CLERK OF THE COURT
FILED
Clerk's Stamp
AUG 17 2018
CALGARY, ALBERTA

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	SEVENTEENTH REPORT OF THE MONITOR AUGUST 17, 2018
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>MONITOR</u> ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 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 <u>COUNSEL</u> 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

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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 seventeenth report of the Monitor (the "Seventeenth Report") is to provide this Honourable Court with the Monitor's comments with respect to:

   a) An update on the restructuring activities of Connacher during these CCAA proceedings including an overview of the renewed sale and investment solicitation process (the "SISP");

   b) The CCAA acquisition and plan sponsorship agreement (the "Plan Sponsorship Agreement") and the Purchase and Sale Agreement (the "Purchase Agreement") entered into between Connacher and East River Oil and Gas Ltd. (the "Plan Sponsor");

   c) A summary of the proposed plan of compromise and arrangement (the "CCAA Plan") under the CCAA;

   d) The Monitor's comments and analysis regarding the proposed CCAA Plan;

   e) Connacher's request for a proposed claims process (the "Supplemental Claims Process") to determine and resolve certain claims arising against Connacher and the directors and officers of Connacher ("D&O's"), including certain claims from the Filing Date to September 1, 2018 (the "Post-Filing Claims");

   f) The Company's forecast to actual cash flow results for the period May 26, 2018 to August 3, 2018 (the "Reporting Period");

   g) The Company's cash flow projection (the "Cash Flow Projection") for the period of August 4, 2018 to November 2, 2018 (the "Forecast Period");

h) The Company's request for an extension of the stay period to October 31, 2018 (the "Stay Extension"); and

i) 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, the SISP, Plan Sponsorship Agreement, CCAA Plan or Purchase 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 Seventeenth 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.

CONNACHER'S CCAA RESTRUCTURING EFFORTS

8. The Initial Order approved a sale and investment solicitation process (the "Initial SISP") for Connacher, with the assistance of the Monitor, to identify parties that may be interested in investing in Connacher or purchasing some or all of Connacher's property.

9. Connacher received multiple bids to acquire its property and/or business in the Initial SISP. However, Connacher, in consultation and with the support of the Interim Lenders, elected not to select a Successful Bid (as defined in the Initial Order) as there was an improvement in the price of crude oil resulting in improved liquidity for Connacher.

10. Subsequent to terminating the Initial SISP, Connacher continued to assess and

implement strategic options to restructure including entering into the Royalty Agreement with Burgess Energy Holdings, LLC ("BEH") as defined and approved by an Order of this Honourable Court dated January 29, 2018.

11. The transaction consummated under the Royalty Agreement provided Connacher with sufficient consideration to fully repay the Interim Credit Facility (as defined in the Initial Order) in the amount of approximately $20.3 million.

12. As a result of more favourable market conditions, including the recovery in oil prices, Connacher with the support of the Consenting First Lien Lenders and the Monitor, began to pursue a second sale process.

13. To that end, Connacher sought and obtained, an Order of this Honourable Court dated February 28, 2018 approving Connacher's retention of a financial advisor, Houlihan Lokey Capital, Inc., (the "Financial Advisor"), to assist with developing and implementing the renewed SISP.

14. A support agreement (the "Support Agreement") was entered into between Connacher, certain First Lien Lenders (the "Consenting First Lien Lenders") holding in excess of 75% of the principal amount of debt outstanding under the first lien credit agreement dated as of May 23, 2014, and the First Lien Agent. The Support Agreement was approved by an Order of this Honourable Court dated March 28, 2018.

15. A key term of the Support Agreement was the requirement for Connacher to undertake the renewed SISP to identify a "Superior Transaction". A Superior Transaction was defined as a transaction that provides cash consideration of at least $90 million plus cash consideration sufficient to pay all claims ranking in priority or *pari passu* to the First Lien Lenders, excluding Connacher's cash-on-hand (the "Minimum Consideration Threshold").

16. Should Connacher determine at any point that a Superior Transaction was not available through the SISP, Connacher will proceed to complete a transaction whereby the First Lien Agent would form a purchaser that will "credit bid" a portion of the first lien debt in exchange for acquiring all or substantially of the assets of Connacher (the "Credit Bid Transaction").

17. The renewed SISP was also approved by an Order of this Honourable Court dated March 28, 2018.

Overview of the SISP

18. 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 Asia;

b) The Financial Advisor contacted in excess of 230 potential counterparties, including both oil & gas companies and private equity funds. The Financial Advisor provided interested parties with an electronic marketing teaser identifying the opportunities being marketed under the SISP, the timeline for the SISP and the deadline for submitting bids;

c) 16 interested parties executed confidentiality agreements and acknowledgement of the SISP Procedures and were deemed to be qualified bidders in Phase I of the SISP (the “Qualified Phase I Bidders”);

d) Qualified Phase I 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 Phase I 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 Phase I Bidders also had the opportunity to meet with Management, the Financial Advisor and the Applicants’ legal counsel to discuss transaction structuring considerations.

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

20. Connacher received letters of intent (the "Qualified Phase I Bids") from several of the Qualified Phase I Bidders (the "Phase I Bidders") on May 23, 2018, the bid deadline for Phase I.

21. Connacher, in consultation with the Financial Advisor, the 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.

22. During Phase II, the Phase II Bidders undertook in-depth due diligence and discussions with Connacher, in consultation with the Financial Advisor and Connacher's legal counsel, around the transaction structure.

23. As at June 20, 2018 (the "Phase II Bid Deadline") the bid received from the Plan Sponsor was subject to investment committee approval from its financial sponsor (the "Investment Committee Approval"). Connacher, with the consent of the First Lien Agent and the Consenting First Lien Lenders, extended the time to determine whether the bid from the Plan Sponsor was a Qualified Phase II Bid (as defined in the SISP).

24. Investment Committee Approval was obtained by the Plan Sponsor. On July 19, 2018, the Plan Sponsor paid a $12.0 million deposit to the Monitor (the "Deposit"). The Monitor is continuing to hold the Deposit in escrow.

25. On August 2, 2018, Connacher and the Plan Sponsor executed the Plan Sponsorship Agreement and the Purchase Agreement. As a result, the Plan Sponsor is the Successful Bidder (as defined in the SISP).

26. The Monitor will issue a Confidential Supplement to this Seventeenth Report (the "Confidential Supplement") disclosing, to this Honourable Court, commercially sensitive information regarding the results of Phases I and II of the SISP.

27. The Monitor will seek to have the Confidential Supplement sealed pursuant to a sealing order (the "Sealing Order") as disclosure of this information would be harmful to the commercial interests of Connacher and its stakeholders should the Transaction or Alternative Transaction not be consummated.

PLAN SPONSORSHIP AGREEMENT

28. Connacher and the Plan Sponsor have agreed to use reasonable commercial efforts to restructure Connacher by way of the CCAA Plan, attached as Exhibit “A” to the Plan Sponsorship Agreement (as may be amended in accordance with the terms thereof).

29. The transaction (the “Transaction”) to be concluded pursuant to the CCAA Plan includes, amongst other things, the following steps:

a) The Plan Sponsor shall pay $113.5 million (the “Plan Sponsored Funds”) plus the Cash Adjustment Amount, if any, to the Monitor;

b) Connacher will pay the Cash on Hand up to Existing Cash (as defined below) to the Monitor on the Effective Date;

c) The Monitor shall distribute the Plan Implementation Fund (consisting of the Plan Sponsored Funds, the Cash Adjustment Amount, if any and the Cash on Hand up to Existing Cash) and in accordance with the CCAA Plan;

d) The CCAA Plan shall effect a compromise of the Affected Claims against Connacher; and

e) Connacher shall issue new common shares to the Plan Sponsor, transferring ownership of Connacher from its existing shareholders to the Plan Sponsor and all existing equity interests and claims will be discharged without compensation.

30. An overview of the CCAA Plan and the Monitor’s comments on and analysis of the CCAA Plan are below.

31. Should the CCAA Plan fail, Connacher and the Plan Sponsor have agreed to implement a sale of Connacher’s assets to the Plan Sponsor pursuant to the Purchase Agreement (the “Alternative Transaction”).

32. The CCAA Plan is deemed to have failed should:

a) The following not occur within five days of the applicable times set forth in the Plan Sponsorship Agreement (or such other date as agreed by the Plan Sponsor and Connacher, with the consent of the Consenting First Lien lenders):

i. The Creditors' Meetings Order or the Supplemental Claims Procedure Order is not granted;

ii. The Sanction Order is not granted;

iii. the CCAA Plan is not implemented and the Transaction is not closed by the Outside Date but none of the approvals required under the Competition Act or in the People's Republic of China (collectively, the "Regulatory Approvals") have been denied;

b) The requisite Creditor approval of the CCAA Plan is not obtained at the Creditors' Meetings held in accordance with the Meetings Order; or

c) It is jointly determined by Connacher and the Plan Sponsor, each acting reasonably, that for any other reason it is no longer viable to implement the Transaction under the CCAA Plan.

(collectively, "CCAA Plan Termination Events").

33. The purchase price to be paid by the Plan Sponsor under the Alternative Transaction is $109.5 million (the "Purchase Price"), being $4.0 million less than the Plan Sponsored Funds to be received under the CCAA Plan.

34. The Alternative Transaction does not provide a recovery to the unsecured creditors of Connacher as the First Lien Lenders' security attaches to the Purchase Price to be paid by the Plan Sponsor (and to the Existing Cash, which remains with Connacher) and such amounts are insufficient to fully satisfy Connacher's indebtedness outstanding to the First Lien Lenders and other priority creditors. As described below, the Monitor's has issued an opinion that, subject to usual and customary assumptions and qualifications, all security held by the First Lien Lenders is valid, enforceable and would rank in priority to any subsequently appointed trustee in bankruptcy of Connacher.

35. Connacher is seeking, as part of the Creditors' Meetings Order, approval of its execution and delivery of the Plan Sponsorship Agreement.

OVERVIEW OF THE CCAA PLAN

36. Should the required majorities of Affected Creditors of Connacher vote in favour of the CCAA Plan and should this Honourable Court grant the Sanction Order, the following is an overview of the key steps to be undertaken pursuant to the CCAA Plan. (This is a summary only and does not supersede or vary the terms of the actual CCAA Plan).

Plan Implementation Fund

37. The Monitor will hold in escrow the following funds (the "Plan Implementation Fund") to be dealt with in accordance with the CCAA Plan:

   a) Plan Sponsored Funds: The Plan Sponsor shall advance the Plan Sponsored Funds ($113.5 million) to the Monitor at least two days prior to the Plan Implementation Date. The Plan Sponsored Funds shall be funded through a combination of a $101.5 million payment and the Deposit ($12.0 million);

   b) Existing Cash: Connacher's adjusted cash balance and net working capital as at September 1, 2018 (the "Effective Date"), less professional fees paid by Connacher between the Effective Date and the Plan Implementation Date, shall be paid by Connacher to the Monitor on or before the Plan Implementation Date; and

   c) Cash Adjustment Amount: If required, the Plan Sponsor shall pay a cash adjustment amount (the "Cash Adjustment Amount") to the Monitor should Connacher's cash on hand on or before the Plan Implementation Date be insufficient to pay Existing Cash to the Monitor.

Voting and Distributions under the CCAA Plan

38. For the purposes of voting upon and receiving a distribution under the Plan, the Affected Creditors are to be segregated between two classes, the First Lien Lenders Class (as defined below) and General Creditors Class (as defined below).

First Lien Lenders Class

39. The First Lien Lenders shall comprise a single class of creditors (the "First Lien Lenders' Class") for voting purposes.

40. The amount of the First Lien Lenders' claim under the CCAA Plan is $292.2 million (the "First Lien Lender Claim") based upon principal and accrued interest outstanding as at October 31, 2018.

41. Monitor's counsel has reviewed the security held on behalf of the First Lien Agent (the "First Lien Security") and has issued an opinion that, subject to usual and customary assumptions and qualifications, all security held is valid, enforceable and would rank in priority to any subsequently appointed trustee in bankruptcy of the Company.

42. As soon as practical following the Plan Implementation Date, the Monitor shall distribute to the First Lien Agent, on behalf of the First Lien Lenders, the First Lien Lender pool (the "First Lien Lender Pool").

43. The First Lien Lender Pool to be distributed to the First Lien Lenders shall comprise the Plan Implementation Fund, less:

a) The CCAA Charge Claims to be satisfied in accordance with the CCAA Plan;

b) Claims determined to rank in priority to or *pari passu* with the security of the First Lien Lenders (the "Priority Claims") including the Municipal Tax Claims (as defined below) or that must otherwise be satisfied in accordance with the terms of the CCAA Plan;

c) The administrative reserve fund (the "Administrative Reserve Fund") of $1.0 million to fund professional fees of its Counsel, the Monitor and the Monitor's counsel associated with implementing the CCAA Plan;

d) The Emkay Reserve (as defined below); and

e) The General Creditor Pool (as defined below).

44. The First Lien Lender Pool is estimated to be insufficient to fully satisfy the First Lien Lender Claim. The First Lien Lender Claim outstanding after the distribution of the First Lien Lender Pool is defined as the "First Lien Deficiency Claim" and shall be a General Creditor Claim (as defined below) under the CCAA Plan.

General Creditor Class

45. The general creditors (the "General Creditors") are comprised of all Affected Claims of Connacher with the exception of the:

    a) First Lien Lender Claim (other than the First Lien Deficiency Claim);

    b) Priority Secured Claims (as defined below) including the Municipal Tax Claims (as defined below);

    c) Employee Priority Claims (as defined below);

    d) Priority Crown Claims (as defined below); and

    e) Claims of equity holders ("Equity Claims").

    (the "General Creditor Claims")

46. As the First Lien Claim will not be satisfied in full and the First Lien Lenders are expected to have a deficiency claim which is estimated to be in the range of $114.95 million to $134.3 million ("First Lien Deficiency Claim"), the Second Lien Noteholders (as defined in the Claims Process Order) shall have a deficiency claim of $71.3 million (the "Second Lien Deficiency Claim") representing the full principal and accrued interest outstanding to the Second Lien Noteholders as at October 31, 2018. The Second Lien Deficiency Claim is a General Creditor Claim.

47. The General Creditors shall comprise a single class of creditors (the "General Creditor Class") for voting purposes.

48. The General Creditor Pool available for distribution to the General Creditors shall be comprised of the following:

    a) Funds sufficient to satisfy a Convenience Class, whereby:

        i. General Creditors (including Beneficial Noteholders who comply with the terms of the Creditors' Meetings Order) with claims less than $2,000 shall be satisfied in full; and

ii. General Creditors with claims in excess of $2,000 shall have the option to elect to be Convenience Class Creditors by agreeing to reduce their claims to $2,000 and receive $2,000 ; and

b) $500,000 to be distributed on a *pro rata* basis of accepted claims of General Creditors that do not participate in the Convenience Class.

Claims of Connacher's Affected Creditors

49. The CCAA Plan effects a compromise and arrangement of Affected Claims of Connacher. Affected Claims include Claims of creditors with Accepted Claims and Disputed Claims (both as defined and described below) and excludes Unaffected Claims (as defined below).

50. Accepted Claims ("Accepted Claims") are claims of Affected Creditors determined in accordance with the Claims Process Order, the proposed Supplemental Claims Process Order and the CCAA Plan.

51. Disputed claims ("Disputed Claims") are claims that have not yet been determined to be Accepted Claims in whole or in part in accordance with the Claims Process Order or the proposed Supplemental Claims Process Order. Holders of Disputed Claims are not entitled to receive a distribution under the CCAA Plan until such time as the Disputed Claim has been determined to be an Accepted Claim in accordance with the Claims Process.

Unaffected Claims under the CCAA Plan

52. Unaffected Claims under the CCAA Plan include claims in respect of:

a) Post-Filing Claims (as defined in the CCAA Plan) provided that any Post-Filing Claims that were required to be preserved pursuant to the Supplemental Claims Procedure Order have been preserved;

b) Claims that have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order that relate to the contractual rights of one of more creditors against directors (CCAA section 5.1 (2) (a));

c) Claims that have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order that are based on allegations of misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors (CCAA section 5.1 (2) (b)).

d) Claims which have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order that cannot be compromised due to the provisions of Section 19(2) of the CCAA, except any Claims to which Section 10.11 of the CCAA Plan applies which shall be Affected Claims for the purposes of the CCAA Plan;

e) An "Insured Claim" whereby the claimant elects to pursue an action for a Claim where Connacher is insured under a policy for the claim and the claimant waives any right to recover such Insured Claim from Connacher or under the CCAA Plan;

f) Any indebtedness, liability or obligation of Connacher to BEH under the Royalty Agreement;

g) Any indebtedness outstanding to ATB under the ATB Credit Facility (as defined in the CCAA Plan) secured by the ATB Charge (as defined in the CCAA Plan); and

h) One-third (1/3) of the municipal taxes owed to the Municipality of Wood Buffalo (the "Municipality") for the calendar year 2018 (the "Unaffected Municipal Tax Claim").

53. Unaffected Claims are not eligible to vote and will not be compromised pursuant to the CCAA Plan.

54. As Affected Claims are being compromised under the CCAA Plan and will, with the exception of the Convenience Class Claims, not be repaid in full, holders of Equity Claims are not permitted to vote on or receive a recovery under the CCAA Plan.

Priority Secured Claims

55. The Monitor shall establish a reserve (the "Priority Secured Claim Reserve") to satisfy any claim alleging a security interest ranking in priority to the First Lien Security. The Priority Secured Claim Reserve shall be funded from the Plan Implementation Fund.

56. Any portion of Priority Secured Claim Reserve not required to satisfy a Priority Secured Claim determined to rank in priority to the First Lien Security shall form part of the First Lien Lender Pool.

57. The Municipality has previously advised Connacher that it intends to assert a Claim against Connacher arising from property taxes outstanding as at the Filing Date and property taxes that have accrued after the Filing Date to September 1, 2018 but remaining unpaid (collectively, the "Municipal Tax Claims"). The Monitor understands that the Municipality will likely allege a Priority Secured Claim for the Municipal Tax Claims pending resolution of the Municipal Tax Claims and their priority. The Priority Secured Claim Reserve shall be sufficient to fully satisfy the Municipal Tax Claims.

Priority Crown Claims & Priority Employee Claims

58. The Monitor shall establish a reserve (the "Priority Crown Claim Reserve") in the full amount of any crown claims per section 6(3) of the CCAA (the "Priority Crown Claims") outstanding against Connacher at the Filing Date or for the period ending on the Filing Date.

59. The Monitor shall also establish a reserve (the "Priority Employee Claim Reserve") in the full amount of any unpaid employee claims per section 6(5)(a) of the CCAA (the "Priority Employee Claims").

60. The Priority Crown Claim Reserve and Priority Employee Claim Reserve shall be funded from the Plan Implementation Fund. As soon as practical following the Plan Implementation Date, the Monitor will settle, on behalf of Connacher, the Priority Crown Claims with the Priority Crown Claim Reserve.

Emkay Reserve

61. As at the Filing Date, Connacher leased 24 pickup trucks from Emkay Canada Leasing Corp. ("Emkay") subject to the Emkay Canada Vehicle Leasing Agreement dated October 4, 2012 and various lease schedules (the "Emkay Lease"). Following the granting of the Initial Order, Connacher made a determination that the Emkay Lease was a financing lease. As a result of this determination, Connacher did not make any payments on account of the Emkay Lease following the granting of the Initial Order (the "Post-Filing Payments").

62. This Honourable Court issued a decision on December 11, 2017, finding that the Emkay Leases are true leases. Certain issues remain outstanding between Connacher and Emkay relating to the resulting amounts payable to Emkay as a result of the decision (including in respect of interest and costs) that remain to be settled or determined by the Court.

63. If the Alleged Emkay Claim is not resolved or determined prior to the Plan Implementation Date, the Monitor shall establish a reserve of $450,000 from the Plan Implementation Fund (the “Emkay Reserve”).

64. The Monitor shall distribute the Emkay Reserve to Emkay in accordance with a final determination of the Alleged Emkay Claim. Any excess funds remaining in the Emkay Reserve shall form part of the First Lien Lender Pool.

Non-Continuing Employee Claim

65. Pursuant to the Plan Sponsorship Agreement, the Plan Sponsor agreed to make written offers of employment, conditional and effective on the implementation of the CCAA Plan or Alternative Transaction to at least 85% of Connacher’s employees on terms that (i) provide recognition of past service, (ii) comply with the Employment Standards Code (Alberta), and (iii) contain commercially reasonable and market standard terms and conditions (“Offers of Employment”). The Monitor understands that the Offers of Employment have been extended and will open for acceptance until 5:00 p.m. (Calgary time) on August 21, 2018.

66. Employees who do not receive or accept an Offer of Employment (the “Non-Continuing Employees”) will be entitled to prove a claim (a “Non-Continuing Employee Claim”) in the Supplemental Claims Procedure for termination or severance pay owing to them in connection with the termination of their employment, and will be treated as unsecured creditors under the CCAA Plan in respect of such claims.

Releases under the CCAA Plan

67. The CCAA Plan contains releases against the directors and officers of Connacher, current and former employees, advisors, legal counsel and agents from all claims, other than those arising on the basis of criminal or fraudulent acts having taken place, or those carved out pursuant to section 5.1 (2) of the CCAA.

68. The Monitor notes that all of the Persons benefitting from the proposed releases have played a significant role in Connacher's CCAA proceeding.

69. The proposed Sanction Order will include customary provisions for such Orders, including provisions giving effect to the releases contained in the CCAA Plan. The Monitor notes Section 8.1(j) of the CCAA Plan, which states that the Sanction Order will provide as follows:

a) Any Claims which have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order against Directors that cannot be compromised due to the provisions of Section 5.1(2) of the CCAA will be limited in recovery to the proceeds of any Directors insurance policies.

b) This provision will not directly release the Directors from Claims that cannot be released under Section 5.1(2) of the CCAA. However, the Monitor understands that the intent of the Sanction Order is to limit recovery on all Claims against Directors to proceeds available from applicable director insurance policies (collectively, the "Insurance Policies"). The Monitor further understands that the Debtor carries Insurance Policies for its Directors in the amount of $60.0 million. Limiting the recovery of any Claims against Directors solely to the proceeds available from the Insurance Policies could have the practical effect of "releasing" the Directors of certain liability, including any liability for section 5.1(2) Claims.

c) To the extent that any valid Director Claims are covered by the Insurance Policies and payments are made thereunder, holders of such Director Claims would not appear to be materially prejudiced by this provision of the proposed Sanction Order. However, to the extent that valid Director Claims, if any, exceed the $60.0 million limit on the Insurance Policies or are not covered by the Insurance Policies, the effect of this provision of the proposed Sanction Order appears to be that the holders of such valid Director Claims would either lose any ability to recover or otherwise have their ability to recover limited to the amount of the Insurance Policies.

70. The Monitor notes that the D&O Claims were filed pursuant to the previous Claims Process Order have either been resolved or withdrawn and as such no allowed D&O Claims currently exist. The Monitor intends to provide its further views on the Sanction

Order, including the provisions relating to the release of Claims against Directors and an update as to whether any D&O Claims are submitted pursuant to the Supplemental Claims Process Order, when the application for the Sanction Order is made.

71. The Monitor, Financial Advisor, Plan Sponsor, the First Lien Agent, the Collateral Trustee (as defined in the CCAA Plan), the Second Lien Trustee, the Consenting First Lien Lender, advisors to the Consenting First Lien Lender and their current and former directors, officers and employees, legal counsel and agents will be released on the Plan Implementation Date from all claims other than those arising on the basis of willful misconduct, criminal or fraudulent acts having taken place.

72. The Monitor understands that the releases being sought by Connacher under the CCAA Plan are critical to the Released Parties' support of the CCAA Plan.

The Creditors' Meetings Order

73. Connacher is seeking Court approval of the Creditors' Meetings Order, which provides, among other things, for procedures for the identification and solicitation of votes from creditors on the CCAA Plan. The procedures set forth in the Creditors' Meetings Order were developed by Connacher in connection with the Solicitation Agent and the Monitor. The Creditors' Meetings Order proposes, among other things, that:

a) The Creditors' meetings for approval of the CCAA Plan be held on October 3, 2018 at the offices of Cassels Brock & Blackwell LLP located at Suite 3810, Bankers Hall West, 888 3rd Street SW, Calgary, AB T2P 5C5, Canada, commencing as follows:

    i. First Lien Lender Meeting to be held at 10:00 am (Calgary time); and

    ii. General Creditor Class Meeting to be held at 10:15 am (Calgary time);

b) The Monitor shall act as the Chair of each of the Meetings, and decide all matters relating to the conduct of the Meetings;

c) The Monitor may appoint scrutineers and a secretary for the Creditors' Meetings;

d) The Monitor shall publish notice of the Creditors' meetings for approval of the CCAA Plan in the *Daily Oil Bulletin*, *Calgary Herald* and the *Globe and Mail* (National Edition) on or before August 29, 2018;

e) Within one business day of the granting of the Creditors' Meetings Order, the First Lien Agent shall provide Connacher and the Monitor with a listing of the Beneficial First Lien Lenders. The Monitor will send, within two business days of the Creditors' Meetings Order being granted, the First Lien Lenders Meeting Materials (as defined in the Creditors' Meetings Order) to the First Lien Agent for distribution to the Beneficial First Lien Lenders. The Monitor will also provide a copy of the First Lien Lenders Meeting Materials to counsel to the Consenting First Lien Lenders;

f) Second Lien Trustee and/or the Solicitation Agent, shall provide the Applicant, and the Monitor with the Participant Holders List within one Business Day of the granting of the Creditors' Meetings Order;

g) On or before August 30, 2018, Kingsdale Advisors (the "Solicitation Agent") shall send the Beneficial Noteholder Information Package (as defined in the Creditors' Meetings Order) to the Second Lien Trustee, Broadridge Financial Solutions Inc. ("Broadridge") and other intermediaries for distribution to the beneficial noteholders comprising the Second Lien Noteholders (the "Beneficial Second Lien Noteholders"). The Solicitation Agent has been retained by Connacher for soliciting votes of the Beneficial Second Lien Noteholders;

h) The Monitor, with assistance from Connacher, will send the General Creditors Meeting Materials, within two business days of the Creditors' Meetings Order being granted, to all General Creditors (with the exception of the First Lien Lenders, Second Lien Noteholders) who are eligible to vote at the Meeting the General Creditor Meeting Materials as listed within the Creditors' Meetings Order; and

i) In the event the CCAA Plan is approved by the Required Majorities (as defined below) of the Affected Creditors, Connacher is to bring an application seeking an order sanctioning the CCAA Plan. A hearing has been scheduled for this purpose on October 4, 2018 at 10:00 a.m.

Voting

74. The Rules with respect to voting on the CCAA Plan include the following:

a) Vote of the First Lien Lender Class: At the First Lien Lender Meeting, the beneficial holders of the First Lien Claim are entitled to one vote as a member of the First Lien Lender Class and the vote will have a value equal to the dollar value of the Beneficial First Lien Lenders' *pro rata* share of the First Lien Lender Claim.

b) Vote of the General Creditor Class: General Creditors are entitled to one vote as a member of the General Creditor Class, and the vote will have a value equal to the dollar value of such General Creditor Claim (including any pro rata share of the First Lien Deficiency Claim or Second Lien Deficiency Claim).

General Creditors participating in the Convenience Class shall be deemed to have voted in favour of the CCAA Plan.

c) In addition, General Creditors with Disputed Claims against Connacher are entitled to attend the General Creditor Meeting and are entitled to one vote. The Monitor is required to keep a separate record of votes cast by General Creditors with Disputed Claims and to report on such votes at the Sanction Hearing. If approval or non-approval of the CCAA Plan would be altered by the votes cast in respect of Disputed Claims, this is to be included in the Monitor's reporting at the Sanction Hearing and the Monitor may, in such circumstances, request a deferral of the Sanction Hearing or make a request to the Court for directions. If the Disputed Claim is ultimately determined to be an Accepted Claim, the vote will have the dollar value attributable to such Accepted Claim. If the Disputed Claim is ultimately disallowed, the vote will not be counted for any purposes.

75. The majorities required (the "Required Majorities") for the CCAA Plan to be approved by its creditors are an affirmative vote in both the First Lien Lender Class and General Creditor Class from the majority in number and 66 2/3% in value of all voting creditors with Accepted Claims.

76. Under the proposed Creditors' Meetings Order, the First Lien Agent shall provide Connacher and the Monitor with a listing of the Beneficial First Lien Lenders within one day of the granting of the Creditors' Meetings Order. Therefore, the Monitor does not have the number of Beneficial First Lien Lenders voting in the First Lien Lender Class at this time.

77. The Monitor estimates that General Creditor Claims voting upon the CCAA Plan will total between approximately $218.6 million and $238.4 million (the "General Creditor Voting Claims").

Connacher Oil and Gas Limited — Table 1.0
Estimated General Creditor Voting Claims
CAD$000's

		Low		High	
General Creditor Claims	Notes	No. of Claims	Value of Claims	No. of Claims	Value of Claims
First Lien Claim		TBD	292,218	TBD	292,218
First Lien Lender Pool		TBD	(177,728)	TBD	(157,934)
First Lien Deficiency Claim	*1*	TBD	114,490	TBD	134,284
Second Lien Deficiency Claim	2	TBD	71,315	TBD	71,315
General Creditor Claims	*3*	93	32,808	92	32,808
Total General Creditor Claims, as filed		TBD	218,613	TBD	238,407

78. The General Creditor Voting Claims represent the unsecured Claims filed against Connacher in the Claims Process, as follows:

a) The First Lien Lender Pool is estimated to be between $157.9 million and $177.7 million, the estimated variance primarily relates to estimates of the amounts to be deducted from the First Lien Lender Pool (including Priority Secured Claims) and the forecast of Connacher's Existing Cash as at September 1, 2018 which is dependent upon future crude pricing, production volumes and expenses incurred by Connacher;

b) The Second Lien Deficiency Claim is $71.3 million in accordance with the CCAA Plan, representing principal and accrued interest outstanding to the Second Lien Noteholders as at October 31, 2018. The Second Lien Noteholders do not participate in the First Lien Pool and therefore, the entire balance of the Second Lien Claim represents the Second Lien Deficiency Claim, a General Creditor Claim;

c) General Creditors (other than First Lien Lenders and Second Lien Noteholders) have filed 93 proofs of claim representing unsecured claims with an aggregate value of $32.8 million. Connacher, with the assistance of the Monitor, is reviewing the General Creditor Claims and the Monitor expects to shortly be issuing notices of revisions and disallowances arising from this review;

d) The summary of General Creditor Claims (excluding the First Lien Lender Claim and Second Lien Deficiency Claim) presented above is subject to the continuing review of Connacher and the Monitor in accordance with the Claims Procedure. Therefore, Accepted Claims may differ materially from the Claims, as filed per Table 1.0.

Conditions Precedent to Implementation of the CCAA Plan

79. The implementation of the CCAA Plan is subject to, amongst other things, the following conditions precedent:

a) Connacher and the Plan Sponsor shall have complied with all provisions of the Plan Sponsorship Agreement;

b) Connacher shall have complied with the Support Agreement;

c) The CCAA Plan shall have been approved by the Requisite Majorities of both the First Lien Lender Class and General Creditor Class at the Meetings;

d) The Sanction Order shall have been granted by this Honourable Court; and

e) The Monitor shall have received the Plan Sponsored Funds and the Cash Adjustment Amount, if any, from the Plan Sponsor and the Existing Cash from Connacher.

Implementation of the CCAA Plan

80. Following discussions with Connacher's stakeholders regarding the need for certainty with respect to the timing of the closing, on August 17, 2018, Connacher and the Plan Sponsor entered into a letter agreement (the "Extension Agreement"), a copy of which is attached hereto as Appendix "C", extending the outside date for implementation of the Plan Transaction (the "Outside Date") or the Alternative Transaction (the "Outside Date for Closing"), as applicable, from October 31, 2018 to November 15, 2018. Additionally, Connacher and the Plan Sponsor agreed that they will not close the Plan Transaction, or the Alternative Transaction, as applicable, prior to November 8, 2018.

81. If regulatory approvals required to implement the CCAA Plan have not been granted at least five days prior to the Outside Date, the Plan Sponsor has the right to extend the

Outside Date twice in 30 day increments to permit the granting of the regulatory approvals.

82. The following shall be effected upon the implementation of the CCAA Plan:

a) Plan Implementation Fund: The Monitor shall hold the Plan Implementation Fund to be distributed by the Monitor in accordance with the CCAA Plan;

b) Cancellation of existing Equity Claims: Connacher' s issued and outstanding Equity Claims shall be cancelled without any return of capital;

c) Issuance of New Common Shares: Connacher shall issue 1,000 common shares to the Plan Sponsor in consideration of the payment of the Plan Sponsored Funds;

d) Discharge of the CCAA Charges: The CCAA Charges shall be released as against the property of Connacher and the Plan Implementation Fund. The CCAA Charges will thereafter be secured as follows:

i. The Administration Reserve Fund will stand in the place of the Administration Charge to secure obligations previously secured by such charge;

ii. The Directors' Charge Claims Reserve will stand in the place of the Directors' Charge to secure obligations, if any, previously secured by the Directors' Charge; and

iii. The Retention Plan Claims Reserve will stand in the place of the KERP/LTIP Charge, KEIP Charge and Financial Advisor Charge to secure obligations, if any, previously secured by such charges;

a) Compromise of the Affected Claims: In exchange for the consideration offered in the CCAA Plan, the Affected Claims against Connacher shall be compromised and forever extinguished.

83. The Monitor shall distribute the First Lien Lender Pool and General Creditor Pool as soon as practical following the Plan Implementation Date.

MONITOR'S ANALYSIS OF THE PLAN

84. The Monitor, with the assistance of Management, has developed a forecast of estimated recoveries to the Affected Creditors of Connacher under the CCAA Plan (the "Plan Recovery Estimate"). The Plan Recovery Estimate has a high and low scenario, and these scenarios differ based upon the assumptions used to determine future recoveries and costs.

85. A summary of estimated recoveries under the Plan Recovery is set out below, together with a comparison of the estimated recoveries under the Alternative Transaction. An updated analysis will be prepared and provided to the Court on a confidential basis following the Supplemental Claims Process and the passing of the applicable claims bar dates thereunder.

Connacher Oil and Gas Limited — Table 2.0
Estimated Recoveries (CCAA Plan vs. Alternative Transaction)
CAD$ thousands

	ESTIMATED RECOVERIES							
	CCAA Plan				Alternative Transaction			
	High		Low		High		Low	
Creditor Class	$	%	$	%	$	%	$	%
First Lien Lenders[1]	177,996	61%	158,222	54%	174,609	59.8%	154,800	53.0%
General Creditors [2]	232	0.23%	212	0.21%	-	-	-	-
Convenience Class [3]	133		133		-	-	-	-
Total	178,228		158,434		174,609		154,800	

Note 1: Recovery to First Lien Lenders including distributions from First Lien Pool and General Creditor Pool.

Note 2: Distribution to General Creditors excluding Convenience Class and First Lien Deficiency Claim.

Note 3: General Creditors participating in the Convenience Class are estimated to recover between 0.23% and 100%.

Distributions to First Lien Lenders

86. Under the CCAA Plan, the First Lien Lenders are eligible to receive a distribution representing the First Lien Lender Pool and a distribution on the First Lien Deficiency Claim from the General Creditor Pool of $500,000 (unless such lender elects into the Convenience Class) on account of their share of the First Lien Deficiency Claim.

87. The Monitor has estimated the quantum of the First Lien Pool to be distributed to the First Lien Lenders under the CCAA Plan, as $178.0 million to $157.9 million. The

calculation of the estimated First Lien Pool contains certain commercially sensitive information and is disclosed in the Confidential Supplement for this Honourable Court.

General Creditor Pool

88. The Monitor shall distribute the General Creditor Pool in the amount of $500,000 to General Creditors that do not participate in the Convenience Class. It is estimated such General Creditors will receive a recovery between 0.21% and 0.23% of the value of their proven claim based upon General Creditor Claims, as filed in the Claims Process.

Connacher — Table 3.0
Recovery to General Creditors
(excluding General Creditors participating in the Convenience Class)
CAD$000's

		Low	High
General Creditor Pool	*a*	500	500
Claims of General Creditors			
First Lien Claim		292,218	292,218
First Lien Lender Pool		(157,934)	(177,728)
First Lien Deficiency Claim		134,284	114,490
Second Lien Deficiency Claim		71,315	71,315
General Creditors		27,415	27,415
Total - General Creditors	*b*	233,014	213,220
Estimated Recovery %	*a/b*	0.21%	0.23%

89. The estimated recovery is subject to variance based upon (i) the ultimate size of the First Lien Lender Pool, (ii) the amount of General Creditors election into the Convenience Class, and (iii) Connacher and the Monitor's review of Claims filed in the Claims Process and the Supplemental Claims Process discussed below and resulting revisions to or disallowances of General Creditor Claims.

Distribution to Convenience Class

90. General Creditors with General Creditor Claims less than $2,000 shall be deemed to participate in the Convenience Class and have their Claims paid in full.

91. General Creditors will also have the option to elect to participate in the Convenience Class fixing their claim at $2,000 for the purposes of receiving a distribution under the Convenience Class.

92. Based on the current estimates of creditor recoveries detailed above, the Monitor estimates that General Creditors owed less than approximately $900,000 will receive a higher recovery under the CCAA Plan should they elect to participate in the Convenience Class.

93. Based upon the composition of Claims filed in the Claims Process, the Monitor estimates that 79 General Creditors for an aggregate distribution of $132,564 will participate in the Convenience Class (excluding Beneficial Second Lien Noteholders). Additional Beneficial Second Lien Noteholders or holders of the First Lien Deficiency Claim may elect to participate in the Convenience Class.

ALTERNATIVE TRANSACTION AND APPROVAL AND VESTING ORDER

94. Should a CCAA Plan Termination Event occur, including the failure to obtain the Required Majorities at the Creditors' Meetings, Connacher and the Plan Sponsor are obligated to use reasonable commercial efforts to close the Alternative Transaction in accordance with the Plan Sponsorship Agreement.

95. The Alternative Transaction is a sale of substantially all of Connacher's assets to the Plan Sponsor pursuant to the Purchase Agreement and will not provide a recovery to the General Creditors, including the Second Lien Noteholders.

96. As identified above, the recovery to the First Lien Lenders is approximately $3.6 million lower under the Alternative Transaction and there is no recovery to the General Creditors in the Alternative Transaction scenario.

97. To provide certainty to both the Plan Sponsor and Connacher's stakeholders, Connacher is seeking approval of the Purchase Agreement now to avoid any delay in closing in the event of a CCAA Plan Termination Event.

Conclusion

98. The Monitor considers the CCAA Plan to be fair and reasonable as the Affected Creditors are projected to receive a greater recovery than under the Alternative Transaction or the Credit Bid Transaction.

99. The Monitor is supportive of the CCAA Plan based upon the following:

a) The renewed SISP was approved by this Honourable Court and constituted a broad marketing process including the Financial Advisor contacting 230 potential counterparties, including both oil and gas companies and private equity funds.

b) The Qualified Phase II Bid forming the basis of the CCAA Plan negotiated between Connacher and the Plan Sponsor provided the highest recovery to the creditors of Connacher based upon the Qualified Phase II Bids received in the SISP. The confidential results of the SISP are disclosed to this Honourable Court in the Confidential Supplement;

c) The Plan Sponsorship Agreement and CCAA Plan were approved by the Monitor and Special Committee and are supported by the Consenting First Lien Lenders;

d) The Monitor believes that the Plan Sponsorship Agreement and CCAA Plan were negotiated between Connacher and the Plan Sponsor at arm's length, in good faith, and are commercially reasonable;

e) The Convenience Class represents additional recoveries to the General Creditors in excess of the $500,000 allocated to the General Creditor Pool and will provide cost and time savings associated with implementing and administering the CCAA Plan;

f) The Monitor believes that based upon the composition and nature of Connacher's Affected Creditors, it is reasonable for the CCAA Plan to be subject to approval by two classes of creditors, (1) the First Lien Lender Class comprised of the First Lien Lenders holding the First Lien Security and (2) the General Creditors Class comprised of all Affected Creditors (excluding the First Lien Lenders with the exception of the First Lien Deficiency Claim); and

g) Section 36.1 of the CCAA provides that Sections 95 to 101 of the Bankruptcy and Insolvency Act (the "BIA") apply to proceedings under the CCAA. Pursuant to these sections, a court may, on application by the Monitor under the CCAA, declare preference transactions and transfers at undervalue (collectively, a "Preference Transaction") be void as against the Monitor or, in the case of transfers at undervalue, order any party to (or privy to) the transfer to pay the difference in value between the consideration received by the debtor and the value given by the debtor. Connacher's independent auditor issued an unqualified audit opinion dated April 20, 2017 stating that in its opinion, the financial statements present fairly, in all material respects, the financial position of Connacher as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards. The Monitor has performed a review of Connacher's annual financial statements for the twelve months ending December 31, 2016 and 2015 and has not identified any transactions that would constitute a Preference Transaction.

100. If a CCAA Plan Termination Event occurs, the Monitor's reasons for recommending that this Honourable Court approve the Plan Sponsorship Agreement and CCAA Plan are adopted in support of the Alternative Transaction, where applicable. In addition:

a) The Alternative Transaction is the best transaction available to Connacher's stakeholders following the broad marketing process undertaken, and is beneficial to employees, customers, suppliers, and the communities where Connacher operates;

b) The Monitor has been appropriately consulted throughout the SISP and the preparation of the definitive documents; and

c) The Alternative Transaction is more beneficial to creditors than a sale or disposition under a bankruptcy.

SUPPLEMENTAL CLAIMS PROCESS

101. Connacher is seeking an Order of this Honourable Court approving the Supplemental Claims Process to identify and determine the following Claims:

a) Non-Continuing Employee Claims;

b) Post-Filing Claims arising against Connacher;

c) Priority Secured Claims; and

d) Post-Filing Claims against Connacher's D&O's.

102. The Supplemental Claims Process will assist Connacher with identifying and determining certain Claims arising after the Filing Date including any alleged claims against the D&O's which may be secured by the Directors' Charge. The Supplemental

Claims Process will also permit the calculation of Existing Cash in accordance with CCAA Plan prior to the Plan Implementation Date and priority secured claims required to be paid.

Notification Process

103. The notification process is as follows:

a) The Monitor shall on or before August 24, 2018 send a Claims Package by ordinary prepaid mail or e-mail each known creditor of Connacher (except creditors with Post-filing Claims) (the “Supplemental Claims Package”);

b) As soon as practical following the granting of the Supplemental Claims Process Order, the Monitor shall publish a notice of the Supplemental Claims Process Order in the *Daily Oil Bulletin*, *Calgary Herald* and *the Globe and Mail* (National Edition); and

c) The Monitor shall send a Supplemental Claims Package to any person requesting such material before the Supplemental Claims Bar Date (as defined below) or Post-Filing Claims Bar Date (as defined below).

Supplemental Claims Bar Date

104. Any claimant wishing to asset a Priority Secured Claim or D&O Claim shall filed a proof of claim with the Monitor by September 19, 2018 (the “Supplemental Claims Bar Date”).

Non-Continuing Employee Claims

105. Connacher, in consultation with the Monitor, shall determine and notify Non-Continuing Employees of the amount of their claim by August 27, 2018.

106. Non-continuing employees will have the opportunity to file a notice of dispute to dispute their Non-Continuing Employee Claim determined by Connacher. Non-Continuing Employees who do not dispute the determination of their by Connacher shall be deemed to accept the claim. Claimants who do not receive a notice of Non-Continuing Employee Claim but believe they are eligible to file such claims are required to file a proof of claim no later than the Supplemental Claims Bar Date.

107. Pursuant to the CCAA Plan, Non-Continuing Employees are considered General Creditors and will participate in the General Claim Pool based upon their Accepted Claim.

108. The Monitor will also send restructuring claims packages to certain parties who allege to have been former employee's and whose employment has been terminated by Connacher after the Filing Date. The Supplemental Claims Procedure Order allows such persons to file a proof of claim by the Supplemental Claims Bar Date.

Post-filing Claims

109. The Post-Filing Claims being sought in the Supplemental Claims Process are claims held by parties who have provided services to Connacher between the Filing Date and September 1, 2018.

110. Connacher will determine the Claims of the Post-Filing Claimants as at September 1, 2018 and the Monitor shall issue a Claims Package identifying the amount of their Claim by September 11, 2018. Post-filing Claimants shall have until October 1, 2018 (the "Post-Filing Claims Bar Date") to dispute the determination of their Post-Filing Claim by Connacher.

111. For clarity, the Post-Filing Claims shall not be compromised by the CCAA Plan and if determined to be Accepted Claims, will be settled in full by Connacher. Should the Transaction or Alternative Transaction be implemented, Connacher will be responsible for paying claims arising subsequent to September 1, 2018 in the normal course. However, it is necessary to identify such Post-Filing Claims in order to accurately calculate the Existing Cash pursuant to the CCAA Plan.

112. The Supplemental Claims Process contains further provisions whereby creditors who do not receive a Claims Package may file a Claim in the Supplemental Claims Process.

113. The Monitor is supportive of the Supplemental Claims Process as:

a) The Supplemental Claims Process will allow Connacher to determine the Existing Cash in accordance with the CCAA Plan, permit the determination of claims for voting purposes and provide clarity around potential D&O Claims secured by the Director's Charge or other Priority Secured Claims;

b) The Supplemental Claims Process was prepared by Connacher, in consultation with the Monitor, the Consenting First Lien Lenders and the Plan Sponsor, and was approved by these parties; and

c) The Monitor further believes that the Supplemental Claims Process provides reasonable timelines for the Claims of creditors to be submitted and considered in the Supplemental Claims Process.

FORCAST TO ACTUAL CASH FLOW RESULTS

114. The forecast to actual analysis presented in Appendix "A" contains the actual cash receipts and disbursements for the Reporting Period as compared to the cash flow forecast presented in the Sixteenth Report of the Monitor, dated June 7, 2018.

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

Connacher Oil and Gas Limited — Table 4.0
Forecast to actual results
For the period of May 26, 2018 to August 3, 2018
CAD $ 000's

	Forecast	Actual	Variance
Receipts	40,976	46,936	5,960
Disbursements	(44,568)	(37,039)	7,529
Cash flow from operations	(3,592)	9,897	13,489
Restructuring costs	(900)	(919)	(19)
Net change in cash	(4,492)	8,978	13,470
Opening unrestricted cash	36,281	36,281	
Ending unrestricted cash	31,789	45,259	
Restricted cash	7,200	7,200	
Total ending cash	38,989	52,459	

116. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $47.0 million, which is $6.0 million higher than expected. This variance is attributable to the release of a $4.5 million holdback associated with Connacher's forward hedging program and $1.2 million received from the sale of surplus trailers, approved by Orders of this Honourable Court dated June 13, 2018.

117. Connacher's total disbursements for the Reporting Period were $37.0 million, which is $7.5 million lower than forecast. Lower expenditures are primarily attributable to:

a) Timing differences associated with diluent and transportation purchases which are temporary in nature;

b) Vessel and tank maintenance scheduled to be completed during the Reporting Period was deferred; and

c) Actual downhole maintenance expenditures were lower than forecast.

118. 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.

119. As described above, the ending net cash balance at August 10, 2018 was $52.5 million, including restricted cash of $7.2 million.

REVISED CASH FLOW FORECAST THROUGH NOVEMBER 2, 2018

120. 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 August 10, 2018.

121. The Cash Flow Projection is presented in Appendix "B" to this Sixteenth Report and contains the weekly summary of the projected receipts and disbursements for the Forecast Period, up to November 2, 2018.

122. The following Table 5.0 is a summary of the Cash Flow Projection over the Forecast Period:

Connacher Oil and Gas Limited		Table 5.0
Revised 13-week cash flow		
For the period of August 4, 2018 to November 2, 2018		
CAD $ 000's		
Opening unrestricted cash	*a*	45,258
Restricted cash		7,200
Total opening cash		52,458
Cash receipts		62,747
Cash disbursements		(51,408)
Cash flow from operations		11,340
Restructuring costs		(638)
Net change in cash	*b*	10,702
Ending unrestricted cash	*a+b*	55,960
Restricted cash		7,200
Total ending cash		63,160

123. As summarized above, Connacher is projecting receipts of $62.7 million and cash disbursements (inclusive of restructuring fees) of $52.0 million for a net increase in cash of $10.7 million over the Forecast Period.

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

125. 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.

126. 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

127. Pursuant to an Order of this Honourable Court dated June 13, 2018, the stay period expires on September 30, 2018. Connacher is seeking a Stay Extension to extend the stay period up to and including October 31, 2018, which was the initial Outside Date to implement the CCAA Plan.

128. The Stay Extension still generally coincides with the Outside Date of the CCAA Plan and is necessary in order for Connacher to complete the conditions precedent to implement the CCAA Plan. It is anticipated that if the creditors approve the CCAA Plan, Connacher will seek a further extension of the stay period to provide time to fully implement the plan distributions at the time Connacher seeks this Honourable Court's sanction of the CCAA Plan (scheduled on October 4, 2018).

129. The Monitor understands that the Plan Sponsor, First Lien Agent and the Consenting First Lien Lenders are supportive of the proposed Stay Extension.

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

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

RECOMMENDATIONS

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

a) The Approval and Vesting Order (including the sealing provisions contained therein);

b) The Creditors' Meetings Order (including the extension of the stay period and the approval of the Plan Sponsorship Agreement); and

c) The Supplemental Claims Process.

Dated at Calgary, this 17th day of August, 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

Connacher Oil and Gas Limited APPENDIX A

Comparison of Forecast to Actual Cash Flows for the period of May 26, 2018 to August 3, 2018

CAD $ 000's

	Forecast May-26-18 to Aug-3-18	Actual May-26-18 to Aug-3-18	Variance $	*Notes*
Receipts				
Crude Sales	40,976	45,629	4,653	Note 1
Other	-	1,307	1,307	Note 2
Total Receipts	40,976	46,936	5,960	
Disbursements				
Royalties	(1,327)	(1,365)	(38)	
Oilsands operating expenses	(13,538)	(11,466)	2,072	Note 3
Diluent/Transportation expenses	(25,361)	(21,100)	4,261	Note 4
General and administrative costs	(1,914)	(1,794)	120	
Capital Expenditures	(1,782)	(754)	1,028	Note 5
Key Employee Retention Plan/LTIP	(647)	(560)	87	
Total Disbursements	(44,568)	(37,039)	7,529	
CASH FLOW FROM OPERATIONS	(3,592)	9,897	13,489	
Restructuring costs	(900)	(919)	(19)	
NET CHANGE IN CASH	(4,492)	8,978	13,470	
Opening cash	36,281	36,281	-	
Ending Cash	31,789	45,259	13,470	
RESTRICTED CASH				
Shut-down Costs	7,100	7,100	-	
BCOGC	100	100	-	
Total Restricted Cash	7,200	7,200	-	

Notes

Note 1- Actual crude sales during the Forecast Period were $4.7 million million higher than the forecast due to the release of a holdback held by a countery party associated with Connacher's forward hedging program.

Note 2 - Other receipts relate to the sale of surplus trailers approved by Orders of this Honourable Court dated June 13, 2018.

Note 3 - Lower than forecast oilsands operating expenses due to vessel and tank maintenance scheduled to be completed during the Reporting Period was deferred.

Note 4 - Timing differences associated with diluent and transportation purchases which are temporary in nature.

Note 5 - Actual downhole maintenance expenditures were lower than forecast.

APPENDIX B

Connacher Oil and Gas Limited
Appendix B
Consolidated 13 Week Cash Flow Forecast
CAD $ 000's

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
WEEK ENDED	*Note*	10-Aug-18	17-Aug-18	24-Aug-18	31-Aug-18	07-Sep-18	14-Sep-18	21-Sep-18
Receipts								
Crude Sales		-	-	23,098	-	-	-	-
Other		-	-	(922)	-	-	-	-
Total Receipts		-	-	22,176	-	-	-	-
Disbursements								
Royalties		-	-	-	642	-	-	-
Oilsands operating expenses		874	874	874	2,168	925	925	925
Diluent/Transportation expenses		-	-	-	5,691	-	-	-
General and administrative costs		-	1,815	-	1,815	-	1,798	-
Capital Expenditures		328	45	45	328	73	357	73
DIP interest		166	166	166	166	208	208	208
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-
Total Disbursements		1,368	2,899	1,084	10,810	1,206	3,287	1,206
CASH FLOW FROM OPERATIONS		(1,368)	(2,899)	21,091	(10,810)	(1,206)	(3,287)	(1,206)
Restructuring costs		-	-	-	213	-	-	-
NET CHANGE IN CASH		(1,368)	(2,899)	21,091	(11,023)	(1,206)	(3,287)	(1,206)
Opening cash		45,258	43,890	40,991	62,082	51,060	49,854	46,567
Ending Cash (excluding restricted cash)		43,890	40,991	62,082	51,060	49,854	46,567	45,361
RESTRICTED CASH								
Shut-down Costs		7,100	7,100	7,100	7,100	7,100	7,100	7,100
BCOGC		100	100	100	100	100	100	100
Total Restricted Cash		7,200	7,200	7,200	7,200	7,200	7,200	7,200

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.

Connacher Oil and Gas Limited
Appendix B
Consolidated 13 Week Cash Flow Forecast
CAD $ 000's

		Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	TOTAL
WEEK ENDED	*Note*	28-Sep-18	05-Oct-18	12-Oct-18	19-Oct-18	26-Oct-18	02-Nov-18	
Receipts								
Crude Sales		23,549	-	-	-	17,946	-	64,592
Other		(922)	-	-	-	-	-	(1,845)
Total Receipts		22,626	-	-	-	17,946	-	62,747
Disbursements								
Royalties		-	723	-	-	-	441	1,806
Oilsands operating expenses		925	2,456	1,084	1,084	1,084	2,112	16,311
Diluent/Transportation expenses		-	5,851	-	-	-	5,589	17,131
General and administrative costs		1,798	-	1,599	-	1,599	-	10,423
Capital Expenditures		357	56	340	56	340	45	2,442
DIP interest		208	208	208	208	208	973	3,297
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-
Total Disbursements		3,287	9,293	3,230	1,348	3,230	9,159	51,408
								-
CASH FLOW FROM OPERATIONS		19,339	(9,293)	(3,230)	(1,348)	14,715	(9,159)	11,340
								-
Restructuring costs		213	-	-	-	213	-	638
								-
NET CHANGE IN CASH		19,127	(9,293)	(3,230)	(1,348)	14,503	(9,159)	10,702
Opening cash		45,361	64,488	55,195	51,965	50,617	65,120	45,258
Ending Cash (excluding restricted cash)		64,488	55,195	51,965	50,617	65,120	55,960	55,960
RESTRICTED CASH								
Shut-down Costs		7,100	7,100	7,100	7,100	7,100	7,100	
BCOGC		100	100	100	100	100	100	
Total Restricted Cash		7,200	7,200	7,200	7,200	7,200	7,200	

APPENDIX C

Via Email

August 17, 2018

East River Oil and Gas Ltd.
Suite 600, 600 3rd Avenue S.W.
Calgary, AB
T2P 0G5

Attention : Michael Lam

Dear Sirs,

Re: **Connacher Oil and Gas Limited ("Connacher")**

Reference is made to the CCAA Acquisition and Plan Sponsorship Agreement between Connacher and East River Oil and Gas Ltd. (the "**Plan Sponsor**") dated August 2, 2018 (the "**Plan Sponsorship Agreement**") and the Purchase and Sale Agreement between Connacher and the Plan Sponsor dated August 2, 2018 (the "**Purchase and Sale Agreement**" and, together with the Plan Sponsorship Agreement, the "**Transaction Agreements**"). Terms used but not defined herein shall have the meaning given to them in the Transaction Agreements.

We write to confirm the agreement between Connacher and the Plan Sponsor to amend the definition of "Outside Date" contained in the Plan Sponsorship Agreement and the definition of "Outside Date for Closing" contained in the Purchase and Sale Agreement by, in each case, deleting reference therein to October 31, 2018 and replacing it with November 15, 2018. Connacher and the Plan Sponsor further agree that (i) the Parties shall not proceed to implement the CCAA Plan and close the Transaction (as defined in the Plan Sponsorship Agreement) prior to November 8, 2018 and (ii) in the event that a CCAA Plan Termination Event occurs and the Parties proceed with the Alternative Transaction pursuant to the terms of the Purchase and Sale Agreement, the Closing Date (as defined in the Purchase and Sale Agreement) shall be not occur prior to November 8, 2018.

In consideration for the Plan Sponsor's agreement to the foregoing, Connacher agrees that the Plan Sponsor's obligation to pay Connacher interest pursuant to section 2.12 of the Purchase and Sale Agreement, if applicable, shall be calculated to exclude the interest that would have accrued during the period from November 1, 2018 and November 15, 2018. For greater certainty, interest shall otherwise continue to be payable, if applicable, for the periods prior to November 1, 2018 and after November 15, 2018 as provided in section 2.12 of the Purchase and Sale Agreement.

Connacher and the Plan Sponsor acknowledge and agree that, except as expressly provided herein, nothing in this letter agreement shall otherwise alter or amend the rights and obligations of the Parties under the Transaction Agreements which Transaction Agreements shall otherwise continue unamended in all respects.

Connacher confirms that the Consenting First Lien Lenders and the Monitor have agreed and consented to the foregoing.

Connacher
OIL AND GAS LIMITED

Kindly confirm your acceptance and agreement to the foregoing by signing below.

Yours truly,

CONNACHER OIL AND GAS LIMITED

Per: ______________________
Name: Jeff Beeston
Title: CFO

ACKNOWLEDGED, ACCEPTED AND AGREED THIS 17th DAY OF AUGUST, 2018

EAST RIVER OIL AND GAS LTD.

Per: ______________________
Name: Michael Lam
Title: Authorized Signatory

cc. Ryan Jacobs/Keith Templeton/Joseph Bellissimo, Cassels Brock & Blackwell LLP, counsel to Connacher

cc. Xiaodi Jin/Robyn Gurofsky, Borden Ladner Gervais LLP, counsel to the Plan Sponsor

cc. Neil Narfason/Peter Chisholm, Ernst & Young Inc., in its capacity as Monitor

cc. Sean Collins/Walker McLeod, McCarthy Tetrault LLP, counsel to the Monitor

cc. Sean Zweig, Bennett Jones LLP, counsel to the Consenting First Lien lenders