COURT FILE NUMBER	1601-06131	CLERK OF THE COURT FILED Clerk's Stamp JAN 21 2019 JUDICIAL CENTRE OF CALGARY
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	**NINETEENTH REPORT OF THE MONITOR** **JANUARY 21, 2019**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Peter Chisholm Telephone: (403) 206-5061 Fax: (403) 206-5075 Email: peter.chisholm@ca.ey.com **COUNSEL** McCarthy Tétrault LLP Suite 4000, 421 7th Avenue SW Calgary, Alberta T2P 4K9 Attn: Sean Collins Walker MacLeod Telephone: 403-260-3531 403-460-3710 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca	

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

   a) an update on the CCAA proceedings of Connacher;

   b) the Company's forecast to actual cash flow results for the period September 22, 2018 to January 4, 2019 (the "**Reporting Period**");

   c) the Company's cash flow projection (the "**Cash Flow Projection**") for the period Jan 7, 2019 to March 29, 2019 (the "**Forecast Period**");

   d) the Company's request for an extension of the stay period until the earlier of the (i) the filing of the Monitor's Certificate, and (ii) March 15, 2019 (the "**Stay Extension**"); and

   e) the Monitor's recommendation with respect to the above.

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, the purchase and sale agreement dated August 2, 2018, as amended, entered into between Connacher and the Plan Sponsor, and the CCAA Plan.

BACKGROUND

6. 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.

7. 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**").

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

9. The renewed SISP was also approved by an Order of this Honourable Court dated March 28, 2018. Connacher, in conjunction with the Monitor and Houlihan Lokey Capital, Inc. (the "**Financial Advisor**"), undertook and completed the SISP.

10. As a result of the SISP, Connacher and East River Oil and Gas Ltd. (the "**Plan Sponsor**") entered into transaction agreements to undertake a going concern sale of Connacher's business to the Plan Sponsor through either:

    a) the implementation of a CCAA plan (the "**CCAA Plan**") of compromise and arrangement (the "**Plan Transaction**"); or

    b) in the event of a CCAA Plan Termination Event (as defined in the CCAA Acquisition and Plan Sponsorship Agreement between Connacher and East River dated August 2, 2018, as amended), a sale of substantially all of Connacher's assets (the "**Purchase Transaction**" and together with the Plan Transaction, the "**Plan Sponsor Transactions**").

11. Connacher was authorized to enter into the Plan Sponsor Transactions pursuant to Orders of this Honourable Court dated August 22, 2018.

12. Connacher's affected creditors unanimously voted to approve the CCAA Plan on October 3, 2018 and the CCAA Plan was sanctioned by this Honourable Court on October 4,

2018.

13. 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

14. In preparing this Nineteenth 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 CCAA PROCEEDINGS

15. The Plan Sponsor has not yet received all required regulatory approvals from the People's Republic of China (the "**PRC Approvals**") necessary to implement the Plan Sponsor Transactions.

16. In November, 2018, the Plan Sponsor notified Connacher and the Monitor that it intended to exercise its option to extend the Outside Date to close the Plan Sponsor Transactions.

17. On November 15, 2018, the Plan Sponsor paid an additional $1.5 million deposit for the first extension which resulted in the Outside Date being extended to December 15, 2018.

18. On December 10, 2018, the Plan Sponsor notified Connacher that it would not be in a position to close the Plan Sponsor Transactions by December 15, 2018 as it had not yet obtained all of the PRC Approvals. The Plan Sponsor requested that Connacher extend the Outside Date to January 15, 2019. Concurrent with such request, the Plan Sponsor advised it was unable to deliver an additional deposit for this further extension.

19. On December 17, 2018, after consulting with the Monitor and obtaining consent of the Consenting First Lien Lenders, the Plan Sponsor and Connacher executed an Outside

Date Amending Agreement, which amended the Outside Date without payment by the Plan Sponsor of a further deposit to:

a) January 31, 2019; or

b) such other date(s) and on such other terms as may be agreed by the Plan Sponsor and Connacher with the consent of the Consenting First Lien Lenders and in consultation with the Monitor.

20. The Plan Sponsor agreed to work cooperatively on an ongoing basis with Connacher and the Company's legal counsel for matters related to the PRC Approvals.

21. As at the date of this Nineteenth Report, the Plan Sponsor has not yet received all PRC Approvals necessary to implement the CCAA Plan or close the Purchase Transaction. The Stay Period is currently set to expire on the earlier of (i) the filing of the Monitor's Certificate, and (ii) January 31, 2019.

FORCAST TO ACTUAL CASH FLOW RESULTS

22. 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 Supplement to the Seventeenth Report of the Monitor, dated September 28, 2018.

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

Connacher Oil and Gas Limited Forecast to actual results For the period of Sept. 22, 2018 to Jan. 4, 2019 *CAD $000s*			Table 1.0
	Forecast	Actual	Variance
Receipts	79,128	61,314	(17,814)
Disbursements	(78,220)	(56,785)	21,435
Cash flow from operations	**909**	**4,529**	**3,620**
Restructuring costs	(850)	(1,407)	(557)
Net change in cash	**59**	**3,122**	**3,063**
Opening unrestricted cash	45,984	43,387	
Ending unrestricted cash	**46,042**	**46,509**	
Restricted cash	7,200	7,200	
Total ending cash	**53,242**	**53,709**	

24. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $61.3 million, which was $17.8 million lower than forecast. This variance is attributable, primarily, to lower than forecast production; actual production averaged 10,200 bbl/day as compared to forecast production of 12,400 bbl/day. The discrepancy between actual and forecast production reflects Connacher's decision to curtail production due to the weak crude oil pricing environment. Additionally, Connacher opted to reduce capital expenditures in order to preserve cash flow.

25. Connacher's total disbursements for the Reporting Period were $56.8 million, which was $21.4 million lower than forecast. This favorable variance is largely attributable to:

a) A net favorable variance of $17.0 million for royalties and diluent/transportation costs mostly driven by lower production volumes, as well as weak crude oil benchmark pricing which resulted in lower royalties and cheaper diluent purchases;

b) A net unfavorable oil sands operating and monitoring cost variance of $4.2 million primarily due to the settlement of approximately $8.0 million in outstanding property taxes, as sanctioned by this Honorable Court on October 4, 2018. Excluding this property tax settlement, oil sands operating and monitoring expenses were lower than forecast because of lower production volumes;

c) General and administrative expenses were higher than forecast by $0.7 million mostly due to $1.3 million in GST remittances that were not included in the forecast; and

d) Capital expenditures were approximately $9.3 million lower than forecast as Connacher deferred $6.1 million in development capital and only incurred maintenance capital expenditures.

26. 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.

27. As described above, the ending net cash balance at January 4, 2019 was $53.7 million, consisting of unrestricted cash of $46.5 million and restricted cash of $7.2 million.

REVISED CASH FLOW FORECAST THROUGH MARCH 29, 2019

28. 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 January 4, 2019.

29. The Cash Flow Projection is presented in Appendix "B" to this Nineteenth Report and contains the weekly summary of the projected receipts and disbursements for the Forecast Period, up to and including March 29, 2019.

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

Connacher Oil and Gas Limited		**Table 2.0**
Revised 12-week cash flow		
For the period of Jan. 7 2018, to Mar. 29, 2019		
CAD $000s		
Opening unrestricted cash	*a*	46,509
Restricted cash		7,200
Total opening cash		**53,709**
Cash receipts		26,937
Cash disbursements		(33,898)
Cash flow from operations		**(6,961)**
Restructuring costs		(835)
Net change in cash	*b*	**(7,795)**
Ending unrestricted cash	*a+b*	38,714
Restricted cash		7,200
Total ending cash		**45,914**

31. As summarized above, Connacher is projecting receipts of $26.9 million and cash disbursements (inclusive of restructuring fees) of $34.7 million for a net decrease in cash of $7.8 million over the Forecast Period.

32. The significant assumptions applied by Connacher's management to prepare the Cash Flow Projections are generally consistent with the Monitor's Supplement to the Seventeenth 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.

33. Oil prices, including WTI and the price differential that Canadian oil production sells at relative to WTI, continue to experience volatility. Connacher has mitigated some of its risk exposure by implementing hedges on a portion of its production.

34. 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

35. Pursuant to the Sanction Order, the stay period expires on January 31, 2019. Connacher is seeking a Stay Extension to extend the stay until the earlier of (i) the filing of the Monitor's Certificate and (ii) March 15, 2019.

36. In the event that the Plan Sponsor is unable to obtain all PRC Approvals and complete one of the Plan Sponsor Transactions by January 31, 2019, Connacher requires additional time to complete either (i) a Plan Sponsor Transaction by such other date and on such other terms as may be agreed with the Plan Sponsor with the consent of the Consenting First Lien Lenders and in consultation with the Monitor, or (ii) the Credit Bid Transaction.

37. The Monitor has been advised that the First Lien Agent and the Consenting First Lien Lenders support the proposed Stay Extension.

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

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

RECOMMENDATION

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

Dated at Calgary, this 21st day of January, 2019.

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

Peter Chisholm CA, CPA, CIRP, LIT
Vice President

APPENDIX A

FORECAST TO ACTUAL CASH FLOW

Connacher Oil and Gas Limited APPENDIX A

Comparison of Forecast to Actual Cash Flows for the period of Sept. 22, 2018 to Jan. 4, 2019

CAD $ 000's

	Forecast Sep-22-18 to Jan-4-19	Actual Sep-22-18 to Jan-4-19	Variance $	*Notes*
Receipts				
Crude Sales	79,128	61,273	(17,855)	Note 1
Other	-	41	41	
Total Receipts	**79,128**	**61,314**	**(17,814)**	
Disbursements				
Royalties	(2,327)	(1,568)	759	Note 2
Oil sands operating expenses	(27,148)	(31,313)	(4,165)	Note 3
Diluent/Transportation expenses	(35,097)	(18,880)	16,217	Note 4
General and administrative costs	(2,857)	(3,543)	(686)	Note 5
Capital Expenditures	(10,790)	(1,446)	9,344	Note 6
Key Employee Retention Plan/LTIP	-	-	-	
Foreign Exchange Gains (Losses)	-	(35)	(35)	
Supplier Prepayments/Deposits	-	-	-	
Total Disbursements	**(78,220)**	**(56,785)**	**21,435**	
CASH FLOW FROM OPERATIONS	909	4,529	3,620	
Restructuring costs	(850)	(1,407)	(557)	
NET CHANGE IN CASH	59	3,122	3,063	
Opening cash	45,984	43,387	(2,596)	
Ending Cash	46,042	46,509	467	
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 were lower than forecast due to the weak crude oil pricing environment, which led Connacher to curtail actual production as compared to forecast (10,200 bbl/day vs. 12,400 bbl/day).

Note 2 - The disbursement of royalties was lower than forecast due to lower production volumes and weak crude oil benchmark pricing.

Note 3 - Actual oil sands operating expenses were higher than forecast due to Connacher settling $8.0 million in outstanding property taxes.

Note 4 - Diluent/transportation expenses were lower than forecast due to lower production volumes and weak crude oil benchmark pricing.

Note 5 - Higher than forecast general and administrative expenses were driven by $1.3 million in HST/GST remittances that were not included in the forecast.

Note 6 - Connacher deferred $6.1 million in development capital and only incurred maintenance capital expenditures, resulting in a net favorable variance of $9.3 million.

APPENDIX B

REVISED CASH FLOW FORECAST

Connacher Oil and Gas Limited
Appendix B
Consolidated 12 Week Cash Flow Forecast
CAD $ 000's

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
WEEK ENDED	***Note***	11-Jan-19	18-Jan-19	25-Jan-19	01-Feb-19	08-Feb-19	15-Feb-19	22-Feb-19
Receipts								
Crude Sales		-	-	3,424	-	-	-	10,732
Other		-	-	-	-	-	-	-
Total Receipts		**-**	**-**	**3,424**	**-**	**-**	**-**	**10,732**
Disbursements								
Royalties		-	-	-	(8)	-	-	-
Oilsands operating expenses		(546)	(408)	(408)	(2,676)	(949)	(949)	(949)
Diluent/Transportation expenses		(891)	-	(760)	(3,717)	(1,805)	-	(1,805)
General and administrative costs		(983)	(76)	(278)	(68)	(270)	(68)	(270)
Capital Expenditures		(283)	(190)	(190)	(190)	(190)	(190)	(190)
DIP interest		-	-	-	-	-	-	-
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-
Total Disbursements		**(2,704)**	**(674)**	**(1,636)**	**(6,659)**	**(3,214)**	**(1,207)**	**(3,214)**
CASH FLOW FROM OPERATIONS		(2,704)	(674)	1,788	(6,659)	(3,214)	(1,207)	7,518
Restructuring costs		(197)	-	(213)	-	-	-	(213)
NET CHANGE IN CASH		(2,901)	(674)	1,576	(6,659)	(3,214)	(1,207)	7,306
Opening cash		46,509	43,608	42,933	44,509	37,850	34,636	33,429
Ending Cash (excluding restricted cash)		43,608	42,933	44,509	37,850	34,636	33,429	40,735
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 12 Week Cash Flow Forecast

CAD $ 000's

		Week 8	Week 9	Week 10	Week 11	Week 12	TOTAL
WEEK ENDED	*Note*	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19	29-Mar-19	
Receipts							
Crude Sales		-	-	-	-	12,781	26,937
Other		-	-	-	-	-	-
Total Receipts		**-**	**-**	**-**	**-**	**12,781**	**26,937**
Disbursements							
Royalties		(47)	-	-	-	-	(55)
Oilsands operating expenses		(2,368)	(714)	(714)	(714)	(714)	(12,107)
Diluent/Transportation expenses		(4,031)	(1,891)	-	(1,891)	-	(16,791)
General and administrative costs		(68)	(270)	(68)	(68)	(270)	(2,758)
Capital Expenditures		(152)	(152)	(152)	(152)	(152)	(2,188)
DIP interest		-	-	-	-	-	-
Key Employee Retention Plan/LTIP		-	-	-	-	-	-
Total Disbursements		**(6,667)**	**(3,027)**	**(934)**	**(2,825)**	**(1,136)**	**(33,898)**
CASH FLOW FROM OPERATIONS		(6,667)	(3,027)	(934)	(2,825)	11,645	(6,961)
Restructuring costs		-	-	-	-	(213)	(835)
NET CHANGE IN CASH		(6,667)	(3,027)	(934)	(2,825)	11,432	(7,795)
Opening cash		40,735	34,068	31,041	30,107	27,281	46,509
Ending Cash (excluding restricted cash)		34,068	31,041	30,107	27,281	38,714	38,714
RESTRICTED CASH							
Shut-down Costs		7,100	7,100	7,100	7,100	7,100	
BCOGC		100	100	100	100	100	
Total Restricted Cash		7,200	7,200	7,200	7,200	7,200	