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OF CALGARY

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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	**SIXTEENTH REPORT OF THE MONITOR** **JUNE 7, 2018**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR**

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APPENDICES

INTRODUCTION

1. On May 17, 2016 (the "**Filing Date**"), 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. 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 sixteenth report of the Monitor (the "**Sixteenth Report**") is to provide this Honourable Court with the Monitor's comments with respect to:

    a) an overview of the Phase I of the renewed sale and investment solicitation process (the "**SISP**");

    b) the Company's forecast to actual cash flow results for the period January 13, 2018 to May 25, 2018 (the "**Reporting Period**");

    c) the Company's cash flow projection (the "**Cash Flow Projection**") for the period May 26, 2018 to October 5, 2018 (the "**Forecast Period**");

    d) the Company's request for an extension of the stay period to September 30, 2018 (the "**Stay Extension**"); and

    e) the Company's request for approval and vesting of certain trailer assets to three purchasers (collectively, the "**Trailer Transactions**").

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, the SISP or Support Agreement.

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 Sixteenth 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.

UPDATE ON PHASE I OF THE SISP

8. Pursuant to an Order of this Honourable Court dated February 28, 2018, Houlihan Lokey Capital, Inc. (the "**Financial Advisor**") was engaged by Connacher to provide financial advisory services in developing and implementing a renewed SISP for the business and property of Connacher.

9. The renewed SISP was approved by an Order of this Honourable Court dated March 28, 2018 and the marketing phase or Phase I of the SISP commenced on April 3, 2018.

10. The following is a summary of the key details of Phase I of the SISP:

    a) The SISP was advertised in a press release disseminated through Canada Newswire and various other news outlets in North America and overseas**;**

    b) The Financial Advisor contacted in excess of 230 potential strategic and financial purchasers. The Financial Advisor provided interested parties with an electronic marketing teaser (the "**SISP Teaser**") identifying the opportunities being marketed under the SISP, the timeline for SISP and the deadline for submitting bids. A copy of the SISP Teaser is attached hereto as Appendix "**A**";

    c) Of the parties contacted, a certain number of which signed confidentiality agreements, executed an acknowledgement of the SISP Procedures, and were deemed to be "**Qualified Bidders**";

    d) Qualified Bidders received a confidential information memorandum ("**CIM**") and access to a virtual electronic data room ("**VDR**"). The CIM and VDR contained due diligence information on the property and business of Connacher;

e) Qualified Bidders had the opportunity to receive a management presentation and received responses to due diligence and process inquiries from management and the Financial Advisor with respect to the property and business of Connacher; and

f) Qualified Bidders also had the opportunity to meet with management, the Financial Advisor and the Company's legal counsel to discuss transaction structuring considerations.

11. Connacher and the Financial Advisor worked closely during Phase I of the SISP to ensure that information was made available to all potential bidders in a timely and efficient manner, in order to encourage active participation in the SISP.

12. As at 12:00 P.M. (Mountain Time) on May 23, 2018 (the "**Phase I Bid Deadline**"), Connacher received multiple "**Qualified Phase I Bids**" in accordance with paragraph 17 of the SISP, including that the bid must provide consideration in excess of the minimum consideration threshold being:

a) cash consideration of $90.0 million; plus

b) cash consideration sufficient to indefeasibly pay all Priority Claims (as defined in the SISP), exclusive of the Company's cash-on hand.

13. Connacher, in consultation with the Financial Advisor, Consenting First Lien Lenders and the Monitor, reviewed and considered the Qualified Phase I Bids. The Consenting First Lien Lenders and the Monitor consented to Connacher proceeding to Phase II of the SISP.

14. The Financial Advisor has notified each of the Phase I Bidders in writing as to whether such party has been determined to be a Phase II bidder ("**Phase II Bidder**") and therefore permitted participate in Phase II of the SISP.

15. Connacher, with the assistance of the Financial Advisor, has commenced Phase II of the SISP. Activities being undertaken by Phase II Bidders include in-depth due diligence and discussions with Connacher, in consultation with the Financial Advisor and Connacher's legal counsel.

16. Phase II Bids under the SISP are due on June 20, 2018.

FORCAST TO ACTUAL CASH FLOW RESULTS

17. The forecast to actual analysis presented in Appendix "**B**" contains the actual cash receipts and disbursements for the Reporting Period as compared to the cash flow forecast presented in the Thirteenth Report of the Monitor, dated January 25, 2018.

18. The following is a summary of the forecast to actual results over the Reporting Period:

Connacher Oil and Gas Limited — **Table 1.0**
Forecast to actual results
For the period January 13, 2018 to May 25, 2018
CAD $ 000's

	Forecast	Actual	Variance
Receipts	121,098	108,476	(12,622)
Disbursements	(84,310)	(81,453)	2,857
Cash flow from operations	**36,788**	**27,022**	**(9,766)**
Restructuring costs	(1,538)	(2,141)	(604)
Net change in cash	**35,250**	**24,881**	**(10,369)**
Opening unrestricted cash	32,023	32,023	
Repayment of DIP financing	-	(20,622)	
Ending unrestricted cash	**67,273**	**36,282**	
Restricted cash	7,200	7,200	
Total ending cash	**74,473**	**43,482**	
Interim financing			
Opening borrowings	(21,637)	(21,637)	
Borrowings	-	-	
DIP repayment - exit fee	-	1,015	
Repayment	-	20,622	
Ending borrowings	**(21,637)**	-	

19. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $108.5 million, which is $12.6 million lower than expected. This unfavorable variance is attributable to lower than anticipated heavy oil differentials compounded with a high proportion of the Company's sales having fixed WTI pricing. Production was also lower than forecast and workovers were deferred during the period as it was uneconomic in the short term to return those wells to production (average actual crude production was 12,600 bbl/day as compared to 13,000 bb/day throughout the Reporting Period).

20. Connacher's total disbursements for the Reporting Period were $81.4 million, which is $2.9 million lower than initially forecast. This favorable variance is largely attributable to:

a) Drilling of infill wells was deferred resulting in a $13.2 million favorable capital expenditure variance;

b) A net favorable oil sands operating and monitoring cost variance of $2.8 million relating primarily to timing differences associated with forecast health, safety and environment and other regulatory remittances made annually; and

c) An unfavorable variance of $12.4 million for diluent/transportation costs, partially offsetting the above, arose as a result of terminal re-routing required due to capacity constraints at the rail terminals. Additional unanticipated charges for surcharges and wait times were also incurred. Increased transportation charges are expected to persist in the near-term, which have been accounted for in the revised Cash Flow Projection discussed below.

21. Connacher has funded and continues to hold $7.2 million in a segregated bank account to be held as restricted cash for shut-in costs, as described in the Proposed Monitor's Report, dated May 16, 2016 and directed in the Initial Order.

22. As described above, the ending net cash balance at May 25, 2018 was $43.5 million, including restricted cash of $7.2 million.

REVISED CASH FLOW FORECAST THROUGH OCTOBER 5, 2018

23. The Company, with the assistance of the Monitor, has prepared a Cash Flow Projection for the Forecast Period. Management has prepared this forecast based on current information available at June 1, 2018.

24. The Cash Flow Projection is presented in Appendix "**C**" to this Sixteenth Report and contains the weekly summary of the projected receipts and disbursements for the Forecast Period, up to October 5, 2018.

25. The following Table 2.0 is a summary of the Cash Flow Projection over the Forecast Period:

Connacher Oil and Gas Limited Revised consolidated 19-week cash flow For the period May 26, 2018 to October 5, 2018 *CAD $ 000's*		Table 2.0	
Opening unrestricted cash		43,482	A
Restricted cash		7,200	
Total opening cash		**50,682**	
Cash receipts		84,808	
Cash disbursements		(75,274)	
Cash flow from operations		**9,534**	
Restructuring costs		(1,800)	
Net change in cash		**7,734**	B
Ending unrestricted cash	A + B	51,216	
Restricted cash		7,200	
Total ending cash		**58,416**	
Interim financing			
Opening borrowings		-	
Borrowings		-	
Ending borrowings		-	

26. As summarized above, Connacher is projecting receipts of $84.8 million and cash disbursements (inclusive of restructuring fees) of $77.1 million for a net increase in cash of $7.7 million over the Forecast Period.

27. The significant assumptions applied by Connacher's management to prepare the Cash Flow Projections are generally consistent with the Monitor's Thirteenth Report and have been updated for adjustments relating to timing of receipts and disbursements, forecast oil prices, production volume estimates, pricing based on current contract rates, changes to operating and transportation costs and general and administrative costs.

28. Oil prices, including WTI and the price differential that Canadian oil production sells at relative to WTI, continue to experience increased volatility. Connacher has mitigated some of its risk exposure by implementing hedges on a portion of its production, which will remain in place through the Stay Extension.

29. The Monitor has reviewed the assumptions supporting the Cash Flow Projection and believe the assumptions to be reasonable.

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

30. Pursuant to an Order of this Honourable Court dated January 29, 2018, the stay period expires on June 29, 2018. Connacher is seeking a Stay Extension to extend the stay period up to and including September 30, 2018, which is the outside date under the Support Agreement among Connacher, the First Lien Agent and the Consenting First Lien Lenders.

31. The Stay Extension is necessary in order to permit Connacher to complete the SISP and, in the event a successful bid emerges, to complete a sale or investment transaction to continue Connacher's business as a going concern. Alternatively, if no successful bid emerges, the Stay Extension is required in order for Connacher, the First Lien Agent and the Consenting First Lien Lenders to complete the Restructuring Transaction as set out in the Support Agreement.

32. The Monitor understands that the First Lien Agent and the Consenting First Lien Lenders are supportive of the proposed Stay Extension.

33. Connacher is forecast to have sufficient liquidity to operate during the period covered under the proposed Stay Extension.

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

SALE OF SUPER B TRAILERS

35. As described in paragraph's 16-28 of the affidavit of Jeff Beeston, sworn June 4, 2018 (the "**Beeston Affidavit**"), Connacher owns certain super b class trailers (the "**Super B Trailers**"). Historically, Connacher utilized the Super B Trailers to haul crude oil from Connacher's oil sands facility to transportation terminals.

36. During these CCAA proceedings, Connacher analyzed its cost structure in order to implement cost-cutting initiatives and identified that it was more cost-effective to cease performing crude oil hauling in-house and contract third party trucking contractors to perform these services.

37. As a result of the foregoing, Connacher's Super B Trailers are now redundant assets. Connacher, with the approval of the Consenting First Lien Lenders, has been soliciting offers to monetize the Super B Trailers including discussions with and soliciting offers from trucking companies that utilize the Super B Trailers.

38. Through its solicitation efforts, Connacher has identified three non-arm's length purchasers for the Super B Trailers that Connacher has concluded will result in the highest recovery from the disposition of the Super B Trailers. The proposed purchasers include Ventures North Financial Group LP ("**Ventures**"), Rocksteady Oilfield Service Inc. ("**Rocksteady**") and Larson Management (Div. of TORQ Trucking (2015) Ltd.) ("**Larson**"), (collectively, the "**Purchasers**").

39. Connacher and the Purchasers have agreed upon terms of the Trailer Transactions with the Purchasers, subject to Court approval. Connacher has prepared invoices for the sale of the Super B Trailer and redacted copies of these invoices (collectively, the "**Invoices**"), with the purchase prices removed, are attached as Exhibits "**B**", "**C**" and "**D**" to the Beeston Affidavit. Connacher will issue the Invoices to the Purchasers should the Trailer Transactions be approved by this Honourable Court.

40. Connacher is requesting that the unredacted copies of the Invoices (Confidential Exhibits "1", "2" and "3" to the Beeston Affidavit) be sealed as part of its June 11, 2018 application. Due to the sensitive commercial terms contained within the Invoices, which if made public could be harmful to Connacher should the Trailer Transactions not close, the Monitor is supportive of Connacher's request for a sealing order.

41. Ernst & Young LLP's Capital Equipment ("**EY Capital Equipment**") Valuation team operates within Valuation & Business Modelling, which is a fully integrated group providing valuation, modelling and economic advisory services. EY Capital Equipment (Calgary) has significant valuation experience in construction, oil and gas, mining and metals, and power and utilities.

42. The Monitor engaged EY Capital Equipment to provide estimates of the forced liquidation and orderly liquidation values for the Super B Trailers. Based upon the estimated liquidation values provided by EY Capital Equipment, the Monitor has concluded that the proposed purchase prices under the Trailer Transactions are within the range of liquidation values for the Super B Trailers.

43. For the benefit of this Court, the Monitor has attached its analysis of the proposed Trailer Transactions as compared to EY Capital Equipment's liquidation values as Confidential Appendix "**D**" to this Sixteenth Report. The Monitor is requesting that Confidential Appendix "**D**" be temporarily sealed, until after the closing of the Trailer Transactions.

44. Restricting access to the analysis contained in Confidential Appendix "**D**" is important protect the commercial intent of the transaction until the transaction has closed.

45. The Monitor considered the following factors in assessing the Trailer Transactions:

a) the Super B Trailers are redundant assets and are not required for Connacher's ongoing operations;

b) as identified in Confidential Appendix "**D**", the purchase price is within the range of liquidation values provided by EY Capital Equipment;

c) Connacher undertook the solicitation process to identify the Trailer Transactions and therefore the consideration will not be reduced by selling agent or auctioneer fees;

d) the Monitor understands that the Purchasers are arm's length parties to Connacher and that the form for sale is consistent with similar transactions;

e) it is the opinion of the Monitor that the Trailer Transactions are more beneficial to creditors than a sale of the Super B Trailers under a bankruptcy;

f) Connacher canvassed known oil trucking companies operating within Northern Alberta and has concluded that the Trailer Transactions will result in the highest recoveries for the stakeholders of Connacher;

g) the Trailer Transactions are supported by the First Lien Agent and the Consenting First Lien Lenders; and

h) there is remaining, sufficient security value to cover the charges granted in the within proceedings.

46. In conclusion, the Monitor is supportive of the Trailer Transactions given:

a) the solicitation undertaken by Connacher was reasonable in the circumstances; and

b) the purchase prices are fair and reasonable given the market liquidation estimates determined by EY Capital Equipment.

RECOMMENDATIONS

47. The Monitor respectfully recommends that this Honourable Court approve:

a) the Stay Extension;

b) the Trailer Transactions and the corresponding sale and vesting Orders sought by Connacher;

c) Connacher's request to seal the Invoices contained in Confidential Exhibits "**1**", "**2**" and "**3**" to the Beeston Affidavit; and

d) the Monitor's request to seal Confidential Appendix "**D**" attached hereto.

Dated at Calgary, this 7th day of June, 2018.

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

Neil Narfason, CA, CPA, CBV, CIRP, LIT
Senior Vice President

Peter Chisholm CA, CPA, CIRP, LIT
Vice President

APPENDIX A

SISP TEASER

HOULIHAN LOKEY

OPPORTUNITY OVERVIEW

Connacher

Connacher Oil and Gas Limited

All Figures in C$ Unless Otherwise Noted

MARCH 27TH, 2018

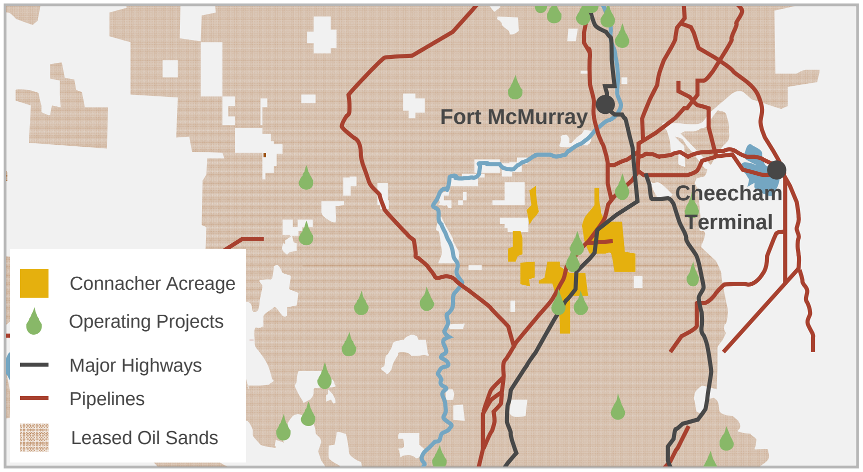
Executive Summary:
Canadian Oil Sands Platform Opportunity

Connacher Oil and Gas Limited ("Connacher" or the "Company") is offering for sale all of its Western Canadian operations and related assets

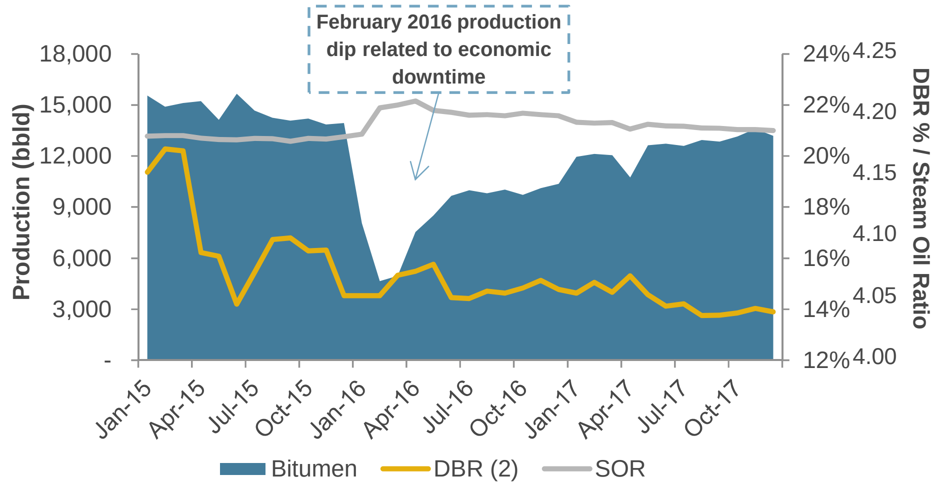
Asset Overview

- Current production of ~12,800 bbld bitumen as of March 2018
- 100% working interest 87,000 oil sands acres
- 41 producing SAGD well pairs and 13 producing infill wells
- Two collocated production facilities with 57,000 bbld of steam capacity
  - Capability to expand steam capacity to ~145,000 bbld with the Great Divide Expansion project
- 17 near-term current-pad well pair and infill locations
- 259 new-pad well pair and infill development locations
- 2P PV-10 of ~$1.5 billion as of December 31, 2016 (1)
- Tax pools of ~$1.3 billion

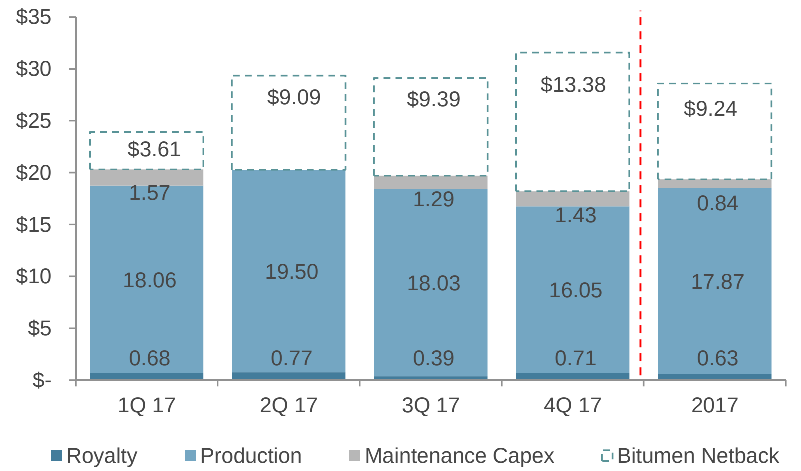
Acreage Overview



Historical Production



FY 2017 Netback Summary (3) ($ / bbl)



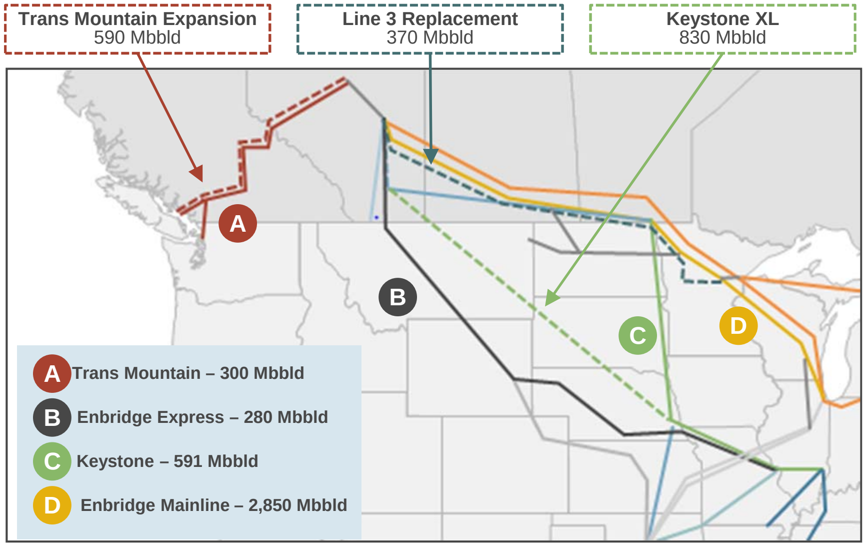
(1) GLJ Year End Report dated December 31, 2016
(2) Diluent Blend Ratio; reflects the amount of diluent in a barrel of dilbit after bitumen has been blended with diluent
(3) Netback based on net bitumen realized pricing (dilbit sales – diluent expense – transportation & marketing) less production expense, royalty expense, and maintenance capex

Western Canadian Crude Transportation Relief Forthcoming

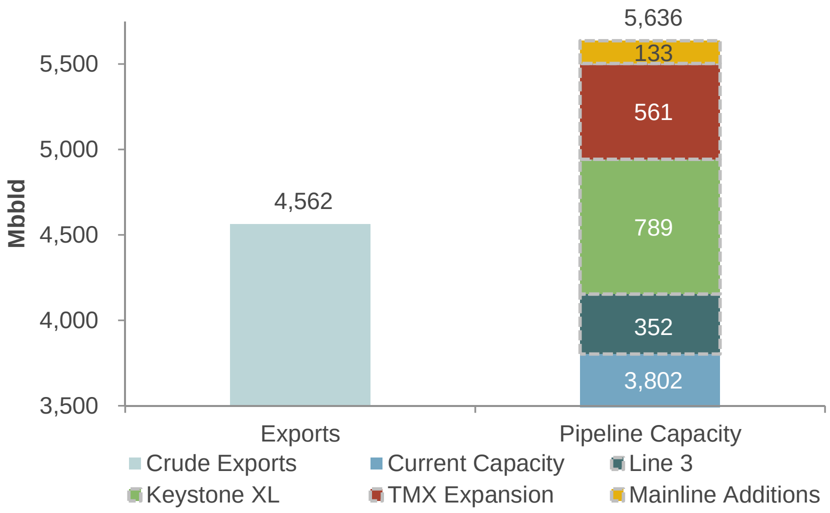
Commentary

- Current takeaway constraints limit crude oil exports from Alberta to key refining markets on the West Coast of Canada (tidewater markets) and the Midwest and Gulf Coast regions of the United States
- Additional capacity via new pipelines will likely reduce differentials for and increase dependence on Western Canada oil. These factors, along with additional local capacity, are expected to greatly improve realized bitumen pricing for oil sands operators
- Several planned pipeline projects are expected to significantly increase Western Canada takeaway capacity in the near-term including:
  - Line 3 Replacement (370 Mbbld) – 2H 2019
  - Keystone XL (830 Mbbld) – 2H 2020 – 1H 2021
  - TMX Expansion (590 Mbbld) – 2021
  - Additional Canadian Mainline projects (275 Mbbld)
  - North West Redwater Partnership's Sturgeon Refinery is currently receiving small volumes of crude and expects to operate at full capacity in 2018. The facility will be capable of processing ~50 Mbbld of bitumen

Western Canada Pipeline Overview



2021E Exports and Potential Takeaway Capacity (1)



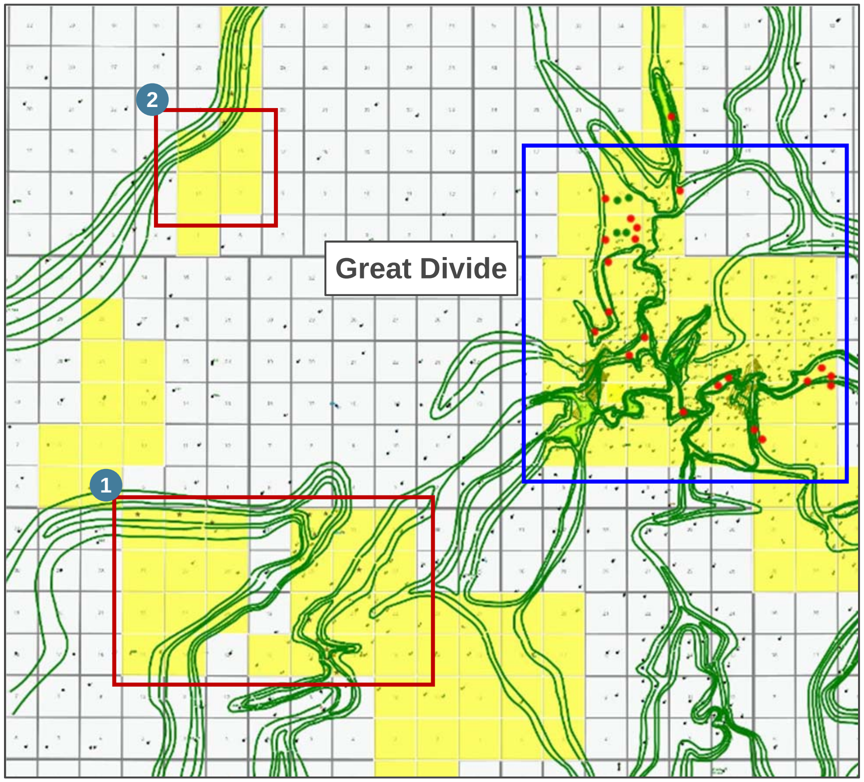
Source: NEB, CAPP, FERC, Company filings, Wall Street Research

(1) Export pipeline capacities run at estimated 95% utilization rate to account for downtime and maintenance

Additional Assets Supporting Long-Term Value

Additional Undeveloped Acreage

- Connacher could potentially add millions of barrels in reserves and resources on existing leases through a modest core-hole program in the Thornbury and Quigley areas



1 Thornbury – 18 locations
2 Quigley – 2 locations

Tax Pools Overview ($MM)

- Connacher's assets also include substantial tax pools related to past operating losses, which could potentially be used by a buyer or successor entity to offset future operating profits
  - Aggregate tax pools owned by the Company are estimated to be ~$1.3 billion

Key Process Items

Connacher Oil and Gas Limited is seeking the sale of its stock or all or substantially all of its assets through a Court-approved Sale and Investment Solicitation Process (the "SISP"). Potential buyers may submit bids for the following (i) all of Connacher's assets through an acquisition of the Company's stock or through an acquisition of only the assets themselves (ii) Great Divide assets (Pod One and Algar properties), (iii) other undeveloped lands (Thornbury and Quigley lands), and (iv) tax assets via an alternative transaction structure.

The SISP is supported by a majority of Connacher's first lien lenders (the "Consenting First Lien Lenders") who have submitted a **<u>static</u>** "stalking-horse" credit bid (the "Credit Bid Transaction") to be implemented in the event that the SISP does not result in a transaction that provides cash consideration (exclusive of cash on hand) of at least **<u>C$90 million plus the payment in full of all claims that rank pari passu or in priority to the first lien obligations (the "Priority Claims") *(1)* (collectively, the "Minimum Consideration Threshold")</u>**. For the avoidance of doubt, **the SISP procedures prohibit the Consenting First Lien Lenders from modifying their Credit Bid Transaction to compete with qualified bidders in the SISP**, and in the event a qualified, binding offer (Qualified Phase II Bid) is received and is the Successful Bid, in accordance with the SISP, the Consenting First Lien Lenders are bound by a Support Agreement and Court Order approving the Support Agreement to support the approval of such a bid. Subject to the requirements of meeting the Minimum Consideration Threshold, **the Company will contemplate <u>all forms of consideration</u> in the evaluation of Qualified Phase II Bids (e.g. cash, cash equivalents, securities traded on major exchanges, etc.). The Company reserves its right to determine the value of any such consideration in its sole discretion.**

Further information on the Company and its assets, in the form of a Confidential Information Memorandum ("CIM") and Virtual Data Room ("VDR"), will be made available to interested parties who execute a confidentiality agreement and SISP acknowledgement.

Contact Justin Zammit (JZammit@HL.com) to proceed with executing a confidentiality agreement and SISP acknowledgement. All of the relevant Court filings, information on the SISP, and Connacher's CCAA proceedings may be found on the Monitor's website at: www.ey.com/ca/connacheroilandgas

(1) The ultimate amount owed and payable under the assumed liabilities is subject to each prospective buyer's own diligence and <u>will not</u> be warranted by the Company or its representatives including but not limited to Houlihan Lokey

April – 2018

Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May – 2018

Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June – 2018

Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July – 2018

Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August – 2018

Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

SISP Launch | Phase I Deadline | Phase II Deadline | Sale Hearing | Closing

Item	Note*(2)*	Date
Sale Process Launch	▪ Financial Advisor sends teasers to potential buyers	4/3
Phase I Deadline	▪ Deadline to submit a letter of intent to Financial Advisor	5/23 at 12:00 PM (Mountain Time)
Phase II Deadline	▪ Deadline to submit bid to Financial Advisor	6/20 at 12:00 PM (Mountain Time)
Sale Hearing	▪ Court approval of Purchase and Sale Agreement	7/17
Closing	▪ Closing of Sale Transaction	8/17

(2): Please refer to the Sales and Investment Solicitation Process filed with the Court for defined terms. Priority Claims to be conclusively determined pursuant to a Court-approved claims process.

Houlihan Lokey Capital, Inc., acting through itself and its affiliates has been authorized to act as the exclusive agent of the Company with respect to the Transaction. All communications or inquires relating to a transaction and the Company should be directed to Houlihan Lokey.

J.P. Hanson	***Brett Lowrey***	***Justin Zammit***	***Jay Vise***	***Michael Marsh***
Managing Director / Head of E&P	Managing Director	Vice President	Financial Analyst	Financial Analyst
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Disclaimer

Houlihan Lokey Capital, Inc. (“Houlihan Lokey”) has been retained by Connacher Oil and Gas Limited (“Connacher” or the “Company”) to serve as its financial advisor in connection with the proposed sale of the Company’s assets (the “Transaction”).

This Information Memorandum (this “Teaser”) has been prepared for discussion purposes only. It is being delivered to specified parties solely to assist them in deciding whether to proceed with their investigation of the Company in accordance with procedures established by the Company. This Teaser does not purport to contain all of the information that may be required or relevant to a recipient’s evaluation of any Transaction and recipients will be responsible for conducting their own investigations and analysis.

Houlihan Lokey has not independently verified any of the information contained herein. Neither the Company or any of its affiliates or representatives nor Houlihan Lokey or any of its affiliates or representatives makes any representation, warranty or guaranty of any kind, express or implied, as to the accuracy, completeness or reasonableness of the information contained herein or any other written or oral communication transmitted or made available to any recipient. The Company and Houlihan Lokey and their respective affiliates and representatives expressly disclaim any and all liability based on or arising from, in whole or in part, such information, errors therein or omissions therefrom.

In addition, this Teaser includes certain projections and forward-looking statements provided by the Company with respect to the anticipated future performance of the Company. Such projections and forward-looking statements reflect various assumptions of management concerning the future performance of the Company, and are subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are beyond the control of the Company. Accordingly, there can be no assurances or guarantees that such projections or forward-looking statements will be realized. Actual results may vary from anticipated results and such variations may be material. Past performance is not a guarantee of future results. No representations or warranties are made as to the accuracy or reasonableness of such assumptions or the projections or forward-looking statements based thereon.

Only those representations and warranties that are made in a definitive written agreement relating to a Transaction, when and if executed, and subject to any limitations and restrictions as may be specified in such definitive agreement, shall have any legal effect. Each recipient should make an independent assessment of the merits of pursuing a Transaction and should consult its own professional advisors.

Houlihan Lokey may from time to time assist interested parties with financing matters, which may, in some cases, be related to the Transaction.

This Teaser speaks as of various dates in the past. The delivery of this Teaser does not create any implication that there has been no change in the business and affairs of the Company since such dates. Neither the Company nor Houlihan Lokey or their respective affiliates or representatives undertakes any obligation to update any of the information contained herein.

Subject to direction by the Court, the Company and Houlihan Lokey are free to conduct the process for the Transaction as they determine in their sole discretion (including, without limitation, terminating further participation in the process by any party, rejecting any proposals or indications of interest, negotiating with prospective buyers and entering into an agreement with respect to a Transaction without prior notice to you or any other person) and any procedures relating to such Transaction may be changed at any time without prior notice to you or any other person.

All communications or inquiries relating to the Company or this Teaser should be directed to the representatives of Houlihan Lokey listed on the previous page.

No personnel of the Company should be contacted directly under any circumstances unless expressly permitted by Houlihan Lokey.

APPENDIX B

FORECAST TO ACTUAL CASH FLOW

Connacher Oil and Gas Limited Appendix A

Forecast to actual results

For the period January 13, 2018 to May 25, 2018

CAD $ 000's

	Forecast	Actual	Variance	Notes
Receipts				
Crude sales	76,753	64,086	(12,667)	1
BEH royalty sale	43,750	43,750	-	
Other	595	640	45	2
Total Receipts	**121,098**	**108,476**	**(12,622)**	
Disbursements				
Diluent/transportation expenses	(34,846)	(47,242)	(12,396)	3
Oilsands operating expenses	(25,748)	(22,438)	3,310	4
Capital expenditures	(18,607)	(5,376)	13,230	5
General and administrative costs	(3,929)	(3,779)	151	
Interim Financing - Financing Fees	-	(1,015)	(1,015)	6
Royalties	(991)	(849)	142	
Oilsands monitoring	-	(436)	(436)	4
Interim Financing - Interest and Fees	(189)	(177)	12	
Foreign Exchange (Gains) and Losses	-	(141)	(141)	
Total Disbursements	**(84,310)**	**(81,453)**	**2,857**	
Cash flow from operations	**36,788**	**27,022**	**(9,766)**	
Restructuring costs	(1,538)	(2,141)	(604)	
Net change in cash	**35,250**	**24,881**	**(10,369)**	
Opening unrestricted cash	32,023	32,023		
Repayment of DIP financing	-	(20,622)		
Ending unrestricted cash	67,273	36,282		
Restricted cash	7,200	7,200		
Total ending cash	**74,473**	**43,482**		

Interim financing		
Opening borrowings	(21,637)	(21,637)
Borrowings	-	-
DIP repayment - exit fee	-	1,015
Repayment	-	20,622
Ending borrowings	**(21,637)**	**-**

Restricted cash		
Shut-down costs	7,100	7,100
BCOGC	100	100
Total Restricted Cash	**7,200**	**7,200**

Forecast to actual results - notes
For the period January 13, 2018 to May 25, 2018
CAD $ 000's

Note 1
Downhole complications over the Reporting Period led to lower than anticipated production. Further, an additional $4.5 million was withheld by Shell for hedging.

Note 2
The favorable variance relates to interest revenue earned on cash deposits.

Note 3
Transportation costs exceeded the forecast amounts due to continued logistical issues whereby forecasted delivery locations (rail terminal) could not accommodate volumes. This resulted in costly re-routing to different terminalling locations. The Company is attempting to recoup additional costs incurred. The forecast contemplated transportation costs of approximately $2.7 million per month; however, actual transportation approximated $3.5 million per month. In addition to reroutes, surcharges and wait times were incurred.

Note 4
A net favorable oil sands operating and monitoring cost variance of $2.8 million arose as a result of timing differences associated with forecast health, safety and environment and other regulatory remittances made annually.

Note 5
The forecast contemplated the drilling of infill wells totaling $12.2 million (D&C and facility capital for January through April); however, only pre-spend amounts were actually incurred as drilling was deferred.

Note 6
Amount related to the contractual exit fee obligation incurred upon repayment of DIP financing.

APPENDIX C

REVISED CASH FLOW FORECAST

Connacher Oil and Gas Limited
Revised consolidated 19-week cash flow
For the period May 26, 2018 to October 5, 2018
CAD $ 000's

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Week ended		01-Jun-18	08-Jun-18	15-Jun-18	22-Jun-18	29-Jun-18	06-Jul-18	13-Jul-18	20-Jul-18	27-Jul-18	03-Aug-18	10-Aug-18	17-Aug-18
Opening unrestricted cash	A	43,482	33,283	32,171	29,167	27,605	36,499	35,130	31,806	30,437	47,520	38,991	37,710
Restricted cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Total opening cash		**50,682**	**40,483**	**39,371**	**36,367**	**34,805**	**43,699**	**42,330**	**39,006**	**37,637**	**54,720**	**46,191**	**44,910**
Receipts													
Crude sales		-	-	-	-	20,120	-	-	-	20,856	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-
Total receipts		**-**	**-**	**-**	**-**	**20,120**	**-**	**-**	**-**	**20,856**	**-**	**-**	**-**
Disbursements													
Oilsands operating expenses		(2,590)	(872)	(872)	(872)	(2,029)	(1,086)	(1,086)	(1,086)	(1,086)	(1,960)	(770)	(770)
Diluent		(5,828)	-	-	-	(5,893)	-	-	-	-	(5,776)	-	-
Transportation		(1,308)	-	(1,607)	-	(1,607)	-	(1,671)	-	(1,671)	-	-	(1,784)
General and administrative costs		(78)	(78)	(362)	(78)	(362)	(81)	(365)	(81)	(365)	(65)	(348)	(65)
Capital Expenditures		(162)	(162)	(162)	(162)	(162)	(203)	(203)	(203)	(203)	(162)	(162)	(162)
Royalties		(234)	-	-	-	(526)	-	-	-	-	(567)	-	-
Key Employee Retention Plan/LTIP		-	-	-	-	(647)	-	-	-	-	-	-	-
Total disbursements		**(10,199)**	**(1,112)**	**(3,003)**	**(1,112)**	**(11,225)**	**(1,369)**	**(3,324)**	**(1,369)**	**(3,324)**	**(8,529)**	**(1,281)**	**(2,782)**
Cash flow from operations		**(10,199)**	**(1,112)**	**(3,003)**	**(1,112)**	**8,894**	**(1,369)**	**(3,324)**	**(1,369)**	**17,533**	**(8,529)**	**(1,281)**	**(2,782)**
Restructuring costs		-	-	-	(450)	-	-	-	-	(450)	-	-	-
Net change in cash	B	**(10,199)**	**(1,112)**	**(3,003)**	**(1,562)**	**8,894**	**(1,369)**	**(3,324)**	**(1,369)**	**17,083**	**(8,529)**	**(1,281)**	**(2,782)**
Ending unrestricted cash	A + B	**33,283**	**32,171**	**29,167**	**27,605**	**36,499**	**35,130**	**31,806**	**30,437**	**47,520**	**38,991**	**37,710**	**34,929**
Restricted cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Total ending cash		**40,483**	**39,371**	**36,367**	**34,805**	**43,699**	**42,330**	**39,006**	**37,637**	**54,720**	**46,191**	**44,910**	**42,129**
Interim financing													
Opening borrowings		-	-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-	-
Ending borrowings		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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
BCOGC		100	100	100	100	100	100	100	100	100	100	100	100
Total Restricted Cash		**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**	**7,200**

Notes

Connacher's management have prepared this cash flow forecast based on probable and hypothetical assumptions. 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; those variations may be material. Consequently, readers are cautioned.

Connacher Oil and Gas Limited
Revised consolidated 19-week cash flow
For the period May 26, 2018 to October 5, 2018
CAD $ 000's

		Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	
Week ended		24-Aug-18	31-Aug-18	07-Sep-18	14-Sep-18	21-Sep-18	28-Sep-18	05-Oct-18	Total
Opening unrestricted cash	A	34,929	56,350	46,683	45,665	42,760	41,742	61,853	43,482
Restricted cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Total opening cash		42,129	63,550	53,883	52,865	49,960	48,942	69,053	50,682
Receipts									
Crude sales		23,340	-	-	-	-	22,336	-	86,652
Other		(922)	-	-	-	-	(922)	-	(1,845)
Total receipts		22,418	-	-	-	-	21,414	-	84,808
Disbursements									
Oilsands operating expenses		(770)	(770)	(758)	(758)	(758)	(758)	(2,031)	(21,684)
Diluent		-	(5,486)	-	-	-	-	(5,663)	(28,645)
Transportation		-	(1,784)	-	(1,604)	-	-	(1,604)	(14,641)
General and administrative costs		(65)	(348)	(98)	(381)	(98)	(381)	(98)	(3,796)
Capital Expenditures		(162)	(162)	(162)	(162)	(162)	(162)	(162)	(3,240)
Royalties		-	(665)	-	-	-	-	(629)	(2,621)
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-	(647)
Total disbursements		(997)	(9,216)	(1,018)	(2,906)	(1,018)	(1,302)	(10,187)	(75,274)
Cash flow from operations		21,421	(9,216)	(1,018)	(2,906)	(1,018)	20,112	(10,187)	9,534
Restructuring costs		-	(450)	-	-	-	-	(450)	(1,800)
Net change in cash	B	21,421	(9,666)	(1,018)	(2,906)	(1,018)	20,112	(10,637)	7,734
Ending unrestricted cash	A + B	56,350	46,683	45,665	42,760	41,742	61,853	51,216	51,216
Restricted cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Total ending cash		63,550	53,883	52,865	49,960	48,942	69,053	58,416	58,416
Interim financing									
Opening borrowings		-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-
Ending borrowings		-	-	-	-	-	-	-	-
Restricted cash									
Shut-down costs		7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
BCOGC		100	100	100	100	100	100	100	100
Total Restricted Cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200

CONFIDENTIAL APPENDIX D

EVALUATION OF PURCHASE PRICE

(SEALED)