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	**TWENTIETH REPORT OF THE MONITOR** **March 6, 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 twentieth report of the Monitor (the "**Twentieth 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 January 5, 2019 to March 1, 2019 (the "**Reporting Period**");

   c) the Company's cash flow projection (the "**Cash Flow Projection**") for the period March 2, 2019 to June 28, 2019 (the "**Forecast Period**");

   d) the Company's request for an extension of the stay period until June 28, 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 determined at any point that a Superior Transaction was not available through the SISP, Connacher, the First Lien Agent and the Consenting First Lien Lenders were, subject to certain conditions, obliged 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 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. In November 2018, the Plan Sponsor notified Connacher and the Monitor that it intended to exercise its pre-negotiated right to extend the date (the "**Outside Date**") to obtain the required regulatory approvals from the People's Republic of China (the "**PRC Approvals**") necessary to implement the Plan Sponsor Transactions.

14. 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.

15. 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 to January 31, 2019, to allow additional time to the Plan Sponsor to obtain the PRC Approvals.

16. 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

17. In preparing this Twentieth 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

18. In January 2019, the Plan Sponsor notified Connacher and the Monitor that it would not be able to obtain the PRC Approvals by January 31, 2019 and requested a further extension of the Outside Date to March 29, 2019.

19. On February 1, 2019, after consulting with the Monitor and obtaining consent of the Consenting First Lien Lenders, the Plan Sponsor and Connacher executed the "**Outside Date Amending Agreement No. 2**" which, subject to and conditional upon the Plan Sponsor paying an additional deposit of $2,000,000 to the Monitor by 5:00 p.m.

(Mountain time) on February 15, 2019 (the "**February 15 Deposit**"), amended the Outside Date to:

a) March 29, 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 Outside Date Amending Agreement No. 2 further stipulated, among other things, that the Plan Sponsor's deposits previously paid to the Monitor in the aggregate amount of $13,500,000 (the "**Plan Sponsor's Deposits**") were immediately forfeited to Connacher for the account of Connacher as a result of the Plan Sponsor's failure to obtain the PRC Approvals and close the Plan Sponsor Transactions by January 31, 2019.

21. The Plan Sponsor failed to deliver the February 15 Deposit or complete the Plan Sponsor Transactions by February 15, 2019.

22. On February 16, 2019, Connacher terminated the CCAA Acquisition and Plan Sponsorship Agreement and Purchase and Sale Agreement by delivering a termination notice to the Plan Sponsor (the "**Termination Notice**"). The Termination Notice also confirmed the automatic termination of the Purchase Agreement and the forfeiture of the Plan Sponsor's Deposits.

23. On February 19, 2019, by means of a broadly disseminated news release (the "**News Release**"), Connacher announced the termination of the transaction between it and the Plan Sponsor and its intention to move forward with the Credit Bid Transaction. A copy of the News Release is attached as Appendix "**C**" to the Affidavit of Jeff Beeston dated March 4, 2019.

24. On February 19, 2019, pursuant to the Outside Date Amending Agreement No. 2, the Monitor transferred the Plan Sponsor's Deposits to Connacher. On March 6, 2019, the Monitor transferred $139,251 to Connacher representing interest earned on the Plan Sponsor's Deposits.

25. The Consenting First Lien Lenders advised Connacher that they wished to further examine and consider the structure of the Credit Bid Transaction including potentially pursuing the Credit Bid Transaction through a plan of compromise and arrangement under the CCAA (the "**Alternative Lender Plan**"). An Alternative Lender Plan may provide a distribution to creditors of Connacher with accepted pre-filing unsecured claims. Such distribution would not be available under a Credit Bid Transaction structured as an asset purchase transaction.

FORCAST TO ACTUAL CASH FLOW RESULTS

26. 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 Nineteenth Report of the Monitor, dated January 21, 2019.

27. 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 of Jan. 5, 2019 to Mar. 1, 2019
CAD $000s

	Forecast	Actual	Variance
Receipts	14,156	32,945	18,789
Disbursements	(25,974)	(27,332)	(1,358)
Cash flow from operations	**(11,818)**	**5,613**	**17,431**
Restructuring costs	(622)	(412)	210
Net change in cash	**(12,441)**	**5,201**	**17,642**
Opening unrestricted cash	46,509	46,509	
Ending unrestricted cash	**34,068**	**51,710**	
Restricted cash	7,200	7,200	
Total ending cash	**41,268**	**58,910**	

28. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $32.9 million, which was $18.8 million higher than forecast. This variance is largely attributable to proceeds of $13.5 million from the forfeited Plan Sponsor's Deposits. The remaining difference arises as a result of a higher than forecast crude oil price. Actual West Texas Intermediate ("**WTI**") price averaged US$51.55/bbl compared to forecast of US$45.41/bbl. Additionally, Connacher opted

to sell production rights to other oil producers in the sum of $1.0 million under and pursuant to Alberta's oil curtailment program.

29. Connacher's total disbursements for the Reporting Period were $27.3 million, which was $1.4 million higher than forecast. This unfavorable variance is largely attributable to:

a) A net unfavorable variance of $1.2 million for royalties and diluent/transportation costs mostly driven by higher than forecast crude oil price which resulted in higher royalties and an increase in the price of diluent; and

b) Capital expenditures were approximately $0.8 million lower than forecast as Connacher only incurred minimal maintenance capital expenditures.

30. 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.

31. As described above, the ending net cash balance as at March 1, 2019 was $58.9 million, consisting of unrestricted cash of $51.7 million and restricted cash of $7.2 million.

REVISED CASH FLOW FORECAST THROUGH JUNE 28, 2019

32. 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 March 4, 2019.

33. The Cash Flow Projection is presented in Appendix "**B**" to this Twentieth Report and contains the weekly summary of the projected receipts and disbursements for the Forecast Period, up to and including June 28, 2019.

34. 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 17-week cash flow		
For the period of Mar. 2, 2019 to Jun. 28, 2019		
CAD $000s		
Opening unrestricted cash	*a*	51,710
Restricted cash		7,200
Total opening cash		**58,910**
Cash receipts		80,614
Cash disbursements		(72,530)
Cash flow from operations		**8,084**
Restructuring costs		(1,000)
Net change in cash	*b*	**7,084**
Ending unrestricted cash	*a+b*	58,794
Restricted cash		7,200
Total ending cash		**65,994**

35. As summarized above, Connacher is projecting receipts of $80.6 million and cash disbursements (including restructuring fees) of $73.5 million for a net increase in cash of $7.1 million over the Forecast Period.

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

37. 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.

38. 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

39. Pursuant to the Stay Extension Order dated January 25, 2019, the stay period expires on March 15, 2019. Connacher is seeking a Stay Extension to extend the stay until June 28, 2019.

40. The proposed Stay Extension is required for Connacher to:

    a) implement the pre-negotiated Credit Bid Transaction, including to provide time for the Consenting First Lien Lenders to organize a purchaser entity to execute the Purchase and Sale Agreement and for Connacher to seek a vesting order; or

    b) carry out the Alternative Lender Plan, including to provide time for the parties to negotiate and prepare the applicable documentation and for Connacher to bring an application seeking approval from this Honourable Court to file the Alternative Lender Plan and to call and establish procedures for meeting of Connacher's affected creditors.

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

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

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

RECOMMENDATION

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

Dated at Calgary, this 6th day of March, 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 Jan. 5, 2019 to Mar. 1, 2019

CAD $ 000's

	Forecast 05-Jan-19 to 01-Mar-19	Actual 05-Jan-19 to 01-Mar-19	Variance $	*Notes*
Receipts				
Crude Sales	14,156	18,345	4,189	Note 1
Other	-	14,600	14,600	Note 2
Total Receipts	**14,156**	**32,945**	**18,789**	
Disbursements				
Royalties	(55)	(139)	(84)	Note 3
Oil sands operating expenses	(9,253)	(10,044)	(791)	
Diluent/Transportation expenses	(13,008)	(14,171)	(1,163)	Note 4
General and administrative costs	(2,081)	(2,184)	(103)	
Capital Expenditures	(1,578)	(782)	796	Note 5
Key Employee Retention Plan/LTIP	-	-	-	
Foreign Exchange Gains (Losses)	-	(12)	(12)	
Supplier Prepayments/Deposits	-	-	-	
Total Disbursements	**(25,974)**	**(27,332)**	**(1,358)**	
CASH FLOW FROM OPERATIONS	(11,818)	5,613	17,431	
Restructuring costs	(622)	(412)	210	
NET CHANGE IN CASH	(12,441)	5,201	17,642	
Opening cash	46,509	46,509	-	
Ending Cash	34,068	51,710	17,642	
RESTRICTED CASH				
Shut-down Costs	7,100	7,100	-	
BCOGC	100	100	-	
Total Restricted Cash	7,200	7,200	-	

Notes

Note 1 - The discrepancy between actual and forecast receipts reflects higher than forecast crude oil price. Actual West Texas Intermediate ("**WTI**") price averaged US$51.55/bbl compared to forecast of US$45.41/bbl.

Note 2 - Higher than forecast other receipts were largely driven by $13.5 million from the forfeited Plan Sponsor's Deposits and sale of production rights to other oil producers under and pursuant to Alberta's crude curtailment program.

Note 3 - The disbursement of royalties was higher than forecast due to higher than forecast crude oil price.

Note 4 - Diluent/transportation expenses were higher than forecast due to higher than forecast crude oil price.

Note 5 - Connacher only incurred minimal maintenance capital expenditures, resulting in a net favorable variance of $0.8 million.

APPENDIX B

REVISED CASH FLOW FORECAST

Connacher Oil and Gas Limited
Appendix B
Consolidated 17 Week Cash Flow Forecast
CAD $ 000's

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7
WEEK ENDED	*Note*	08-Mar-19	15-Mar-19	22-Mar-19	29-Mar-19	05-Apr-19	12-Apr-19	19-Apr-19
Receipts								
Crude Sales		-	-	-	18,568	-	-	-
Other		14	-	-	504	14	-	-
Total Receipts		**14**	**-**	**-**	**19,072**	**14**	**-**	**-**
Disbursements								
Royalties		-	-	-	(350)	-	-	-
Oilsands operating expenses		(895)	(895)	(895)	(2,454)	(1,059)	(1,059)	(1,059)
Diluent/Transportation expenses		(965)	(965)	(965)	(5,207)	(990)	(990)	(990)
General and administrative costs		(181)	(181)	(181)	(181)	(199)	(199)	(199)
Capital Expenditures		(203)	(203)	(203)	(203)	(240)	(240)	(240)
DIP interest		-	-	-	-	-	-	-
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-
Total Disbursements		**(2,244)**	**(2,244)**	**(2,244)**	**(8,394)**	**(2,488)**	**(2,488)**	**(2,488)**
CASH FLOW FROM OPERATIONS		(2,230)	(2,244)	(2,244)	10,677	(2,474)	(2,488)	(2,488)
Restructuring costs		-	-	-	(250)	-	-	-
NET CHANGE IN CASH		(2,230)	(2,244)	(2,244)	10,427	(2,474)	(2,488)	(2,488)
Opening cash		51,710	49,480	47,237	44,993	55,420	52,946	50,458
Ending Cash (excluding restricted cash)		49,480	47,237	44,993	55,420	52,946	50,458	47,970
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 17 Week Cash Flow Forecast

CAD $ 000's

		Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14
WEEK ENDED	*Note*	26-Apr-19	03-May-19	10-May-19	17-May-19	24-May-19	31-May-19	07-Jun-19
Receipts								
Crude Sales		19,936	-	-	-	-	19,292	-
Other		651	14	-	-	-	765	14
Total Receipts		**20,587**	**14**	**-**	**-**	**-**	**20,057**	**14**
Disbursements								
Royalties		(359)	-	-	-	-	(348)	-
Oilsands operating expenses		(2,709)	(1,913)	(1,913)	(1,913)	(1,913)	(3,510)	(944)
Diluent/Transportation expenses		(5,407)	(767)	(767)	(767)	(767)	(5,000)	(998)
General and administrative costs		(199)	(151)	(151)	(151)	(151)	(151)	(181)
Capital Expenditures		(240)	(282)	(282)	(282)	(282)	(282)	(1,112)
DIP interest		-	-	-	-	-	-	-
Key Employee Retention Plan/LTIP		-	-	-	-	-	-	-
Total Disbursements		**(8,915)**	**(3,113)**	**(3,113)**	**(3,113)**	**(3,113)**	**(9,291)**	**(3,235)**
CASH FLOW FROM OPERATIONS		11,672	(3,099)	(3,113)	(3,113)	(3,113)	10,766	(3,221)
Restructuring costs		(250)	-	-	-	-	(250)	-
NET CHANGE IN CASH		11,422	(3,099)	(3,113)	(3,113)	(3,113)	10,516	(3,221)
Opening cash		47,970	59,391	56,293	53,180	50,067	46,955	57,471
Ending Cash (excluding restricted cash)		59,391	56,293	53,180	50,067	46,955	57,471	54,250
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

Connacher Oil and Gas Limited
Appendix B
Consolidated 17 Week Cash Flow Forecast
CAD $ 000's

		Week 15	Week 16	Week 17	TOTAL
WEEK ENDED	*Note*	14-Jun-19	21-Jun-19	28-Jun-19	
Receipts					
Crude Sales		-	-	20,093	77,888
Other		-	-	750	2,726
Total Receipts		**-**	**-**	**20,843**	**80,614**
Disbursements					
Royalties		-	-	(362)	(1,419)
Oilsands operating expenses		(944)	(944)	(2,594)	(27,615)
Diluent/Transportation expenses		(998)	(998)	(5,331)	(32,871)
General and administrative costs		(181)	(181)	(181)	(3,000)
Capital Expenditures		(1,112)	(1,112)	(1,112)	(7,626)
DIP interest		-	-	-	-
Key Employee Retention Plan/LTIP		-	-	-	-
Total Disbursements		**(3,235)**	**(3,235)**	**(9,580)**	**(72,530)**
CASH FLOW FROM OPERATIONS		(3,235)	(3,235)	11,263	8,084
Restructuring costs		-	-	(250)	(1,000)
NET CHANGE IN CASH		(3,235)	(3,235)	11,013	7,084
Opening cash		54,250	51,016	47,781	51,710
Ending Cash (excluding restricted cash)		51,016	47,781	58,794	58,794
RESTRICTED CASH					
Shut-down Costs		7,100	7,100	7,100	7,100
BCOGC		100	100	100	100
Total Restricted Cash		7,200	7,200	7,200	7,200