**(9,008)**
Ending available cash	4,587
Restricted cash	7,100
Ending cash (including restricted cash)	**11,687**
Interim Financing Borrowings	
Opening borrowings	14,915
Draws	-
Ending borrowings	**14,915**

14. As summarized above, Connacher is projecting $33.1 million in cash receipts against cash disbursements of $42.1 million, resulting in a net decrease in cash of $9.0 million during the Forecast Period.

15. The significant assumptions used by Connacher's management to prepare the Cash Flow Projections are generally consistent with the Second Report Forecast and include adjustments for the timing of receipts and disbursements, updated forecast oil prices, updated production volume estimates, updated pricing based on current contract rates and updated operating costs and general and administrative costs.

16. As discussed above, the weekly Cash Flow Projection in Appendix B indicates that Connacher has sufficient liquidity to operate during the Forecast Period.

17. The Monitor has reviewed the assumptions supporting the Cash Flow Projection and believes the assumptions to be reasonable.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

18. Pursuant to an Order of this Honourable Court dated August 10, 2016, the Stay Period expires on September 15, 2016. Connacher is seeking an extension of the Stay Period up to and including November 15, 2016 (the "Stay Extension"). The Stay Extension is designed to coincide with the outside date for completion of a potential transaction under the SISP.

19. It is the Monitor's view that the Stay Extension is necessary to allow the Company to continue with the SISP and complete the Claims Process. Connacher is forecasted to have sufficient liquidity to operate during the period covered under the Stay Extension.

20. In the Monitor's view, Connacher is acting in good faith and with due diligence.

RECOMMENDATION

21. The Monitor respectfully recommends that this Honourable Court approve the Stay Extension.

Dated at Calgary, this 8th day of September, 2016.

ERNST & YOUNG INC.
in its capacity as the Monitor
of Connacher Oil & Gas Limited

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

CASH FLOW PROJECTION BUDGET TO ACTUAL

Connacher Oil and Gas Limited
Comparison of actual to projected cash flow for the period of July 30 to August 26, 2016
In Thousands of Canadian Dollars

WEEK ENDED		Forecast Jul-30-16 to Aug-26-16	Actual Jul-30-16 to Aug-26-16	Variance $	*Notes*
Receipts					
Crude Sales		11,588	11,059	(529)	1
Other		-	12	12	
Total Receipts		11,588	11,071	(517)	
Disbursements					
Royalties		84	130	(46)	
Oilsands operating expenses		6,221	3,930	2,291	2
Diluent/Transportation expenses		5,172	4,967	205	
General and administrative costs		1,644	760	884	3
Office Relocation Costs		20	-	20	
Capital Expenditures		119	158	(39)	
Interim Financing - Financing Fees		116	-	116	
Total Disbursements		13,376	9,945	3,431	
CASH FLOW FROM OPERATIONS		(1,788)	1,126	2,914	
Restructuring costs		1,075	206	869	4
NET CHANGE IN CASH		(2,863)	920	3,783	
Opening cash		10,760	10,760	-	
Interim Financing Borrowings		2,000	1,915	(85)	
Ending Cash		9,897	13,595	3,698	
INTERIM FINANCING					
Opening borrowings		(13,000)	(13,000)	-	
Borrowings		(2,000)	(1,915)	(85)	
Ending borrowings		(15,000)	(14,915)	(85)	
RESTRICTED CASH					
Shut-down Costs		7,100	7,100	-	
Total Restricted Cash		7,100	7,100	-	

Notes:

1. Lower than forecast total sales related to movements in the price of oil impacting floating rate dilbit sales and higher than forecast plant gate sales with lower associated transportation costs.

2. Lower than forecast operating expenses driven primarily by lower natural gas prices and a re-timing of payments for monthly electricity costs.

3. General and administrative costs were lower than forecast due to the office relocation completed by the Company in July which reduced office lease costs and as a result of differences between forecast and paid other G&A costs.

4. Lower than forecast restructuring and professional fees invoiced to the Company during the period.

CASH FLOW PROJECTION

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 9	Week 10	Week 12	Week 13	Week 16	Week 17	
WEEK ENDED		2-Sep-16	9-Sep-16	16-Sep-16	23-Sep-16	30-Sep-16	7-Oct-16	14-Oct-16	21-Oct-16	28-Oct-16	4-Nov-16	11-Nov-16	18-Nov-16	25-Nov-16	Total
Receipts															
Crude Sales		-	-	-	-	12,114	-	-	-	10,142	-	-	-	10,806	33,061
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	12,114	-	-	-	10,142	-	-	-	10,806	33,061
Disbursements															
Royalties		-	-	-	-	114	-	-	-	100	-	-	-	113	328
Oilsands operating expenses		806	806	806	806	3,220	991	991	991	2,743	978	978	978	2,927	18,020
Diluent/Transportation expenses		283	283	283	283	3,888	432	432	432	3,955	419	419	419	4,093	15,624
General and administrative costs		77	77	331	77	331	96	351	96	351	96	451	96	351	2,780
Capital Expenditures		11	11	11	11	11	14	14	14	14	14	14	14	14	163
Key Employee Retention Plan	Note 2					1,929									1,929
Total Disbursements		1,177	1,177	1,432	1,177	9,494	1,533	1,788	1,533	7,163	1,506	1,861	1,506	7,497	38,844
CASH FLOW FROM OPERATIONS		(1,177)	(1,177)	(1,432)	(1,177)	2,620	(1,533)	(1,788)	(1,533)	2,979	(1,506)	(1,861)	(1,506)	3,309	(5,783)
Restructuring costs		215	215	215	215	215	269	269	269	269	269	269	269	269	3,225
NET CHANGE IN CASH		(1,392)	(1,392)	(1,647)	(1,392)	2,405	(1,802)	(2,057)	(1,802)	2,710	(1,775)	(2,130)	(1,775)	3,040	(9,008)
Opening cash		13,595	12,203	10,811	9,165	7,773	10,178	8,376	6,319	4,517	7,227	5,452	3,322	1,547	13,595
DIP Borrowings															-
Ending Cash		12,203	10,811	9,165	7,773	10,178	8,376	6,319	4,517	7,227	5,452	3,322	1,547	4,587	4,587
DIP FINANCING															
Opening borrowings		(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)
Borrowings															-
Ending borrowings		(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)	(14,915)
RESTRICTED CASH															
Shut-down Costs		7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Total Restricted Cash		7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100

Notes

Management of Connacher have prepared this forecasted cash flow statement based on probable and hypothetical assumptions detailed in the notes below.

The forecast has been prepared solely for the Company's CCAA filing to determine liquidity requirements. Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Note 1 USD to CAD foreign exchange rate of 1.2963

Note 2 Certain Key Employee Retention Plans are scheduled for payment at the end of September.