Form 49
[Rule 13.19]

COURT FILE NO.		Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**	
DOCUMENT	**AFFIDAVIT**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** 1000 Bankers Hall West 888 3rd Street SW Calgary, Alberta T2P 5C5 Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver Tel: 403-351-2920 Fax: 403-648-1151 skukulowicz@casselsbrock.com rjacobs@casselsbrock.com joliver@casselsbrock.com	

AFFIDAVIT OF MERLE JOHNSON
Sworn on May 16, 2016

I, Merle Johnson, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Chief Executive Officer and a director of Connacher Oil and Gas Limited ("**Connacher**", the "**Company**" or the "**Applicant**"). Prior to my appointment as Chief Executive Officer, I served as Chief Operating Officer of the Company. As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

I. RELIEF REQUESTED

2. This Affidavit is made in support of an application by Connacher for an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), among other things:

   (a) deeming service of the Application for the Initial Order to be good and sufficient;

   (b) declaring that the Company is one to which the CCAA applies;

   (c) staying all claims, proceedings and remedies taken or that might be taken in respect of the Company or any of its property, except as otherwise set forth in the Initial Order or the CCAA;

   (d) authorizing the Company to carry on business in a manner consistent with the preservation of Connacher, its properties, business and interests;

   (e) appointing Ernst & Young Inc. ("**E&Y**") as the monitor (the "**Monitor**") of the Company in these proceedings;

   (f) granting certain charges as set out herein;

   (g) authorizing the Company to pay the reasonable fees and disbursements of the Monitor and its counsel as well as the Company's professional advisors;

   (h) authorizing and approving the KERP and the Amended LTIP (each defined and described below);

   (i) approving the proposed sale and investment solicitation process (the "**SISP**") in the form attached to the proposed Initial Order, and authorizing the Company and the Monitor to perform the obligations thereunder;

   (j) approving the Interim Financing Term Sheet (defined below) and authorizing the Company to enter into and to borrow funds under an interim financing credit agreement in a form consistent with the terms set out in the Interim Financing Term Sheet;

   (k) authorizing the Shut Down Restricted Cash and the Employee Restricted Cash, each as defined and described in the proposed Initial Order;

   (l) extending the Company's obligation to call an annual general meeting of its shareholders until further order of this Court;

   (m) sealing on the Court file certain confidential information referred to herein;

   (n) requesting the aid, recognition and assistance of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to the Initial Order; and

   (o) authorizing Connacher to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized as foreign main proceedings in such jurisdictions as the Company deems necessary, including in the United States pursuant to Chapter 15 of Title 11 of the United States Code ("**Chapter 15**").

II. OVERVIEW

3. For the reasons set out herein, I do verily believe that Connacher is insolvent and is a company to which the CCAA applies.

4. The Company's principal office and registered office are both located in Calgary, Alberta.

5. Connacher is an in situ oil sands developer, producer and marketer of bitumen. The Company holds a 100 per cent working interest in approximately 435 million barrels ("**MMbbl**") of proved and probable bitumen reserves and operates two steam-assisted gravity drainage facilities located on the Company's Great Divide oil sands leases near Fort McMurray, Alberta.

6. Like many bitumen and heavy oil producers, Connacher's cash flow and liquidity are highly sensitive to fluctuations in the market prices for oil and natural gas. The decrease in benchmark price of West Texas Intermediate crude oil ("**WTI**") resulted in a significant decrease in the sales price of the Company's dilbit over the course of 2015. The Company's revenue, net of royalties, decreased 49% to $224.3 million in 2015 from $437.5 million in 2014, substantially due to the decline in crude oil prices.[1]

7. As a result of the market prices for oil and gas and Connacher's significant debt obligations, the Company undertook a Recapitalization (defined below) in May 2015 in order to reduce its debt burden by approximately $1 billion.

8. Notwithstanding the industry expectations, following the Recapitalization, crude oil pricing continued to decline through the third and fourth quarters of 2015 and into 2016. A price curve, showing the WTI Forward Strip Prices at May 8, 2015 (the date of the Recapitalization) and the actual spot prices is attached as **Exhibit "A"**.

9. The Company has limited financial resources and limited access to new financing due to the restrictive provisions of the Company's long-term debt arrangements that were added in the Recapitalization. Over the past year the Company has significantly reduced costs but has limited capacity to further reduce costs.

10. The Company has long term debt with a face value in excess of $245 million. The Company's total liabilities, including both long term debt and trade accounts, are in excess of $277 million.

11. Connacher has exercised its rights to defer interest payments under its Convertible Notes (defined below) and did not make a principal and interest payment with respect to the Amended Term Loan Agreement (defined below) which was due on March 31, 2016. On that same day, Connacher entered into a forbearance agreement (the "**Forbearance**") with Credit Suisse AG, Cayman Islands Branch as administrative agent ("**Credit Suisse**") and certain of the First Lien Lenders (defined below). Prior to the expiration of the Forbearance on April 30, 2016, the Company entered into a second forbearance agreement (the "**Second Forbearance**") with Wilmington Trust, National Association, successor in interest to Credit Suisse (the "**First Lien Agent**") and certain of the First Lien Lenders, which expires on May 16, 2016.

12. As set out in more detail below, Connacher believes that it will maximize value to its stakeholders by continuing production at levels justified by the Company's cost structure

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[1] All amounts are in Canadian dollars unless otherwise specified.

and the commodity environment. Such continued operations will require additional maintenance capital in the immediate term.

13. Connacher has engaged in discussions with its stakeholders over the past few months and has determined that a stay of proceedings, coupled with undertaking a Sale and Investment Solicitation Process ("**SISP**") and parallel discussions with its creditors on a potential plan of arrangement through these proceedings is in the best interests of all stakeholders.

14. To facilitate the SISP and ongoing restructuring discussions, the Company has engaged in good faith negotiations with an ad hoc group of First Lien Lenders and certain holders of Convertible Notes (defined below) and has reached an agreement on terms of post-filing financing (the "**Interim Financing**"). The proposed Interim Financing is crucial to facilitate these proceedings and the Company requires approval of the Interim Financing on an urgent basis. Consistent with the Cash Flow Projections (defined below) the Company will need to draw on the Interim Financing shortly following its CCAA filing.

III. BACKGROUND AND BUSINESS OPERATIONS

15. Connacher was formed on July 3, 1997 through the amalgamation pursuant to the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9 ("**ABCA**") of Petro Power Energy Inc. and Justinian Exploration Ltd. and continued as Justinian Exploration Ltd., a public corporation listed on the TSX Venture Exchange ("**TSX-V**"). On January 23, 2001, the outstanding common shares of the Company were consolidated on a ten-for-one basis and the name of the Company was changed to "Connacher Oil and Gas Limited." Trading in the common shares under the symbol "CLL" commenced on the TSX-V on March 23, 2001. This listing was surrendered on August 1, 2003 when the Company graduated to, and commenced trading on, the Toronto Stock Exchange ("**TSX**").

16. The Company was continued from the ABCA to the C*anada Business Corporations Act*, R.S.C. 1985, c. C-44, ("**CBCA**") on March 30, 2015. After reaching an agreement with its primary funded debt holders, on May 8, 2015 Connacher was amalgamated with 9171665 Canada Ltd. and continued pursuant to a plan of arrangement under the CBCA (the "**Recapitalization**") as "Connacher Oil and Gas Limited". Subsequent to closing the Recapitalization, trading on the TSX under the symbol "CLC" commenced on May 14, 2015. As discussed below, the Company's existing shares were consolidated under the Recapitalization.

17. As a result of divestitures of its refinery and conventional oil and gas properties in 2012, Connacher was transformed into a single purpose entity active solely in the development, production and sale of bitumen. Connacher owns and operates 136 gross and net sections of oil sands leases (87,040 gross and net acres) and 166.5 gross sections (125.4 net sections or 80,256 net acres) of petroleum and natural gas rights in Great Divide, Thornbury and Quigley, all southwest of Fort McMurray, Alberta.

18. Due to the high quality of its oil sands reservoir with critical cap rock spread over the area, Connacher has been able to utilize the proven technology of steam-assisted gravity drainage ("**SAGD**"). This allows the Company to extract bitumen from oil sands formations located approximately 475 meters below the surface.

19. SAGD involves drilling a pair of horizontal wells that run for approximately 600 to 800 metres. The upper well of the well pair is the steam injection well and the producing well is generally located five metres below it, at or near the base of the bitumen reservoir. As steam is injected into the upper well, it heats and reduces the viscosity of the bitumen or heavy oil, which then drains into the lower well, where it is produced. SAGD is an in situ

method of extraction, meaning that bitumen is separated from the sands while still underground in the oil sands original location. This stands in contrast to oil sands mining operations, where the separation takes place after the oil sands are moved from their original location.

20. In Connacher's existing SAGD projects, steam is generated on-site using locally available non-potable subsurface water heated by natural gas-fired boilers. After the produced bitumen and water is recovered to the surface, it is piped to a central plant where water and contaminants are removed from the produced emulsion and the produced bitumen is blended with a diluent, creating "dilbit" for delivery to market by truck, rail or pipeline.

21. In light of low commodity prices, the Company reduced its production in the first quarter of 2016. Average production for the first quarter of 2016 was approximately 5,900 barrels per day ("**bbl/d**") as a result of the Company's strategic decision to reduce production in the low commodity price environment and a previously scheduled turnaround at Pod One at the end of the first quarter of 2016. The Company increased production at Great Divide to approximately 8,000 bbl/d in April 2016.

A. Pod One and Algar SAGD Projects, Great Divide Expansion Project and Thornbury and Quigley Lands

22. The Company's first two SAGD projects at Great Divide are referred to as Pod One and Algar and both are currently producing bitumen. From 2011, the primary focus of the Company has been the continued production and optimization of the Pod One and Algar projects. Prior to the current financial difficulties, Connacher had also undertaken some preliminary engineering on a modified expansion plan, but the modified plan is subject to the Alberta Energy Regulator's ("**AER**") amendment process.

23. The details of the Pod One and Algar projects and Thornbury and Quigley lands are discussed in greater detail below. The Company does not currently have any operating projects at Thornbury and Quigley.

B. Mineral Properties

24. Connacher's petroleum and natural gas and oil sands leases are in good standing, with no near term upcoming renewals.

B. Marketing and Logistics

25. Connacher's dilbit is sold using month-to-month or longer fixed term sales contracts at prices negotiated with Canadian or United States customers, by reference to various Alberta and North American benchmark prices.

26. The Company currently transports its dilbit by truck as there is no pipeline connection to the Company's Great Divide lands. Connacher owns 17 and leases 5 super-b trailers to further support its transportation capabilities. Although the Company has leased a fleet of 312 railcars, it is not currently shipping dilbit by rail.

C. Material Contracts

27. In the ordinary course of business, the Company enters into month-to-month contracts for the purchase of natural gas and condensate. At this time, the Company does not have trade terms with many of its significant suppliers and is required to pay cash in advance of delivery.

28. The Company is party to a lease dated May 1, 2006 with Y Equities Inc. (the "**Landlord**") for its head office space, two amendments thereto and certain related leases for storage and parking. The Company has also entered into a sublease with Touchstone Exploration Inc. (the "**Subtenant**") for a portion of the premises and the Subtenant has further subleased a portion of the premises.

29. The sublease provides that if the Company's lease is terminated, the sublease will terminate. However, the Company is requesting a provision in the Initial Order which provides that, subject to certain terms and subject to further order of the Court, the subtenancy will remain in place in the event the Company disclaims the head lease with the Landlord which is intended to provide time for the Landlord and the Subtenant to make direct go-forward arrangements.

30. The Company is also party to certain long term agreements including a rail terminalling agreement. At the end of April, Connacher failed to make a prepayment under the rail terminalling agreement and received a notice of default from the counterparty.

31. If the Initial Order is granted, Connacher intends to deliver notices of disclaimer with respect to certain contracts in order to assist with its restructuring. Connacher has begun and will continue a full review of its contractual obligations.

IV. EMPLOYEES AND INDEPENDENT CONTRACTORS

32. Over the past several years, the Company has reduced its headcount due to decreased activity levels. The layoffs have been primarily technical staff. At its peak in 2014, the Company employed 176 employees. As of May 13, 2016, the Company had 29 employees at its head office in Calgary and 80 employees at site, all of which are non-unionized. The Company also has 4 independent contractors at its head office and 11 independent contractors at site.

33. The employees at the head office perform the roles of human resources, accounting, crude oil marketing and logistics, production engineering, facilities engineering, geosciences and information technology. Field employees primarily perform field operations functions that are required to run the plants.

34. Employees are paid semi-monthly in arrears. The Company uses a payroll provider and payroll was paid to the employees on May 13, 2016. As of May 13, 2016, the Company owed approximately $340,000 in accrued vacation pay.

35. The Company has no pension plan but provides health benefits to its employees. It also provides a 4% matched RRSP savings plan.

36. In 2013, the Board of Directors of the Company (the "**Board**") approved a long term cash incentive plan ("**LTIP**") for the Company's employees and on July 1, 2013 and July 1, 2014, the Board granted awards in the favour of the LTIP beneficiaries, which will vest in favour of the employees on July 1, 2016 and July 1, 2017 (the "**LTIP Grants**"). The LTIP Grants are subject to certain conditions contained in the LTIP, including that they will only be payable to employees still employed on the applicable vesting date. A copy of the LTIP and the LTIP Grants is attached as **Confidential Exhibit "1"** hereto.

37. The Company also has a stock option plan for all officers, employees, consultants and directors permitting the granting of options entitling the holders to acquire common shares. As of December 31, 2015, there were 1,337,768 stock options outstanding.

V. LEGAL PROCEEDINGS

38. On February 6, 2015, Alberta Innovates – Technology Futures ("**AITF**") commenced a proceeding in the Federal Court of Canada (the "**Action**"). The Action pertains to Canadian Patent No. 2,323,029 entitled "Process for Enhancing Hydrocarbon Mobility Using a Steam Additive" and Canadian Patent No. 2,391,721 entitled "Hydrocarbon Production Processes with Decreasing Steam and/or Water/Solvent Ratio". Connacher delivered a Statement of Defence and Counterclaim in the Action on March 26, 2015.

39. The parties are currently in the oral discovery phase of the Action. Examinations for discovery of the Connacher representative were completed the week of February 22, 2016. Examinations for discovery of AITF commenced the week of February 22, 2016 but were adjourned.

40. The Company may commence an action against a supplier, IDE Technologies Ltd., for failure to timely deliver certain equipment ordered by the Company. The Company is seeking return of the deposit paid and damages. The total amount previously paid to the supplier was approximately $1.9 million.

41. Other than as disclosed above, there are no legal proceedings to which the Company is a party or of which any of its property is the subject and there are no such proceedings known to the Company to be contemplated.

VI. SENIOR MANAGEMENT OF CONNACHER

42. The Company's senior management currently consists of the following individuals:

    (a) Merle Johnson, Chief Executive Officer;

    (b) Jeff Beeston, Vice President of Finance and Interim Chief Financial Officer;

    (c) Suzanne Loov, General Counsel and Corporate Secretary; and

    (d) Jesse Beaudry, Vice President of Crude Oil Marketing, Transportation Logistics and Information Technology.

43. Connacher currently has seven directors on its Board, four of whom are independent directors and comprise the Special Committee (as defined below). It is anticipated that all of the Connacher directors will continue in their valuable role during the CCAA proceedings.

44. As described below, Connacher has arranged and funded Director and Officer Liability Insurance for its directors and officers.

VII. PRIOR RESTRUCTURING EFFORTS

45. During 2013 and 2014, the Company focused its efforts on improving operational efficiencies and optimizing production at Pod One and Algar. In light of the Company's substantial debt obligations, in October 2014, the Board hired advisors to assist in assessing various alternatives available to address the Company's liquidity and capital structure.

46. With the support of 100% of the lenders (the "**First Lien Lenders**") under the first lien term loan agreement dated May 23, 2014 (the "**Term Loan Agreement**"), on May 8, 2015, the Company closed its Recapitalization which was aimed at significantly reducing the Company's debt burden and providing additional liquidity to fund ongoing operations.

47. The Recapitalization included, among other things:

(a) The exchange of approximately $1.0 billion of the Company's debt for common shares, including accrued and unpaid interest;

(b) The issuance by Connacher of US$35.0 million aggregate principal amount of new second lien convertible notes due August 31, 2018 (the "**Convertible Notes**") pursuant to an indenture dated May 8, 2015 among the Company, as issuer, and Wilmington Trust, National Association as trustee (the "**Indenture**");

(c) Amendments to the Term Loan Agreement by way of an amending agreement dated May 8, 2015 (the "**Amending Agreement**") to increase the total commitments to provide for loans in the aggregate principal amount of US$24,770,869.46 (equivalent of $30 million) to replace the Company's existing revolving credit facility (collectively, the Term Loan Agreement, as amended by the Amending Agreement, the "**Amended Term Loan Agreement**"); and

(d) The consolidation of the Company's common shares on the basis of one new common share for 800 existing common shares.

VIII. ASSETS AND LIABILITIES

48. Attached hereto and marked as **Exhibit "B"** are the audited consolidated financial statements for the 12 month period ended December 31, 2015. The unaudited financial statements for the three months ended March 31, 2016 are attached as **Exhibit "C"**.

A. Assets

1. *Non-current Assets*

49. The Company's non-current assets are comprised of its ownership of 136 gross and net sections of oil sands leases (87,000 gross and net acres) and 166.5 gross sections (125.4 net sections or 80,256 net acres) of petroleum and natural gas rights in the Great Divide and the Thornbury and Quigley properties. As at March 31, 2016, the book value of the Company's non-current assets totalled approximately $837 million. The Company's non-current assets are further described as follows:

50. The Company has two existing SAGD projects at Great Divide, Pod One and Algar. As of May 13, 2016, the Company had 54 wells capable of production.

(1) Pod One

51. Construction of Pod One was completed in August 2007 and Pod One has been producing commercially since March 1, 2008. A total of 23 SAGD well pairs have been drilled to date from three well pads located at Pod One, including four SAGD well pairs drilled in 2013 from a new well pad, Pad 104. Pod One has a steam generation design capacity of 27,000 bbl/d. Approximately 19.8 MMbbl of bitumen have been produced from Pod One since its start-up in August 2007. Trucking facilities are also located at Pod One. In October 2010, the Pod One trucking terminal expansion was completed and commissioned into service. Concurrently, the Company's dilbit/diluent transfer line connecting Algar and Pod One was activated to allow the coordination of all marketing operations from Pod One.

(2) Algar

52. Construction of Algar was completed in April 2010, full SAGD production commenced in early August 2010 and commercial production was achieved on October 1, 2010. A total of 18 SAGD well pairs have been drilled to date from two well pads located at Algar. Algar has a steam generation design capacity of approximately 30,000 bbl/d. The site was also prepared to allow for expansion to up to 34,000 bbl/d of bitumen production in subsequent years upon the investment of additional capital for plant expansion and the drilling of new SAGD well pairs. Approximately 11.9 MMbbl of bitumen have been produced from Algar since its start-up in August 2010.

53. Connacher completed a two well injection trial for the injection of solvent with steam (the "**SAGD+®** Process") from July 2011 to November 2011 which evidenced increases in production and reductions in steam-oil ratio for the two test wells. A second test of the **SAGD+®** Process was conducted from May 2012 to May 2015. Based on the results of these tests the Company has received approval for implementing the **SAGD+®** Process on all the SAGD well pairs at Algar. Given current market conditions, the Company has not yet implemented the **SAGD+®** Process commercial project, but may do so in the future.

54. In September 2010, the Company began generating power from its cogeneration plant (the "**CoGen Facility**"). The CoGen Facility supplies approximately 80 to 90 per cent of the electricity to both Pod One and Algar. Steam produced by the CoGen Facility supplements some of Algar's steam requirements. Having a reliable source of power from which to generate consistent steam and steam injection is critical to improving the level and consistency of production at Pod One and Algar.

(3) Great Divide Expansion Project

55. Exploration and delineation core hole drilling and 3D seismic programs have been conducted in support of an AER approved plan for expansion at Great Divide (the "**Great Divide Expansion Project**") and a proposed modification thereto (the "**Modified Plan**"). The Modified Plan is comprised of expansions to the existing Algar and Pod One plants and a new 12,000 bbl/d plant adjacent to the existing Algar plant. The Modified Plan is subject to the AER's amendment process.

(4) Reserves at Great Divide

56. The Company has received an independent reserves report, prepared by GLJ Petroleum Consultants Ltd. ("**GLJ**"), effective December 31, 2015 (the "**Connacher GLJ Report**"). Data from the Connacher GLJ Report is included as part of the Company's Annual Information Form for the year ended December 31, 2015, a copy of which is attached as **Exhibit "D"**.

(5) Thornbury and Quigley, Alberta

57. Connacher owns a 100 per cent working interest in its oil sands leases at Thornbury and Quigley, located southwest of Fort McMurray, Alberta (78 net sections or 49,920 net acres). There is no production at Thornbury and Quigley and no capital expenditures are contemplated in 2016.

2. *Current Assets*

58. As at December 31, 2015 and March 31, 2016, the book value of the Company's current assets were comprised of the following:

	December 31, 2015	March 31, 2016
Cash	47,235,000	30,503,000
Accounts receivable	10,653,000	4,375,000
Inventory	6,046,000	4,735,000
Other assets	13,895,000	8,025,000
Total	77,829,000	47,638,000

59. The Company's primary bank is ATB Financial, in which it maintains Canadian dollar and US dollar accounts.

60. The Company also has a deposit account at the Bank of Montreal to secure its prepaid credit cards. The prepaid cards are used in the ordinary course of business to pay for transportation to Great Divide and expenses that cannot be anticipated and pre-ordered.

61. It is anticipated that the Company will continue to maintain bank accounts and arrangements already in place during its CCAA proceedings. This approach will minimize any disruption to business operations as the Company seeks to restructure. The cash management system includes the necessary accounting controls to enable the Company and the Monitor to follow funds through the system and ensure that all transactions are adequately documented and readily ascertainable.

B. Liabilities

62. The approximate balance owing (both liquidated and contingent) to creditors of the Company as of March 31, 2016 is as follows:

(a) amounts outstanding under the Amended Term Loan Agreement in the amount of $197.6 million;

(b) amounts outstanding under the Convertible Notes have a face value of $45.5 million; and

(c) accounts payable and accrued liabilities in the amount of $22.5 million (including deferred interest on the Convertible Notes and interest on the Amended Term Loan Agreement).

63. The relative priority among the First Lien Lenders and the holders of the Convertible Notes is governed by the Collateral Trust and Intercreditor Agreement dated as of December 3, 2007 (the "**Collateral Trust Agreement**").

1. *Amended Term Loan Agreement*

64. As part of the Recapitalization, the Company entered into the Amended Term Loan Agreement which provided for an aggregate principal amount of approximately US$153.2 million, comprised of the original term loan facility principal amount of approximately US$128.4 million (the "**Tranche A and Tranche B Loans**") and the increased total commitments of approximately US$24.8 million (the "**New Tranche B**

Loans") and included interest on a floating basis at either an alternative base rate ("**ABR**" and "**ABR Loans**") or adjusted LIBO rate ("**Eurodollar Loans**"), as selected at the Company's option, plus an applicable margin as follows:

(a) May 8, 2015 - December 31, 2016:

(i) ABR Loans - ABR rate plus 7.00% per annum cash interest and 2.00% payment-in-kind ("**PIK**") interest

(ii) Eurodollar Loans - LIBOR (floor of 1.00%) plus 8.00% per annum cash interest and 2.00% PIK interest

(b) January 1, 2017 - May 23, 2018:

(i) ABR Loans - ABR rate plus 8.00% per annum cash interest and 3.50% PIK interest

(ii) Eurodollar Loans - LIBOR (floor of 1.00%) plus 9.00% per annum cash interest and 3.50% PIK interest

65. For loans advanced as ABR Loans, interest payments occur quarterly in arrears. For loans advanced as Eurodollar Loans, the Company retained the option to select an interest period of 1, 2, 3, or 6-months, applicable to the New Tranche B Loans. Effective as of the effective date of the Amended Term Loan Agreement, all Tranche A Loans and Tranche B Loans were deemed to be Eurodollar Loans having interest periods of a duration of one month. The Amended Term Loan Agreement matures on May 23, 2018. In addition, the Amended Term Loan Agreement requires quarterly principal payments of approximately US$381,000 and is secured on a first priority basis by liens on all of the Company's existing and future property.

66. The Amended Term Loan Agreement includes various non-financial covenants, including limitations on additional indebtedness, liens, guarantees, mergers and acquisitions, asset sales, restricted payments, transactions with affiliates and investments.

67. Pursuant to the terms of the Forbearance and the Second Forbearance, certain of the First Lien Lenders agreed to forebear from exercising their enforcement rights and remedies arising on account of the defaults occurring under the Amended Term Loan Agreement until the earliest of (i) a default under the Second Forbearance, (ii) May 16, 2016, or (iii) the curing of the defaults under the Amended Term Loan Agreement.

2. *Convertible Notes*

68. As part of the Recapitalization, the Company issued US$35 million face value of Convertible Notes to certain participating holders of the Convertible Notes. The Convertible Notes included the following terms:

(a) Interest is payable quarterly at an annual rate of 12%, payable quarterly in arrears;

(b) The Company has the right to defer the payment of interest on the Convertible Notes in any quarter, in which case, interest will accrue at an annual rate of 14% for such quarter and will be further compounded at an annual rate of 12% until paid and will be due no later than maturity;

(c) The Convertible Notes mature on August 31, 2018 and are convertible into common shares at the option of the holders at a rate of 1,886.8 common shares for each US$1,000 principal amount of Convertible Notes to be converted, subject to adjustment on the terms set out in the Indenture. The conversion option limits holders to not owning greater than 49% of the Company on a post-conversion basis; and

(d) The Convertible Notes are secured on a second priority basis by liens on all of the Company's existing and future property.

69. In addition, in accordance with the terms and conditions of the issuance of the Convertible Notes, the Company has exercised its right to defer the cash payment of interest payable on March 31, 2016 until June 30, 2016 (or such other interest payment date as Connacher may subsequently elect).

3. *PPSA Registrations*

70. I am advised by Natalie Levine of Cassels Brock & Blackwell LLP ("**Cassels Brock**"), counsel to the Company, that as of May 12, 2016 there are 37 registrations against the Company under the *Personal Property Security Act* (Alberta). A summary of the registrations is attached hereto at **Exhibit "E"**. In addition to the registrations in favour of the collateral trustee under the Collateral Trust Agreement, the registrations relate to leased or financed equipment, including photocopiers, pick-up trucks, and super-b tank trailers, and garage keeper liens.

71. The proposed Initial Order being sought by the Company seeks only to provide priority to the various Court-ordered charges (discussed below) over the secured creditors that receive notice of this application, subject to the right of the Company or the beneficiaries of the charges to seek a further order on notice, granting priority over additional secured creditors.

4. *Accounts Payable and Other Accrued Liabilities*

72. As of May 13, 2016, the amount owed to the Company's trade creditors totals approximately $3.5 million.

73. In order to ensure that there is no post-CCAA filing risk to the Company's ability to preserve the property and continue uninterrupted production and operations, the Company is seeking the authority to pay pre-CCAA amounts owing to suppliers or vendors up to an aggregate amount of $750,000, provided that the Company obtains the prior consent of the Monitor (after consultation with the Interim Financing Agent's financial advisor). The Company is also seeking authority to pay employee wages and benefits and certain other professional and independent contractor costs, whether incurred before or after the date of the Initial Order.

74. The Company is current with respect to its required tax filings. However, property taxes of approximately $4,500,000 are due on June 30, 2016.

IX. CONNACHER EQUITY

75. Connacher shares are listed on the TSX. As of December 31, 2015, 28,328,656 common shares, no preferred shares, and US$35 million aggregate principal amount of Convertible Notes were issued and outstanding.

76. As part of the Recapitalization, all existing stock options outstanding prior to May 8, 2015 were extinguished and cancelled for no consideration. Subsequent to the Recapitalization, 1,675,536 stock options were granted.

77. Since trading commenced in 2015 after the Recapitalization through May 13, 2016, the common shares traded on the TSX at a price range between $6.00 and $0.11.

X. RESTRUCTURING OPTIONS

78. On March 11, 2016, the Company announced that it was undertaking a process to investigate, evaluate and consider possible financing and restructuring alternatives available to the Company.

79. The Board formed a special committee (the "**Special Committee**") composed of the four independent directors that have been authorized to evaluate and implement restructuring strategies.

80. The Special Committee has worked with management and the Company's advisors to review potential strategic options and, if the stay is granted, will continue to pursue all available restructuring paths during these proceedings, including parallel paths of implementing the SISP discussed below and discussions with its creditors on a potential plan of compromise or arrangement.

81. The Company and its advisors, including E&Y, Cassels Brock and Akin Gump Strauss Hauer & Feld LLP ("**Akin Gump**"), have engaged in extensive discussions with the First Lien Agent, an ad hoc group of First Lien Lenders, their legal and financial advisors and certain significant holders of the Convertible Notes regarding restructuring options for the Company, including the proposed SISP discussed below.

82. Connacher believes that it will maximize value to its stakeholders by continuing production at levels justified by the Company's cost structure and the commodity price environment, while pursuing the SISP and continuing to engage in plan related restructuring discussions with its stakeholders.

A. The SISP

83. The Company is seeking approval of the SISP in order to (i) identify one or more purchasers and/or investors in the business or property; (ii) provide a process for prospective bidders to conduct due diligence on the business and property; and (iii) establish the manner in which bids will be submitted, negotiated and, if applicable, selected for approval by the Court. As noted above, the SISP has been developed in consultation with the proposed Monitor, the Interim Financing Lenders and the major stakeholders in these proceedings, including the First Lien Agent (at the direction of a majority of the First Lien Lenders) and certain significant holders of the Convertible Notes. A copy of the SISP is attached to the draft Initial Order.

84. The SISP provides for the following timeline:

(a) Notice of the SISP will be published as soon as practicable after the approval of the SISP;

(b) A non-confidential teaser will be provided to potential interested parties and will be posted to the Monitor's website as soon as practicable after the approval of the SISP;

(c) The Phase I Bid Deadline (for non-binding expressions of interest) will be June 30, 2016;

(d) The Phase II Bid Deadline (for binding offers) will be July 27, 2016;

(e) Court approval of the Successful Bid(s) will occur by August 8, 2016; and

(f) Closing shall take place no later than August 31, 2016.

85. The SISP will be a fair and transparent process run by the Company with the oversight of the Monitor.

B. Interim Financing

86. The Company requires access to capital in order to continue operations during these proceedings and pursue its restructuring options either through the SISP or an alternative arrangement reached with its stakeholders.

87. Certain of the lenders under the Amended Term Loan Agreement (the "**Interim Financing Lenders**") have agreed to provide an interim financing facility pursuant to the terms of the executed term sheet attached as **Exhibit "F"** to this Affidavit (the "**Interim Financing Term Sheet**"), which will serve as the basis for a credit agreement (the "**Interim Financing Credit Agreement**") to be negotiated and settled among the parties following the Initial Order (if granted by the Court).

88. The key terms of the Interim Financing Term Sheet are:

(a) A superpriority, interim credit facility in the maximum amount of US$20 million; the initial amount committed to be advanced by the Interim Financing Lenders is US$11.5 million. The terms on which the maximum amount can be increased above US $11.5 million are set out in the Interim Financing Term Sheet;

(b) An upfront fee payable to the Interim Financing Lenders in accordance with the terms of the Interim Financing Term Sheet;

(c) An agency fee of US$60,000, payable to Wilmington Trust, National Association in its capacity as administrative agent for the Interim Financing Lenders (the "**Interim Financing Agent**");

(d) Payment of all reasonable and documented legal fees and out of pocket disbursements of the Interim Financing Agent and the Interim Lenders under the Interim Financing Credit Agreement;

(e) A charge (the "**Interim Lenders' Charge**") ranking ahead of all other charges except the Administration Charge and any permitted priority liens; and

(f) An interest rate of (i) the Alternate Base Rate (as defined in the Amended Term Loan Agreement) plus 9% or (ii) the Adjusted LIBO Rate (as defined in the Amended Term Loan Agreement) plus 10%.

89. Importantly, the Interim Financing is only available to the Company on the condition that the Company begins the SISP immediately. The SISP will not foreclose any other restructuring options (including a negotiated plan resolution with existing stakeholders).

The SISP seeks all forms of sale or investment proposals and the Company intends to continue to pursue, in parallel with the SISP, restructuring discussions with its creditors. Critically, any delay in beginning the SISP would deprive the Company of access to necessary financing and an opportunity to run a thorough process, including time to explore restructuring solutions.

90. Access to the Interim Financing (including approval of the Interim Lenders' Charge) is crucial to allowing the Company to select the best and highest offer (or restructuring proposal) by providing the Company with time to investigate, evaluate and consider all available options.

91. The Company has negotiated the terms of the Interim Financing Term Sheet with the ad hoc group of First Lien Lenders and certain holders of the Convertible Notes during the term of the Second Forbearance. After consultation with the Company's advisors, the Company believes that the proposed Interim Financing Term Sheet is (and subsequently the Interim Financing Credit Agreement when entered into) appropriate and reasonable under the circumstances.

C. KERP/LTIP

92. The Board has approved, subject to approval of the Court, a key employee retention plan (the "**KERP**") for certain of its key employees. The KERP is designed to incentivize those key employees to remain in their employment during the CCAA proceedings and throughout the implementation of the SISP. Without the retention of the key employees, the Company's ability to successfully maintain its business operations, preserve asset value in the CCAA proceedings and successfully conduct the SISP would be seriously compromised. The key employees would also be critical in the event a shutdown of operations became necessary.

93. The intended beneficiaries of the KERP are highly skilled individuals who will likely have access to other employment opportunities. In addition, given these individuals' specialized skills and intimate knowledge of the Company's affairs, it would be very difficult to replace them in the current circumstances.

94. The key elements of the KERP are:

(a) Eligible employees will receive a one-time cash incentive payment payable upon the earliest of:

    (i) Closing of a "Successful Bid" under the SISP;

    (ii) Termination of the CCAA proceedings;

    (iii) Termination of employment by Connacher without cause; and

    (iv) September 30, 2016.

(b) Eligible employees will not receive the incentive payment if they:

    (i) have disclosed the arrangements to anyone other than to their immediate family members or their personal accounting, tax or legal advisors; or

    (ii) have resigned, been terminated with cause, or, in the opinion of their direct supervisors and the Special Committee, failed to perform their duties and responsibilities diligently, faithfully and honestly.

95. The KERP is available to 14 management employees, including executives. The KERP is not intended to be in addition to any entitlement that the eligible employees would have under the Company's existing LTIP (as described in paragraph 36 above) and as such, the terms of the KERP require that the eligible employees fully waive and release any entitlements and claims under or in connection with the LTIP. The form of letter to be distributed to employees eligible for the KERP is attached as "**Exhibit G**" hereto.

96. In addition, as an incentive for employees (other than employees eligible under the KERP) to remain with Connacher during the CCAA proceedings and throughout the SISP and to thereby ensure that the Company can continue to preserve its property and carry on business during this process, the Company is requesting that the Court authorize and direct the payment of the incentive payments that would come due under the existing LTIP Grants (as described above) to such employees on July 1, 2016, subject to the applicable payment terms being amended to reflect the same payment conditions and timing as required for the KERP payments.

97. The beneficiaries of these LTIP payments would, by agreeing to these amended terms, receive the benefit of the KERP/LTIP Charge (if approved by the Court) and, unlike the existing terms of the LTIP, would receive the payment even if they are terminated without cause. The form of letter to be distributed to eligible employees reflecting the amended payment terms (the "**Amended LTIP**") is attached as **Exhibit "H"** hereto.

98. Attached as **Confidential Exhibit "2"** to this Affidavit is a copy of a spreadsheet containing details of the names of the employees eligible for the KERP or the Amended LTIP, their annual salaries and the incentive payments that will be offered to them under the KERP/Amended LTIP if approved by the Court (the "**Confidential KERP/LTIP Summary**"). The Confidential KERP/LTIP Summary contains sensitive commercial information, the disclosure of which would be very harmful to the Company's commercial interests, as well as the personal privacy interests of the employees. Therefore, the Company is requesting that the Confidential KERP/LTIP Summary in **Confidential Exhibit "2"** be sealed on the Court file.

99. In order to secure the Company's obligations under the KERP and the Amended LTIP, it is proposed that the beneficiaries under the KERP and the beneficiaries under the Amended LTIP would be granted a fourth priority Court-ordered charge on the assets, property and undertakings of the Company (the "**KERP/LTIP Charge**") in priority to all other charges other than the Administration Charge, the Directors' Charge and the Interim Lenders' Charge up to a maximum amount of $1.929 million, which is the maximum aggregate amount that can become payable under the KERP and the Amended LTIP.

100. The Company believes that the KERP/LTIP Charge is fair and reasonable in the circumstances. The Interim Financing Agent, the Interim Financing Lenders, the First Lien Agent, and the proposed Monitor each support the KERP/LTIP Charge.

XI. PRESERVATION OF ASSETS

101. The Company has the option of ceasing active bitumen production and implementing a shut-in or hibernation of its wells. However, a prolonged interruption of the steam injection may result in changes to the reservoir, including a significant accumulation of water as the reservoir chamber cools and the previously injected steam condenses. During a prolonged interruption over several months and/or years, the reservoir where the existing wells operate could "water out" due to the condensation of water in the

steam chambers and new wells may have to be drilled in another area of the reservoir to resume production which would require significant additional capital expenditures.

102. In light of the current market prices for crude oil and the uncertainties and risk associated with potentially restarting production at hibernated wells, Connacher has maintained production. However, if a viable restructuring or sale cannot be achieved in the CCAA proceeding, Connacher will need to expend significant funds to shut-in the wells safely and consistent with applicable laws and regulations.

103. The Company believes it prudent and necessary to concurrently develop plans for the safe, orderly shut-down of operations in the unfortunate event that the SISP is unsuccessful and there is no other restructuring available to the Company. Such steps would be intended to preserve the property, maximize employee safety, minimize negative effects on the property and comply with regulations.

104. Planning for a shut-down has commenced. The Company has determined that a shut-down will take approximately 14 days from beginning to end and cost approximately $7.1 million, inclusive of related employee expenses.

105. The details of the shut-down are part of the planning process, but in general, the following steps would be taken:

(a) production would be taken offline and the facility would be de-pressurized and de-energized;

(b) all fluids would be emptied and removed from site;

(c) the facility would be secured from hydrocarbons and certain pieces of equipment possibly left under a low pressure nitrogen blanket; and

(d) lines to and from the wells would be blanketed or removed to prevent their operation.

106. In addition, fluids may have to be injected into wells to prevent corrosion or set-up of bitumen. A security force may be required to prevent vandalism for some period of time.

107. With the support of the Interim Financing Agent, Interim Financing Lenders (which include certain holders of the Convertible Notes), First Lien Agent and the proposed Monitor, in order to ensure that funds are available to properly and safely shut-down operations if necessary, the proposed Initial Order requires the Company to only use the amount of $7.1 million identified as restricted cash in the Cash Flow Projections (defined below) for this purpose, subject to further order of the Court.

108. The Company also intends to contact the appropriate regulatory bodies in Alberta, including the AER, to disclose and co-ordinate the planning of the potential, but hoped to be avoided, shut-down.

XII. CASH FLOW PROJECTIONS

109. Attached as **Exhibit "I"** to this Affidavit are the weekly cash flow projections for the Company (the "**Cash Flow Projections**") commencing the week ending May 20, 2016 and the week ending August 12, 2016.

110. Management of the Company and the Company's advisors have worked with the proposed Monitor to prepare the Cash Flow Projections. The proposed Monitor has made certain suggestions about the Cash Flow Projections, which have been

incorporated therein, and the proposed Monitor has not expressed any concern about the reasonableness of the Cash Flow Projections.

111. The Cash Flow Projection includes $1 million that will be designated as Employee Restricted Cash and will only be available for payment of employees wages, absent further order of this Court.

XIII. MONITOR

112. I believe that E&Y is qualified and competent to act as Monitor under the CCAA proceedings. Attached as **Exhibit "J"** to this Affidavit is a copy of a signed Consent to Act as Monitor from E&Y.

113. E&Y was previously engaged by the Company to act as a financial advisor in early 2015. E&Y was re-engaged by the Company as a financial advisor on March 18, 2016. E&Y has advised the Company that these prior engagements do not create any conflicts with E&Y's ability to act as Monitor in these proceedings.

114. I understand that E&Y will be filing a pre-filing report with this Honourable Court as proposed Monitor in conjunction with Connacher's request for relief under the CCAA.

XIV. CHARGES FOR PROFESSIONALS

115. As typical in CCAA proceedings, it is contemplated that the Monitor, counsel for the Monitor and Canadian and US counsel for the Company would be granted a first priority Court-ordered charge on the assets, property and undertakings of the Company in priority to all other charges (the "**Administration Charge**") to secure obligations owing in respect of the fees and expenses incurred by such parties. The proposed Initial Order provides for an Administration Change up to the maximum amount of $1,500,000. The Company believes the Administration Charge is fair and reasonable in the circumstances. In connection with the retention of its professionals, the Company previously paid retainers to Cassels Brock, E&Y and Akin Gump.

116. The Company requires the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring. The Company believes such charge is necessary to ensure their continued participation.

XV. DIRECTORS AND OFFICERS' CHARGE

117. It is contemplated that the Company's directors and officers would be granted a Court-ordered charge (the "**Directors' Charge**") on the assets, property and undertakings of the Company in priority to all other charges other than the Administration Charge and the Interim Financing Charge, up to a maximum initial amount of $1 million. The Directors' Charge will automatically increase to $2 million without further order of the Court upon the first advance under the Interim Financing and the resulting release of $1 million of cash restricted for the purposes of employee-related obligations (as provided for in the Cash Flow Projection and the proposed Initial Order). The Directors' Charge is intended to address potential claims that may be brought against directors and officers, including in connection with any potential remediation and abandonment liability that are not covered under existing insurance described below or to the extent coverage is insufficient to cover such claim(s).

118. A successful restructuring of the Company will only be possible with the continued participation of the Company's directors and officers. These individuals have specialized

expertise and relationships with the Company's stakeholders. In addition, the directors and officers have gained significant knowledge that cannot be easily replicated or replaced.

119. The quantum of the Directors' Charge was developed with the assistance and support of the proposed Monitor, and is supported by the Interim Financing Agent, Interim Financing Lenders, and First Lien Agent.

120. The Company maintains insurance policies in respect of the potential liability of its directors and officers (the "**D&O Insurance Policies**"). Although the D&O Insurance Policies insure the directors and officers of the Company for certain claims that may arise against them in their capacity as directors and/or officers of the Company, coverage is subject to several exclusions and limitations including, *inter alia*, certain employee and statutory obligations. As a result, there is a potential for insufficient insurance coverage in respect of potential director and officer liabilities if the satisfaction of such obligations is unexpectedly interrupted post-filing and obligations remain outstanding following the completion of the restructuring process.

121. The Company believes that the Directors' Charge is necessary to support its restructuring efforts and is fair and reasonable in the circumstances

XVI. EXTENSION OF TIME FOR HOLDING THE ANNUAL GENERAL MEETING

122. Connacher is required to hold an annual general meeting of shareholders no later than June 30, 2016.

123. If the Initial Order is granted, the Board and management will need to be primarily focused on executing the SISP and engaging in parallel discussions with its creditors on a restructuring alternative. Moreover, given the Company's current cash flows, it must be judicious in the use of its cash. The results of the SISP and this restructuring will be crucial to determining what interests, if any, shareholders have in the Company in light of the Company's significant debt obligations. The Company is therefore seeking, in the proposed Initial Order, an extension of the time for calling its annual general meeting until a further order of this Court is made.

XVII. NEED FOR RELIEF UNDER THE CCAA

124. The Company has debt in excess of $5 million, and is insolvent in that it cannot fund its upcoming debt obligations, maintain operations and pursue the SISP and a restructuring for the benefit of its stakeholders.

125. As discussed above, the Second Forbearance expires on May 16, 2016. If the relief requested herein is not granted, the Company expects that the First Lien Agent on behalf of the First Lien Lenders will take enforcement action in the near term and that other creditors with cross-default provisions may also seek remedies against the Company.

126. Therefore, a stay of proceedings is essential to maintain the status quo in order to preserve the value of the Company's business.

XVIII. CHAPTER 15 PROCEEDINGS

127. It is contemplated that these CCAA proceedings will be the primary Court-supervised restructuring of the Company. The Company is not incorporated under the laws of the United States and similarly has neither property nor operations in the United States.

128. However, in the event that the Company requires, in the future, recognition under Chapter 15 to ensure that it is protected from creditor actions in the United States (including with respect to the Convertible Notes and the Amended Term Loan Agreement) or to assist with the implementation of any transaction to be completed pursuant to these CCAA proceedings, the Company is seeking to be appointed as foreign representative and authorized to seek recognition of this proceeding, if necessary, as a "Foreign Main Proceeding."

XVIII. CONCLUSION

129. The Company believes that the relief requested in the Initial Order is crucial to its ability to develop and implement a path that maximizes value for its stakeholders.

SWORN before me at the City of Calgary, in the Province of Alberta, on May 16, 2016. Commissioner for Oaths in and for the Province of Alberta Danielle S. Maréchal Barrister and Solicitor	(Signature) Merle Johnson

Exhibit	Description
A.	WTI Forward Strip Prices at May 8, 2015
B.	Audited consolidated financial statements for the 12 month period ended December 31, 2015
C.	Unaudited interim financial statements for the three months ended March 31, 2016
D.	Annual Information Form for the year ended December 31, 2015
E.	Summary of the *Personal Property Security Act* (Alberta) registrations against the Company
F.	Interim Financing Term Sheet
G.	Form of KERP Letter
H.	Form of LTIP Letter
I.	Weekly cash flow projections for the Company
J.	Consent to Act as Monitor

Confidential Exhibit	Description
1.	LTIP and LTIP Grants
2.	Confidential KERP/LTIP Summary

This is **Exhibit "A"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

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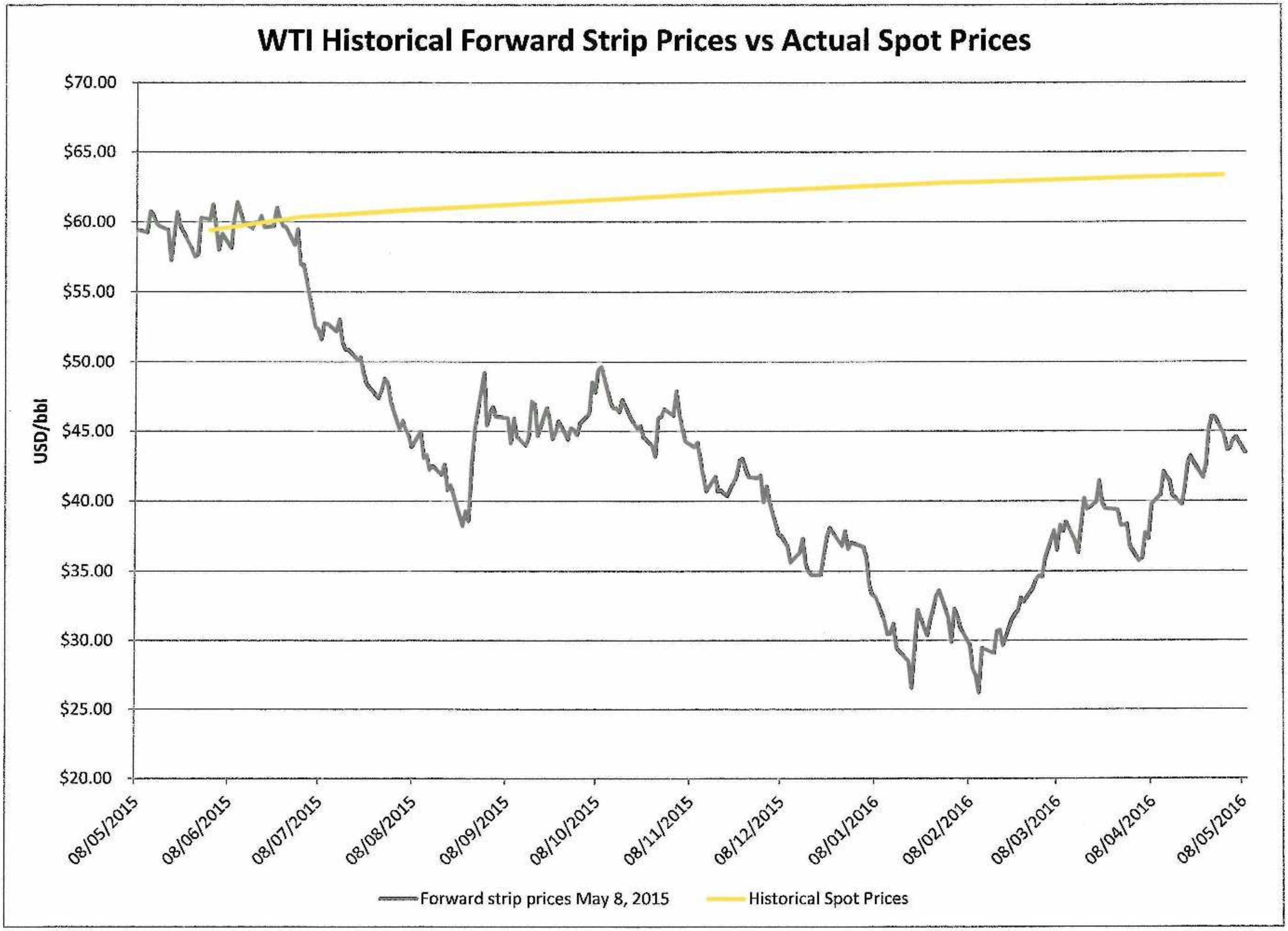
A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor


WTI Historical Forward Strip Prices vs Actual Spot Prices
USD/bbl
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
$40.00
$35.00
$30.00
$25.00
$20.00
08/05/2015
08/06/2015
08/07/2015
08/08/2015
08/09/2015
08/10/2015
08/11/2015
08/12/2015
08/01/2016
08/02/2016
08/03/2016
08/04/2016
08/05/2016
Forward strip prices May 8, 2015
Historical Spot Prices

This is **Exhibit "B"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

CONNACHER OIL AND GAS LIMITED

Annual Financial Statements

For the years ended December 31, 2015 and 2014

MANAGEMENT'S REPORT

To the Shareholders of Connacher Oil and Gas Limited:

The annual financial statements of Connacher Oil and Gas Limited (the "Company" or "Connacher") are the responsibility of Management and have been approved by the Board of Directors of Connacher.

The annual financial statements are audited and have been prepared by Management in accordance with International Financial Reporting Standards using estimates and careful judgment, particularly in circumstances where transactions affecting a current period are dependent on future events. The annual financial statements have been prepared using policies and procedures established by Management and fairly reflect the Company's financial balance sheet, statement of operations and comprehensive loss, statements of changes in shareholders' equity, and statements of cash flow.

The Company maintains systems of internal controls over financial reporting which are designed to provide reasonable assurance that transactions are properly recorded in the Company's records; policies and procedures are adhered to; and assets are protected from unauthorized use. The internal controls are complemented by the selection, training, and development of qualified staff.

The annual financial statements have been audited by an independent external accounting firm, Deloitte LLP. The independent auditors perform tests and related procedures deemed necessary to express an opinion on the fairness of the annual financial statements. The Audit and Reserves Committee of the Board of Directors meets at least quarterly with the independent auditors and Management to obtain satisfaction that Management is properly discharging its responsibilities. The independent auditors have unrestricted access to the Audit and Reserves Committee, without the presence of Management, to discuss results and quality of financial reporting and internal accounting controls.

Signed,

"Merle Johnson"

Chief Executive Officer

March 24, 2016

Signed,

"Jeff Beeston"

Vice President of Finance and Interim Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Connacher Oil and Gas Limited

We have audited the accompanying financial statements of Connacher Oil and Gas Limited, which comprise the balance sheet as at December 31, 2015 and 2014, and the statements of operations and comprehensive loss, statements of changes in shareholders' equity and statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Connacher Oil and Gas Limited as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Connacher Oil and Gas Limited's ability to continue as a going concern.

Signed,

"DELOITTE LLP"

Chartered Professional Accountants, Chartered Accountants

March 24, 2016

Calgary, Alberta

BALANCE SHEET

As at December 31, (Canadian dollar in thousands)	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	22	**$47,235**	$87,664
Restricted cash	22	**-**	6,500
Trade and accrued receivables	6	**10,653**	28,048
Inventories	7	**6,046**	7,007
Other assets	8	**13,895**	8,906
		77,829	138,125
NON-CURRENT ASSETS			
Property, plant, and equipment	9, 10	**794,254**	1,114,656
		794,254	1,114,656
		$872,083	$1,252,781
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and accrued payables	11	**$16,535**	$76,684
Risk management contracts	12	**-**	3,666
Current portion of long-term debt	13	**2,109**	1,490
		$18,644	$81,840
NON-CURRENT LIABILITIES			
Risk management contracts	12	**-**	367
Long-term debt	13	**255,228**	1,089,520
Decommissioning liabilities	14	**74,114**	70,174
		329,342	1,160,061
SHAREHOLDERS' EQUITY			
Share capital	16	**1,177,556**	622,681
Contributed surplus		**41,190**	40,553
Deficit		**(694,649)**	(652,354)
		524,097	10,880
		$872,083	$1,252,781

Going concern (note 2)

The accompanying notes to the annual financial statements are an integral part of the statements.

Approved by the Board:

Signed,	Signed,
"Eugene Davis"	"Scott Pearl"
Director	Director

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the year ended December 31, (Canadian dollar in thousands)	Notes	2015	2014
INCOME			
Revenue, net of royalties		**$224,276**	$437,477
Interest and other income		**446**	536
		224,722	438,013
EXPENSES			
Blending of products sold		**72,362**	118,923
Production and operating expenses		**87,258**	115,180
Transportation and handling costs		**88,178**	83,955
General and administrative		**23,235**	33,392
Share-based compensation	17	**637**	761
Depletion, depreciation, amortization, and impairment	10	**342,283**	98,670
Exploration and evaluation impairment	9	**-**	26,432
Loss (gain) on risk management contracts	12	**(12)**	11,345
Foreign exchange loss	19	**49,124**	57,602
Loss on disposition and derecognition of property, plant, and equipment	20	**1,838**	3,550
Finance charges	18	**58,549**	99,989
Gain on Recapitalization transaction	3	**(209,835)**	-
Unrealized gain on Convertible Notes	3	**(246,600)**	-
LOSS BEFORE INCOME TAX		**(42,295)**	(211,786)
Income tax provision	15	**-**	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS		**$(42,295)**	$(211,786)
NET LOSS PER SHARE [1]	16		
Basic		**$(2.27)**	$(376.00)
Diluted		**$(2.27)**	$(376.00)

(1) The Company is in a net loss position; any effect of stock options and Convertible Note conversion are anti-dilutive

The accompanying notes to the annual financial statements are an integral part of the statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, (Canadian dollar in thousands)	Notes	2015	2014
SHARE CAPITAL			
Balance, beginning of year		**$622,681**	$622,125
Cash received on shares issued upon exercise of stock options		-	47
Transfer from contributed surplus - stock options exercised		-	24
Transfer from contributed surplus - share units issued		-	158
Transfer from contributed surplus - share awards issued		-	327
Convertible Notes exercised	16	**14**	-
Common shares repurchased	16	**(2)**	-
Equity issued for second lien senior notes	16	**554,863**	-
Balance, end of year		**$1,177,556**	$622,681
CONTRIBUTED SURPLUS			
Balance, beginning of year		**$40,553**	$40,465
Share-based compensation	17	**637**	761
Transfer to share capital - stock options exercised		-	(24)
Transfer to share capital - share units issued		-	(158)
Transfer to share capital - share awards issued		-	(327)
Cash paid on settlement of share awards and share units		-	(164)
Balance, end of year		**$41,190**	$40,553
DEFICIT			
Balance, beginning of year		**$(652,354)**	$(440,568)
Net loss		**(42,295)**	(211,786)
Balance, end of year		**$(694,649)**	$(652,354)
Total shareholders' equity		**$524,097**	$10,880

The accompanying notes to the annual financial statements are an integral part of the statements.

STATEMENTS OF CASH FLOW

For the year ended December 31, (Canadian dollar in thousands)	Notes	2015	2014
OPERATING			
Loss from operations		**$(42,295)**	$(211,786)
Adjustments for:			
Depletion, depreciation, amortization, and impairment	10	**342,283**	98,670
Exploration and evaluation impairment	9	**-**	26,432
Share-based compensation	17	**637**	761
Finance charges - non-cash portion		**4,734**	9,045
Interest expense on long-term debt		**53,521**	88,474
Unrealized gain on risk management contracts	12	**(4,033)**	(4,993)
Unrealized foreign exchange loss	19	**51,454**	57,832
Unrealized gain on Convertible Notes		**(246,600)**	-
Gain on the Recapitalization transaction		**(209,835)**	-
Loss on disposition and derecognition of property, plant, and equipment	20	**1,838**	3,550
Decommissioning liabilities settled	14	**(14)**	(121)
Changes in non-cash working capital	22	**(10,231)**	1,529
Cash flow from (used in) operating activities		**(58,541)**	69,393
INVESTING			
Expenditures on property, plant, and equipment	10	**(21,059)**	(80,196)
Proceeds on disposition of assets		**15**	6
Changes in non-cash working capital	22	**(3,834)**	1,443
Cash flow used in investing activities		**(24,878)**	(78,747)
FINANCING			
Cash paid on settlement of share awards and share units		**-**	(164)
Proceeds on issue of common shares		**-**	47
Proceeds from the Recapitalization (net of transaction costs)	3	**48,632**	-
Proceeds from the Term Loan Facility (net of transaction costs)		**-**	135,008
Repayment on borrowings under the Amended Term Loan Facility		**(1,913)**	(712)
Interest paid on long-term debt		**(16,333)**	(86,989)
Cash flow from financing activities		**30,386**	47,190
		(53,033)	37,836
Foreign exchange gain on cash balances held in foreign currency	19	**6,104**	718
Cash and cash equivalents, beginning of year		**94,164**	55,610
Cash and cash equivalents, end of year		**$47,235**	$94,164

The accompanying notes to the annual financial statements are an integral part of the statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Connacher Oil and Gas Limited ("Connacher" or the "Company") is a public company listed on the Toronto Stock Exchange under the symbol CLC and headquartered in Calgary, Alberta, Canada. The address of the Company's principal office is Suite 900, 322 - 6th Avenue S.W., Calgary, Alberta.

Connacher is an *in situ* oil sands developer, producer, and marketer of bitumen.

2. GOING CONCERN

The annual financial statements have been prepared on a going concern basis, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Conversely, if the going concern assumption is not appropriate, adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary.

The deterioration of crude oil pricing has constrained the Company's ability to generate positive cash flow from operations. Coupled with the low-price commodity environment, the restrictive provisions of the Company's long-term debt arrangements have severely constrained the Company's access to additional financing. Without the injection of new sources of financing or positive cash flow from operations, the Company will be challenged to deploy the capital required to maintain existing reserve and production bases, fund maintenance capital, fund working capital requirements, and may be unable to discharge future obligations as they come due.

Overall, the current economic outlook on global crude oil prices and limited access to available capital may cast significant doubt about the Company's ability to continue as a going concern.

3. THE RECAPITALIZAITON

On May 8, 2015, the Company closed its recapitalization transaction (the "Recapitalization") which was aimed at significantly reducing the Company's debt burden and providing additional liquidity to fund ongoing operations.

The Recapitalization included, among other things:

- The exchange of the Company's 2018 and 2019 senior secured second lien notes (the "Notes") with an approximate face value of $1.0 billion for 27.7 million common shares of Connacher
    - The Notes were exchanged for common shares with an approximate fair value of $554.9 million and resulted in a gain on the settlement of the Notes of approximately $420.4 million. The fair value attributed to the common shares issued was based on the closing price of the common shares prevailing on May 8, 2015
    - Reduction of annual interest expense of approximately $80.0 million
    - Extinguishment of $67.2 million of accrued interest related to the Notes for no consideration
    - The consolidation of the Company's common shares on the basis of one new common share for 800 existing common shares (the "Consolidation")
    - Extinguishment of all issued and outstanding stock options and share units for no consideration
- The issuance by Connacher of US$35.0 million aggregate principal amount of new second lien convertible notes due August 31, 2018 (the "Convertible Notes")
- Amendments to the existing first lien term loan credit agreement (the "Amended Term Loan Facility") dated May 23, 2014 to increase the total commitments to provide for additional loans in the aggregate principal amount of US$24.8 million (equivalent of $30 million) to replace the existing revolving credit facility (the "Credit Facility")
- The Company receiving combined net proceeds of $48.6 million, which included gross proceeds of $72.3 million, less estimated transaction costs of $23.7 million. The transaction costs were recorded in profit and loss

All per share amounts included in the annual financial statements have been adjusted for the Consolidation.

The net gain associated with the Recapitalization was comprised of the following:

For the year ended December 31, ($ 000)	2015
Gain on settlement of the Notes	$420,354
Accrued interest on the Notes extinguished for no consideration	67,166
Fair value of the Convertible Notes (net of proceeds of $42.3 million)	(249,792)
Loss on refinancing of Term Loan Facility	(4,217)
Estimated transaction costs	(23,676)
Net gain on the Recapitalization transaction	$209,835

At May 8, 2015, the Convertible Notes were recorded at an initial fair value of $292.1 million. For the purposes of the net gain on the Recapitalization transaction, proceeds of $42.3 million reduced the initial fair value of the Convertible Notes.

The unrealized gain associated with the Convertible Notes was comprised of the following:

For the year ended December 31, ($ 000)	2015
Fair value of the Convertible Notes, at issue (1)	$292,100
Fair value of the Convertible Notes, end of year (2)	45,500
Unrealized gain on the Convertible Notes	$246,600

(1) The fair value attributable to the Convertible Notes on May 8, 2015 was $292.1 million
(2) The fair value attributable to the Convertible Notes on December 31, 2015 of $45.5 million was reduced by $14 thousand due to a partial exercise of the Convertible Notes. Refer to financial statement note 16

4. BASIS OF PREPARATION

4.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The annual financial statements were approved and authorized for issuance by the Board of Directors on March 24, 2016.

4.2 Basis of measurement

The annual financial statements have been prepared on a historical cost basis, except for risk management contracts and the Convertible Notes, which have been measured at fair value.

4.3 Functional and presentation currency

The annual financial statements are presented in Canadian dollars, which is the functional currency of the Company.

4.4 Use of estimates, judgments, and assumptions

The timely preparation of the annual financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses for the reporting period. The judgments, estimates, and assumptions are based on current data and relevant information available to the Company at the time of financial statement preparation. Accordingly, actual reported amounts may differ from estimated amounts as future confirming events occur.

Estimation of petroleum and natural gas reserves

Petroleum and natural gas reserve estimates are used in the unit-of-production depletion and depreciation calculation; determining the timing of abandonment costs; and the impairment analysis of the Company's assets. Annually, the Company's proved plus probable reserves are estimated by independent reserves engineers with reference to available geological, geophysical, and engineering data. Estimates of petroleum and natural gas reserves are inherently uncertain; require the application of judgment; and are subject to regular revision, either upward or downward, based on new information. The impact of future changes to estimates for the annual financial statements of subsequent periods could be material.

Changes to estimates of petroleum and natural gas reserves prospectively affect the amounts of depletion, depreciation, amortization, and impairment charged. Consequently, the carrying amounts of petroleum and natural gas properties and exploration and evaluation assets could be affected.

Information related to the carrying amounts of petroleum and natural gas properties; exploration and evaluation assets; and the amounts charged to net earnings (loss), including depletion, depreciation, amortization, and impairment, is presented in financial statement notes 9 and 10.

Impairment of assets

Impairment of the Company's assets is determined based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). Both calculations require various assumptions and estimates including: future commodity prices; expected production volumes; outlook of market supply and demand conditions; discount rates; operating costs; future capital requirements; and decommissioning costs. The assumptions and estimates are highly uncertain and are subject to change as new information becomes available. Changes in assumptions could affect the carrying amounts of assets; thus, impairment charges and reversals will affect net earnings (loss).

Information about the carrying amounts of assets and impairments is presented in financial statement notes 9 and 10.

Decommissioning liabilities

Provisions are recognized for the future abandonment and reclamation cost of petroleum and natural gas properties at the end of their economic lives. The estimates used to determine the decommissioning provisions are uncertain and based on industry practice, current legislation, constructive requirements, and economic variables. As such, the carrying amounts of the decommissioning provisions are reviewed regularly and adjusted to reflect relevant changes.

Information about decommissioning liabilities is presented in financial statement note 14.

Taxation

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to be realized and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they reverse. This requires assumptions regarding future profitability and is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized for deferred tax assets and in the amounts recognized in net earnings (loss).

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled. As a result, judgment is required to determine the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in net earnings (loss) in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in net earnings (loss) in the period of change, which would include any impact on cumulative provisions, and in future periods.

Management's estimate of taxes payable and related tax provisions are based on professional judgment and interpretation of enacted tax laws and regulations. Such judgments and interpretations may be subject to challenge by taxation authorities.

Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company operates are subject to change and interpretation. Such changes can affect the timing of the reversal of temporary tax differences, the tax rates in effect when such differences reverse, and the Company's ability to use tax losses and other tax pools in the future. The Company's income tax filings are subject to audit by taxation authorities in these jurisdictions and results of such audits may increase or decrease the Company's tax liability. The determination of current and deferred tax amounts recognized in the annual financial statements was based on management's assessment of the tax positions, which includes consideration of their technical merits, communications with tax authorities, and management's view of the most likely outcome.

Fair value measurement

The Company measures a portion of its financial instruments, specifically risk management contracts and the Convertible Notes, at fair value on each reporting date. The fair value at each reporting date is subject to measurement uncertainty.

For the risk management contracts, external forward market curves and contracted volumes are used to determine the fair value. The fair values of the Company's risk management contracts are derived from and affected by market pricing between maturity and period end dates.

At inception, the Company valued the Convertible Notes at fair value with fair value changes being recorded through net earnings (loss). The calculation of fair value of the Company's financial instruments requires judgement around expected outcomes and is based on multiple variables, including, but not limited to credit spreads and interest rate spreads. The calculations are complex and require significant judgement around the market inputs, which are subject to factors outside of management's control.

Share-based compensation

The Company determines the amortizable fair value of its share-based payments at grant date. The fair value is estimated using the Black-Scholes pricing model which requires various estimates including: volatility, risk-free interest rate, and expected life.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Inventories

Inventories are stated at the lower of cost or net realizable value. Costs comprise direct purchase and blending costs, costs of production, and other indirect costs and is determined using the weighted average cost method. The net realizable value is the estimated selling price in the ordinary course of business less costs to complete and sell.

5.2 Exploration and evaluation assets ("E&E")

E&E expenditures incurred prior to acquiring the legal right to explore are charged to expense as incurred and recorded as E&E expense in net earnings (loss).

E&E expenditures incurred after and as part of acquiring the legal rights to explore are initially capitalized. E&E costs comprise expenditures where technical feasibility and commercial viability has not yet been determined and include license and unproved property acquisition costs, geological and geophysical costs, and costs of drilling exploratory wells.

E&E costs are not amortized except for the costs associated with unproved land which are amortized to expense over the lease term. E&E assets are transferred to property, plant, and equipment when development is determined to be technically feasible and commercially viable.

E&E assets are assessed for impairment in accordance with financial statement note 5.4 when transferred to property, plant, and equipment; when development of an area is determined not to be technically feasible or commercially viable; or, the Company decides not to continue with its activity.

5.3 Property, plant, and equipment ("PP&E")

Recognition and measurement

PP&E is initially recognized at cost and represents all costs directly associated with the development of petroleum and natural gas reserves where the technical feasibility and commercial viability has been determined. Such costs include drilling costs of development wells; tangible costs of facilities and infrastructure construction; costs of optimization and enhanced recovery projects; proved property acquisition costs; asset decommissioning costs; transfers from E&E assets; and borrowing costs related to qualifying assets.

Expenditures on major maintenance repairs comprise the cost of replacement assets or parts of assets, inspection costs, and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Routine overhaul and repair and maintenance costs are charged to net earnings (loss) when incurred.

PP&E assets are carried at cost less accumulated depletion, depreciation, amortization, and impairment. Gains and losses on disposals are determined by comparing disposal proceeds to the carrying amounts of assets sold and are recognized in net earnings (loss).

Depletion, depreciation, and amortization

PP&E related to petroleum and natural gas properties, including substantially all related facilities, are depleted and depreciated using the unit-of-production method over proved and probable reserves before royalties, determined using forecast prices and costs. Estimated future costs to develop proved and probable reserves are included in costs subject to depletion. Costs of major development projects are excluded from depletion and depreciation until the asset is available for use. Facilities and equipment that have a useful life independent of the reserve life are amortized based on their expected useful life.

PP&E related to the corporate office include leasehold improvements, computer and office equipment, and other equipment. Leasehold improvements are amortized using the straight-line method over the lease term; computer and office equipment are amortized using the declining balance method at 20% to 30% per annum; and other equipment is amortized on a straight-line basis over the useful life.

The estimated useful lives of PP&E are reviewed annually and if necessary, changes are accounted for prospectively.

5.4 Impairment

Non-financial assets (E&E and PP&E)

At each period end, or as changing economic conditions require, the carrying amounts of the Company's non-financial assets are assessed for impairment indicators. When impairment indicators exist, an impairment test is completed. The carrying amounts of the non-financial assets are compared to the recoverable amount, which is the higher of FVLCD and VIU. For purposes of the impairment test, E&E and PP&E are grouped together into the smallest group of assets that generates largely independent cash inflows from other assets or groups of assets (the "cash-generating unit" or "CGU").

VIU is determined by estimating the discounted future cash flows expected to be derived from the continuing use of the assets. In determining FVLCD, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in net earnings (loss) and reported as impairment.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying amount of the asset that would have been determined, net of depletion, depreciation, and amortization, if no impairment loss had been recognized. Such reversal is recognized in net earnings (loss) and reported as an impairment reversal.

Financial assets (trade and accrued receivables)

At each reporting end, the Company assesses whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset. Individual significant trade and accrued receivables are assessed for specific impairment. The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings (loss) and reflected in an allowance account against trade and accrued receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings (loss).

5.5 Income taxes

Tax expense comprises current and deferred taxes. Income tax assets and liabilities are presented separately in the balance sheet except where there is a right of set-off within fiscal jurisdictions and an intention to settle such balances on a net basis.

Current tax expense is based on the results for the period and adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns where the applicable tax regulation is subject to interpretation. Appropriate provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

5.6 Provisions

Decommissioning liabilities

A decommissioning liability is estimated and recorded for the future abandonment and reclamation costs related to the Company's operational activities. Future dismantling and restoration costs required to restore the land to its original condition relate to the Company's: petroleum and natural gas wells, surface equipment and facilities, and removal of equipment from leased acreage. The decommissioning liability is estimated using the present value of management's estimated expected future cash outflows discounted at a risk-free interest rate. Initially, the decommissioning liability is capitalized as part of the carrying amount of the related property, plant, and equipment. Subsequent to the initial measurement, the liability is adjusted to reflect the passage of time and changes to the estimated timing, estimated cash flows, and discount rate. The effects of changes to the liability resulting from the changes in estimates are reflected on a prospective basis with a corresponding adjustment to the carrying amount of the related property, plant, and equipment. Actual abandonment and reclamation expenditures are charged against the liability as incurred and obligations related to properties disposed are removed.

5.7 Employee benefits

Share-based compensation plans

Directors, employees, and contractors of the Company may receive remuneration in the form of share-based payment transactions; whereby, those individuals render services as consideration for equity instruments or the cash equivalent to the value of equity instruments. Share-based compensation is recognized over the vesting period at the fair value on the date of grant with a corresponding increase to contributed surplus for equity-settled plans. The equity-settled plans are subsequently not re-measured. Fair value on the date of grant is estimated using either a Black-Scholes option pricing model or the closing price of the common shares, as relevant to the plans. Upon issuance of shares under the equity-settled plans, the proceeds received on exercise of stock options and the amounts previously recognized in contributed surplus for the plans are credited to share capital.

5.8 Leases

Agreements under which payments are made to owners in return for the right to use an asset for a specified period are accounted for as leases. Leases that transfer substantially all the risks and rewards of ownership are recognized at the commencement of the lease term as finance leases within property, plant, and equipment and liabilities at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance lease payments are apportioned between interest expense and a reduction of the liability. All other leases are recorded as operating leases and the costs are recognized in net earnings (loss) on a straight-line basis.

5.9 Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated to the Company's functional currency at the exchange rate in place at transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the translation and settlement are recognized in net earnings (loss).

5.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Initially, financial instruments are recognized at fair value. Subsequent measurement is dependent on the initial classification of the financial instrument into one of the following categories: financial assets or liabilities measured at fair value through profit or loss; loans and receivables; held-to-maturity investments; available-for-sale financial assets; derivatives designated as hedging instruments in an effective hedge.

Non-Derivative financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets, other than derivatives, include cash and cash equivalents and trade and accrued receivables.

Trade and accrued receivables are classified as loans and receivables and are carried at amortized cost less any impairment.

Non-Derivative financial liabilities

All financial liabilities are recognized initially at fair value. In the case of other financial liabilities, they are recognized net of directly attributable transaction costs.

Financial liabilities, other than derivatives, include trade and accrued payables and the Amended Term Loan Facility and are carried at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivative financial instruments include risk management contracts and the Convertible Notes.

The Company may enter into certain risk management contracts in order to reduce its exposure to market risks from fluctuations in commodity prices and foreign currency. The instruments are not used for speculative or trading purposes. The Company has not designated its risk management contracts as effective accounting hedges; thus, has not applied hedge accounting. As a result, all risk management contracts are classified as fair value through profit or loss and recorded on the balance sheet at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Realized gains or losses from financial risk management contracts are recognized in net earnings (loss) as the contracts are settled. Unrealized gains and losses are recognized in net earnings (loss) at each reporting period based on the changes in fair value of the contracts. The estimated fair value of all risk management contracts is derived from third-party market indications and forecasts.

The Company accounts for its forward physical delivery sales and purchase contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, as executory contracts. As such, these contracts are not considered derivative financial instruments; thus, have not been recorded on the balance sheet. Settlements of these physical sales and purchase contracts are recognized in related revenues and expenses at the time of settlement.

As part of the Recapitalization, the Company issued US dollar denominated Convertible Notes. As required by IFRS, when an entity becomes party to a hybrid (combined) instrument that contains one or more embedded derivatives, the entity is required to identify any embedded derivative; assess whether it is required to be separated from the host contract; and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequent measurement. Alternatively, the Company can measure the entire instrument at fair value at inception with changes in fair value recorded through net earnings (loss).

Attributable transaction costs are recorded in net earnings (loss).

5.11 Revenue recognition

Revenue from the sale of diluted bitumen is recognized at the fair value of consideration received or receivable, after deducting royalties, when title passes to the customer. For sales, this generally occurs when the product: in delivery trucks is accepted by the customer, is transloaded into railcars, or arrives at the delivery point.

5.12 Finance charges

Finance charges comprise interest expense on long-term debt, amortization of transaction costs, unwinding of the discount on decommissioning liabilities, bank charges, and any impairment losses recognized on financial assets.

Finance charges (or borrowing costs) directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other finance costs are recognized in net earnings (loss) in the period in which they are incurred using the effective interest method. Interest is capitalized at the rate of interest applicable to the specific borrowings financing the asset, or where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowings. No interest was capitalized during the years ended December 31, 2015 and 2014.

5.13 Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing net earnings (loss) attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the net earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which may include stock options and the Convertible Notes.

5.14 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company measures risk management contracts and the Convertible Notes at fair value at each reporting date. For the purposes of impairment testing, FVLCD and VIU are considered to determine the recoverable amount of the Company's non-financial assets.

All asset and liabilities for which fair value is measured or disclosed in the annual financial statements are categorized within the fair value hierarchy:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; or,
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the annual financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

The Company assesses the fair value of recurring (risk management contracts and Convertible Notes) and non-recurring (impairment testing) at each reporting date or as needed. When the fair value of a particular item is assessed, the major inputs included in the fair value assessment are reviewed for appropriateness.

5.15 Accounting pronouncements issued but not adopted

The standards and interpretations that are issued but not yet effective up to the date of the issuance of the Company's annual financial statements are discussed below. The Company intends to adopt the following standards and interpretations, if applicable, when they become effective.

IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 will address: the classification and measurement requirements for financial assets and liabilities; a new hedge accounting model; and the impairment of financial instruments. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018; however, early adoption is available. The extent and impact of the adoption of IFRS 9 has not yet been determined.

IFRS 15 - Revenue from Contract with Customers ("IFRS 15")

IFRS 15 will replace IAS 18 - Revenue, IAS 11 - Construction Contracts, and related interpretations. IFRS 15 is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018. The extent and impact of the adoption of IFRS 15 has not been determined.

IFRS 16 - Leases ("IFRS 16")

IFRS 16 will replace IAS 17 - Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases will apply, with required recognition of assets and liabilities for most leases. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. The extent and impact of the adoption of IFRS 16 has not been determined.

6. TRADE AND ACCRUED RECEIVABLES

As at December 31, (Canadian dollar in thousands)	2015	2014
Trade receivables	$1,164	$3,201
Accrued revenue	9,489	24,847
	$10,653	$28,048

7. INVENTORIES

As at December 31, (Canadian dollar in thousands)	2015	2014
Diluted bitumen and diluent (net of impairment)	$2,223	$3,235
Parts and supplies	3,823	3,772
	$6,046	$7,007

The cost of inventories recognized as an expense during 2015 was $259.3 million (2014: $332.8 million).

For the year ended December 31, 2015, the Company impaired its diluted bitumen inventory by $4.3 million (2014: $2.8 million) to its net realizable value due to the decline in year-end commodity prices.

8. OTHER ASSETS

As at December 31, (Canadian dollar in thousands)	2015	2014
Prepayments and others	$13,723	$8,755
Deposits	172	151
	$13,895	$8,906

For the year ended December 31, 2015, the prepayments primarily related to the prepayment of diluent of $10.6 million (2014: $8.2 million).

9. EXPLORATION AND EVALUATION ASSETS ("E&E")

As at (Canadian dollar in thousands)	
Cost	
Balance, January 1, 2014	$45,034
Additions	-
Transfer to property, plant, and equipment	-
Balance, December 31, 2014	45,034
Additions	-
Transfer to property, plant, and equipment	-
Balance, December 31, 2015	**$45,034**

Accumulated depletion, depreciation, and impairment	
Balance, January 1, 2014	$18,600
Amortization charge for the year	2
Impairment	26,432
Balance, December 31, 2014	45,034
Amortization	-
Impairment	-
Balance, December 31, 2015	**$45,034**

Carrying amount of E&E assets	
As at December 31, 2014	$-
As at December 31, 2015	**$-**

At December 31, 2015, consistent with the prior year, the Company did not anticipate any further development of the exploration and evaluation of the mineral resources associated with its E&E assets. As a result, no reversals of impairment were recorded related to E&E.

All of the Company's E&E assets are collateralized to secure long-term debt. Refer to financial statement note 13.

10. PROPERTY, PLANT, AND EQUIPMENT ("PP&E")

As at (Canadian dollar in thousands)	Petroleum and natural gas properties	Corporate	Total
Cost			
Balance, January 1, 2014	$1,405,984	$17,629	$1,423,613
Additions	78,966	1,230	80,196
Derecognition and dispositions	(7,941)	(50)	(7,991)
Change in decommissioning liabilities (note 14)	15,617	-	15,617
Balance, December 31, 2014	$1,492,626	$18,809	$1,511,435
Additions	17,270	3,789	21,059
Derecognition and dispositions	(6,194)	-	(6,194)
Change in decommissioning liabilities (note 14)	2,478	-	2,478
Balance, December 31, 2015	**$1,506,180**	**$22,598**	**$1,528,778**

	Petroleum and natural gas properties	Corporate	Total
Accumulated depletion, depreciation, and impairment			
Balance, January 1, 2014	$289,449	$13,112	$302,561
Depletion and depreciation	97,049	1,603	98,652
Derecognition and dispositions	(4,389)	(46)	(4,435)
Balance, December 31, 2014	$382,110	$14,669	$396,779
Depletion and depreciation	98,369	1,332	99,701
Impairment	242,400	-	242,400
Derecognition and dispositions	(4,356)	-	(4,356)
Balance, December 31, 2015	**$718,523**	**$16,001**	**$734,524**

Carrying amount of PP&E			
As at December 31, 2014	$1,110,516	$4,140	$1,114,656
As at December 31, 2015	**$787,657**	**$6,597**	**$794,254**

Property, plant, and equipment with a carrying cost of $794.3 million (2014: $1,115 million) is collateralized to secure long-term debt.

In 2015, due to the decline of commodity prices, the Company recorded an impairment on its PP&E assets of $242.4 million.

At December 31, 2015, the recoverable amount approximated the carrying value of the Company's assets.

To determine the recoverable amount, the Company utilized the reserve volumes and values in the 2015 year-end reserve report as evaluated by the Company's independent reserve evaluators. The recoverable amount was calculated as FVLCD, which was determined using a discounted cash flow approach based on the year-end 2015 proved plus probable reserves and a risk adjusted discount rate of before tax of 14.7%. The FVLCD are classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data.

The following table reflects the additional impairment (or reversal) of a one percent change in the before tax discount rate and a five percent change in the bitumen wellhead price realized by the Company:

(Canadian dollar in thousands)	One percent increase in before tax discount rate	One percent decrease in before tax discount rate	Five percent increase in bitumen wellhead price	Five percent decrease in bitumen wellhead price
Impairment (reversal)	101,300	(114,500)	(187,900)	191,000

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the impairment test at December 31, 2015 (annual escalation rated used after 2026 was 2.0%):

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WTI crude oil (US$/bbl)	44.00	52.00	58.00	64.00	70.00	75.00	80.00	85.00	87.88	89.63
WCS (Western Canadian Select) (C$/bbl)	42.26	51.20	55.39	60.84	66.18	70.00	75.88	81.41	84.90	86.60
Edmonton C5 (C$/bbl)	60.79	68.48	73.17	78.91	84.30	88.12	94.41	100.71	103.24	105.30
Exchange rate (C$/US$)	0.725	0.750	0.775	0.800	0.825	0.850	0.850	0.850	0.850	0.850

11. TRADE AND ACCRUED PAYABLES

As at December 31, (Canadian dollar in thousands)	2015	2014
Trade payables	$5,895	$13,386
Accrued interest payable	3,449	35,358
Other accrued liabilities	7,191	27,940
	$16,535	$76,684

12. FAIR VALUE MEASUREMENTS AND RISK MANAGEMENT

The Company's financial instruments include: cash and cash equivalents, trade and accrued receivables, risk management contracts, trade and accrued payables, and long-term debt. Information relating to these financial instruments including fair values is provided below.

12.1 Fair value of financial instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. The estimates cannot be determined with exact precision as they are subjective in nature and involve uncertainties and matters of judgment.

The following table shows the comparison of the carrying and fair values of the Company's financial instruments by classification:

As at	December 31, 2015		December 31, 2014	
(Canadian dollar in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables				
Cash (1)	$47,235	$47,235	$87,664	$87,664
Restricted cash (1)	-	-	6,500	6,500
Trade and accrued receivables (1)	10,653	10,653	28,048	28,048
Fair value through profit and loss				
Risk management contracts - current liabilities (2)	-	-	3,666	3,666
Risk management contracts - non-current liabilities (2)	-	-	367	367
Convertible Notes (3)	45,486	45,486	-	-
Other liabilities				
Trade and accrued payables (1)	16,535	16,535	76,684	76,684
Current portion of long-term debt (3)	2,109	1,698	1,490	1,344
Amended Term Loan Facility (3)	209,742	168,842	142,285	132,417
Notes (3)	-	-	947,235	342,319

(1) The fair values of cash, trade and accrued receivables, and trade and accrued payables approximate the carrying amounts due to the short-term maturity of the instruments.
(2) The fair values of the risk management contracts were derived from observable market prices or indices, a Level 2 measurement.
(3) The fair values of long-term debt are based on market information, a Level 2 measurement.

The Company may enter into risk management contracts (commodity and foreign exchange) with various institutions. The risk management contracts' valuations are determined using market observable inputs which include forward pricing curves for the underlying commodities and present value calculations.

12.2 Risk exposures

The Company is exposed to various risks:

- Credit risk - related to its trade and accrued receivables, cash and cash equivalents, and risk management contracts.
- Liquidity risk - related to long-term debt and the fulfillment of its financial and contractual obligations.
- Market risk - related to the volatility of commodity prices, foreign exchange rates, and interest rates. In certain instances, the Company may use derivative instruments to manage the Company's exposure to these risks.

The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Company's Board of Directors and is implemented and monitored by senior management.

Credit risk

Credit risk is the risk that the contracting entity will not fulfill its obligations under a contract when due. The Company generally extends unsecured credit to customers who maintain investment grade credit ratings from Moody's or S&P; however, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and creditworthiness of the companies to which credit is extended. The Company periodically assesses the financial strength of its customers and will adjust its marketing plan to mitigate credit risks as needed.

Historically, the Company has not experienced any material credit loss in the collection of accounts receivable. The Company considers all amounts due over 90 days as past due. For 2015, the Company had $nil (2014: $nil) amounts due over 90 days.

The Company is exposed to credit risk from counterparties related to risk management contracts. This risk is managed by limiting counterparties to investment grade Institutions. As a result, no history of counterparty default on risk management contracts has occurred.

The maximum exposure to credit risk relating to the above classes of financial assets at December 31, 2015 and 2014 is the carrying amount of these assets.

At December 31, 2015, the Company did not have any risk management contracts.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to repay its debts and fulfill its financial obligations.

To manage this risk, the Company monitors expenditures against pre-approved budgets to control costs; regularly monitors its operating cash flow; working capital and bank balances against its business plan; and maintains prudent insurance programs to minimize exposure to insurable losses. Additionally, the long-term nature of the Company's debt repayment obligations is aligned with the long-term nature of its assets. Principal repayments are not required on the Convertible Notes until maturity in 2018 and the Company has the ability to defer interest payments; whereas, the Amended Term Loan Facility requires quarterly principal repayments of US$381 thousand prior to maturity in 2018.

Refer to financial statement note 2 for going concern discussion.

The following table displays the maturities of the Company's financial liabilities:

As at December 31, 2015 (Canadian dollar in thousands)	Total	*Within 1 year*	*2-3 years*	*4-5 years*
Non-derivative liabilities:				
Accounts payable and accrued liabilities	**$16,535**	$16,535	$-	$-
Amended Term Loan Facility (1)(2)	**211,851**	2,109	209,742	-
Derivative-based liabilities:				
Convertible Notes (1)	**45,486**	-	45,486	-

(1) Reflects the US dollar denominated principal using the exchange rate prevailing on December 31, 2015
(2) The Amended Term Loan Facility balance reflects the principal amount outstanding at December 31, 2015; refer to financial statement note 13

Market risk and sensitivity analysis

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns. Market risk is comprised of commodity price risk, interest rate risk, and foreign currency risk.

Commodity price risk

The Company is exposed to commodity price risk due to potential changes in the market prices of its bitumen. In accordance with policies approved by the Board of Directors, derivative contracts including commodity futures contracts, price swaps, and collars may be utilized to reduce exposure to price fluctuations associated with a portion of the sales.

Prior to the closing of the Recapitalization, all risk management contracts were terminated.

The following table summarizes the net position of the Company's risk management contracts:

As at December 31, (Canadian dollar in thousands)	**2015**	2014
Current liabilities		
Natural gas contracts	$-	$3,666
Current liabilities	$-	$3,666
Non-current liabilities		
Crude oil contracts	$-	$367
Non-current liabilities	$-	$367

The following table summarizes the risk management amounts recorded in the statements of operations:

For year ended December 31, (Canadian dollar in thousands)	**2015**	2014
Unrealized gain	**$(4,033)**	$(4,993)
Realized loss	**935**	17,536
Realized loss (gain) on unwinding of risk management contracts	**3,086**	(1,198)
Loss (gain) on risk management contracts	**$(12)**	$11,345

Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk on its Amended Term Loan Facility. Conversely, the Convertible Notes have fixed interest rates as outlined in financial statement note 13.2. The Company will continue to monitor forward interest rates applicable to the Amended Term Loan Facility. The Company has the ability to mitigate cash flow risk by entering into fixed interest rate swaps. The effect on the Company's Amended Term Loan Facility of a 1% increase in the interest rate would have resulted in a $2.1 million change in interest expense at December 31, 2015. A 1% decrease in the interest rate would not affect the interest recorded at December 31, 2015 due to the Amended Term Loan Facility's LIBOR floor of 100 basis points.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currency on its financial instruments, primarily due to the US dollar-denominated long-term debt. The effect on the Company's financial instruments of a $0.01 change in the US-to-Canadian dollar exchange rate would have resulted in a $1.7 million change in foreign exchange gain/loss at December 31, 2015.

13. LONG-TERM DEBT

	Face Value of Principal (in millions)	Maturity Date	Interest rate per annum	Interest Payment Terms	Principal Terms	(Canadian dollar in thousands) December 31, 2015	December 31, 2014
Amended Term Loan Facility (Secured) [1]	US$153.2	May 23, 2018	Cash - 9% PIK - 2%	Quarterly - Mar 31, June 30, Sept 30, Dec 31	US$381 thousand - Mar 31, June 30, Sept 30, Dec 31	**$211,851**	$148,212
Second Lien Senior Notes (Secured) [2]	$350	Aug 1, 2018	8.75%	Semi-annually on Feb 1 and Aug 1	One payment on maturity	**-**	350,000
Second Lien Senior Notes (Secured) [2]	US$550	Aug 1, 2019	8.50%	Semi-annually on Feb 1 and Aug 1	One payment on maturity	**-**	638,055
Convertible Notes (Secured) [3][4]	US$35	Aug 31, 2018	Cash - 12%	Quarterly - Mar 31, June 30, Sept 30, Dec 31	One payment on maturity	**45,486**	-
Total						**$257,337**	$1,136,267
Unamortized transaction costs						**-**	(45,257)
Current portion of long-term debt						**(2,109)**	(1,490)
Long-term debt						**$255,228**	$1,089,520

(1) Face value of US$153.2 million includes the original first lien term loan credit agreement (the "Original Term Loan Facility")
(2) As part of the Recapitalization, the Notes were converted into or exchanged for common shares
(3) As part of the Recapitalization, the Company issued Convertible Notes for an aggregate principal amount of US$35 million
(4) The Company has the right to defer payment of interest on the Convertible Notes in any quarter, in which case, interest will accrue at an annual rate of 14%. Refer to financial statement note 13.2

13.1 Amended First Lien Term Loan Facility

As part of the Recapitalization, the Amended Term Loan Facility included:

An aggregate principal amount of US$153.2 million, which is comprised of the Original Term Loan Facility principal amount of US$128.4 million and the increased total commitments of US$24.8 million and included interest on a floating basis at either an alternative base rate ("ABR" and "ABR Loans") or LIBOR ("Eurodollar Loans"), as selected at the Company's option, plus an applicable margin as follows:

- May 8, 2015 - December 31, 2016:
  - ABR Loans - ABR rate plus 7.00% per annum cash interest and 2.00% payment-in-kind ("PIK") interest
  - Eurodollar Loans - LIBOR (floor of 1.00%) plus 8.00% per annum cash interest and 2.00% PIK interest
- January 1, 2017 - May 23, 2018:
  - ABR Loans - ABR rate plus 8.00% per annum cash interest and 3.50% PIK interest
  - Eurodollar Loans - LIBOR (floor of 1.00%) plus 9.00% per annum cash interest and 3.50% PIK interest

For loans advanced as ABR Loans, interest payments occur quarterly in arrears. For loans advanced as Eurodollar Loans, the Company has the option to select an interest period of 1, 2, 3, or 6-months. The Amended Term Loan Facility matures on May 23, 2018. In addition, the Amended Term Loan Facility requires quarterly principal payments of US$381 thousand and is secured on a first priority basis by liens on all of the Company's existing and future property.

The substantially different terms associated with the Amended Term Loan Facility, which included: increased aggregate principal amount; increased cash interest; and the introduction of PIK interest, resulted in an extinguishment of the Original Term Loan Facility and the recognition of the Amended Term Loan Facility. The difference between the carrying value of the transferred financial liability (Original Term Loan Facility) and the consideration assumed (Amended Term Loan Facility) was recognized as a loss of $4.2 million.

The Amended Term Loan Facility includes various non-financial covenants, including limitations on: additional indebtedness, liens, guarantees, mergers and acquisitions, asset sales, restricted payments, and transactions with affiliates and investments.

The Amended Term Loan Facility is subject to the following covenant:

- The ratio of the Company's most recent year-end 1P reserve value discounted at 10 percent ("PV-10") to aggregate borrowings outstanding at the end of each fiscal quarter under the Amended Term Loan Facility (including all principal amounts converted to Canadian dollars on the date the Amended Term Loan Facility was incurred) must exceed two and one-half times. At December 31, 2015, the Company was in compliance with the Amended Term Loan Facility covenant.

The Company has the option to repay the loans, in whole or in part, subject to the applicable premium as follows:

- May 8, 2015 - May 23, 2016: 0%
- May 24, 2016 - May 23, 2017: 2.00%
- May 24, 2017 - May 23, 2018: 5.00%

At the closing date, the Amended Term Loan Facility was translated into Canadian dollars at an exchange rate of US$1 = $1.2088. All transaction costs associated with the Amended Term Loan Facility were recognized in profit and loss as an extinguishment of debt was deemed to have occurred.

The Amended Term Loan Facility will allow the Company to incur additional debt and grant additional security, on terms fully subordinated to the Amended Term Loan Facility ("Additional Subordinate Financing"), provided that such Additional Subordinate Financing shall not contain:

- Any scheduled amortization payments
- Interest rates higher than those under the Convertible Notes
- A maturity date on or prior to the maturity date under the Amended Term Loan Facility

13.2 Convertible Notes

As part of the Recapitalization, the Company issued US$35 million face value of Convertible Notes to certain participating holders of the Notes.

The Convertible Notes included the following terms:

Interest is payable quarterly on March 31, June 30, September 30, and December 31 at an annual rate of 12%, cash payable quarterly in arrears. The Company has the right to defer the payment of interest on the Convertible Notes in any quarter, in which case, interest will accrue at an annual rate of 14% for such quarter and will be further compounded at an annual rate of 14% until paid and will be due no later than maturity.

The Company elected to exercise its right to defer the cash payment of interest payable on September 30, 2015 and December 31, 2015 until March 31, 2016 (or such other interest payment as the Company may subsequently elect).

The Convertible Notes mature on August 31, 2018 and are convertible into common shares at the option of the holders at a rate of 1,886.8 common shares for each US$1,000 principal amount of Convertible Notes to be converted, subject to adjustment. The conversion option limits holders to not owning greater than 49% of the Company on a post-conversion basis.

The Convertible Notes are secured on a second priority basis by liens on all of the Company's existing and future property.

At any time, the Company may redeem all or part of the Convertible Notes with notice provided at least 30 days and not more than 60 days before the date set for redemption at which time the Company shall pay the redemption price set below, plus accrued interest applicable at the redemption date.

- May 8, 2015 - May 7, 2016: 105.0%
- May 8, 2016 - May 7, 2017: 102.5%
- May 8, 2017 - August 31, 2018: 100.0%

At the closing date, the Convertible Notes were translated into Canadian dollars at an exchange rate of US$1 = $1.2088. All transaction costs associated with the issue of the Convertible Notes were expensed in the period.

13.3 The Notes

As part of the Recapitalization, the Notes were converted into or exchanged for common shares and the accrued interest was settled and extinguished and settled for no consideration.

13.4 Credit Facility

As part of the Recapitalization, the Credit Facility was terminated and replaced by new loans under the Amended Term Loan Facility which totaled US$24.8 million (equivalent of approximately $30 million).

14. DECOMMISSIONING LIABILITIES

The following table summarizes the details of decommissioning liabilities:

As at December 31, (Canadian dollar in thousands)	2015	2014
Balance, beginning of year	**$70,174**	$53,087
Liabilities incurred	**-**	3,508
Liabilities settled	**(14)**	(121)
Liabilities disposed	**-**	-
Change in estimates	**2,478**	12,109
Unwinding of discount	**1,476**	1,591
Balance, end of year	**$74,114**	$70,174

As a result of the analysis of the estimates of cash flows; timing to abandon and reclaim petroleum and natural gas properties; and changes in interest rates, the Company recorded an increase in decommissioning liabilities of $2.5 million in 2015 (2014: increase of $12.1 million). At December 31, 2015, the estimated total undiscounted amount, at current cost, required to settle the decommissioning liabilities was $72.6 million (2014: $74.8 million). The payments are expected to be made over the next 3 to 42 years. The amounts have been inflated at an inflation rate of 2.00 percent (2014: 2.00 percent) and discounted using risk-free interest rates ranging from 0.48 percent to 2.04 percent (2014: 1.00 percent to 2.22 percent), depending on the estimated time to abandon the asset.

15. INCOME TAXES

Income tax recovery (provision) recognized in net loss:

Year ended December 31, (Canadian dollar in thousands)	2015	2014
Current tax recovery (provision)	**$-**	$-
Deferred tax recovery	**-**	-
Income tax recovery	**$-**	$-

The provision for income taxes in net loss reflects an effective tax rate which differs from the expected statutory tax rate. These differences are presented below:

For the years ended December 31, (Canadian dollar in thousands)	2015	2014
Loss before income taxes	**$42,295**	$211,786
Applicable tax rate	**26%**	25%
Expected income tax recovery	**10,997**	52,947
Foreign exchange loss on debt settlement	**9,463**	-
Non-deductible portion of foreign exchange loss	**(2,346)**	(7,229)
Non-deductible stock-based compensation costs	**(166)**	(190)
Recapitalization impact	**(72,559)**	-
Fair value loss on Convertible Notes	**65,074**	-
Change in enacted Alberta tax rate	**10,890**	-
Effect of unused tax losses not recognized as deferred tax assets	**(16,543)**	(45,528)
Other	**(4,810)**	-
Total income tax recovery	**$-**	$-

Applicable tax rate is the aggregate of the federal income tax rate of 15% (2014: 15%) and provincial tax rate of 11% (2014: 10%).

The following is the analysis of deferred tax liabilities and assets:

As at December 31, (Canadian dollar in thousands)	Opening balance	Recognized in net loss	2015 Closing balance	Opening balance	Recognized in net loss	2014 Closing balance
Deferred income tax liability						
Property, plant, and equipment	**$179,955**	**$(53,957)**	**$125,998**	$184,472	$(4,517)	$179,955
Long-term debt	**(3,741)**	**310**	**(3,431)**	2,893	(6,634)	(3,741)
	176,214	**(53,647)**	**122,567**	187,365	(11,151)	176,214
Deferred income tax asset						
Losses carried forward	**283,755**	**(40,238)**	**243,517**	242,378	41,377	283,755
Valuation allowance	**(132,006)**	**(16,540)**	**(148,546)**	(80,054)	(51,952)	(132,006)
Financing and share issue costs	**5,913**	**1,673**	**7,586**	9,513	(3,600)	5,913
Decommissioning liabilities	**17,544**	**2,466**	**20,010**	13,272	4,272	17,544
Risk management contracts and other	**1,008**	**(1,008)**	**-**	2,256	(1,248)	1,008
	176,214	**(53,647)**	**122,567**	187,365	(11,151)	176,214
Net deferred income tax liability	**$-**	**$-**	**$-**	$-	$-	$-

The following provides the details of unrecognized deductible temporary differences, unused losses and unused tax credits for which no deferred tax asset has been recognized:

As at December 31, (Canadian dollar in thousands)	2015	2014
Non-capital losses	**$911,026**	$494,647
Capital losses	**36,397**	17,014
Depreciable assets	**75,522**	2,648
Other	**28,106**	-

The unrecognized non-capital losses expire between 2026 and 2036; capital losses and successor Canadian resource tax pool do not have a set expiration; and the unused tax credits expire in 2029 and 2032.

The following table provides the balances in the income tax pools:

For the years ended December 31, (Canadian dollar in thousands)	2015	2014
Resource pools	**$129,231**	$142,495
Undepreciated capital cost	**197,788**	251,024
Non-capital loss	**829,111**	1,101,645
Capital loss	**72,794**	17,014
Share issue costs	**26,849**	7,857
Make whole deduction	**1,247**	15,793
CEC	**11**	12
Total federal tax pools	**$1,257,031**	$1,535,840

The Company regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. Tax provisions are adjusted, positively or negatively, for changes in estimates and assessments by tax authorities in the period in which they are more likely than not to have an impact on the financial results. The Company does not believe that the outcome of potential adverse tax matters will have a material adverse effect on the financial position of the Company.

16. SHARE CAPITAL

Authorized: unlimited number of common voting shares with no par value

Authorized: unlimited number of first preferred shares with no par value of which none are outstanding

Authorized: unlimited number of second preferred shares with no par value of which none are outstanding

Subsequent to the Recapitalization, the authorized capital of Connacher consisted of an unlimited number of: first preferred shares, second preferred shares, and common shares.

As part of the Recapitalization, the Notes were exchanged for common shares which had an approximate fair value of $554.9 million as follows:

Outstanding common shares, pre-consolidation	452,950,676
Consolidation , at May 8, 2015 (800:1) [1]	566,118
Common shares issued for exchange of the Notes	27,743,197
Outstanding common shares, post-consolidation	28,309,315
Fair value of common shares issued for exchange of the Notes	$554,862,533

(1) Consolidation was subject to rounding as no partial common shares were issued

16.1 Issued and outstanding common share capital

For the year ending December 31,	2015 Number	2015 Canadian dollars in thousands	2014 Number	2014 Canadian dollars in thousands
Balance, beginning of year [1][2]	566,118	$622,681	562,877	$622,125
Shares issued upon exercise of stock options	-	-	359	47
Transfer from contributed surplus - stock options	-	-	-	24
Transfer from contributed surplus - share units	-	-	679	158
Transfer from contributed surplus - share awards	-	-	2,203	327
Convertible Notes exercised	19,413	14	-	-
Common shares repurchased	(70)	(2)	-	-
Shares issued for exchange of the Notes [1]	27,743,197	554,863	-	-
Balance, end of year	28,328,658	$1,177,556	566,118	$622,681
Weighted average common shares outstanding basic and diluted [3][4]	18,629,708		565,494	

(1) As part of the Recapitalization, the common shares were consolidated on an 800:1 basis. The above table reflects the Consolidation on a comparative basis
(2) Consolidation was subject to rounding as no partial common shares were issued
(3) Weighted average common shares - basic and diluted reflect the Consolidation
(4) Weighted average common shares - diluted include 66,038,000 exercisable shares associated with the Convertible Notes

17. STOCK OPTION PLAN, SHARE AWARD INCENTIVE PLAN, AND SHARE UNIT PLAN

17.1 Stock option plan

The Company has a Stock Option Plan for all officers, employees, consultants, and directors permitting the granting of options entitling the holders to acquire common shares. Options are granted at the discretion of the Board of Directors. The options have a term of five years to maturity and vest annually over a three year period. The maximum number of common shares reserved for issuance pursuant to the Stock Option Plan is ten percent of the issued common shares of the Company from time to time.

As part of the Recapitalization, all existing stock options outstanding prior to May 8, 2015 were extinguished for no consideration. Subsequent to the Recapitalization, additional stock options were granted as outlined below.

The following table shows the changes in stock options and the related weighted average exercise prices on a post-Consolidation basis:

As at December 31,		2015		2014
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**21,979**	**$392.00**	25,588	$488.00
Cancelled	**(21,979)**	**392.00**	-	-
Granted	**2,175,536**	**1.43**	3,549	168.00
Exercised	-	-	(359)	128.00
Forfeited	**(837,768)**	**1.80**	(3,253)	488.00
Expired	-	-	(3,546)	776.00
Outstanding, end of year	**1,337,768**	**$1.21**	21,979	$392.00
Exercisable, end of year	-	-	11,508	$600.00

The following table summarizes stock options outstanding under the plan:

As at December 31, Range of Exercise Prices			2015			2014
	Number Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$0.00 - $0.50	**500,000**	**$0.21**	**4.93**	-	-	-
$0.51 - $1.00	-	-	-	-	-	-
$1.01 - $1.50	-	-	-	-	-	-
$1.51 - $2.00	**837,768**	**1.80**	**4.51**	-	-	-
Greater than $2.00	-	-	-	21,979	392.00	2.77
	1,337,768	**$1.21**	**4.67**	21,979	$392.00	2.77

At the date of grant, the weighted average fair value of stock options granted during the year ended December 31, 2015 was $1.43 (2014: $nil). The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

As at December 31,	2015	2014
Weighted average share and exercise price ($ per share)	**1.43**	168.00
Risk free interest rate (percent)	**0.52**	1.20
Expected option life (year)	**3.0**	3.0
Expected volatility (percent)	**149.1**	102.8
Dividend yield (percent)	-	-
Forfeiture rate (percent)	**14.7**	11.0

The expected volatility measured at the standard deviation of continuously compounded share returns was based on statistical analysis of the daily share prices over the last three years (2014: three years).

17.2 Share award incentive plan

All share awards vested and settled in 2014. Subsequent to the Recapitalization, the Board of Directors terminated the share award plan.

17.3 Share unit plan

As part of the Recapitalization, all existing share units outstanding prior to May 8, 2015 were extinguished for no consideration. Subsequent to the Recapitalization, the Board of Directors terminated the share unit plan.

17.4 Share-based compensation

For the year ended December 31, (Canadian dollar in thousands)	2015	2014
Stock Option Plan	$518	$574
Share Award Incentive Plan	-	15
Share Unit Plan	119	172
Total share-based compensation	$637	$761

18. FINANCE CHARGES

For the year ended December 31, (Canadian dollar in thousands)	2015	2014
Interest expense on long-term debt:		
Senior Notes	$34,133	$88,984
Amended Term Loan Facility	18,601	6,944
Credit Facility	-	1,277
Convertible Notes	4,048	-
Amortization of transaction costs relating to the Credit Facility	-	190
Standby fees relating to the Credit Facility	-	221
Bank charges and other fees	291	782
Unwinding of discount on decommissioning liabilities (note 14)	1,476	1,591
Total finance charges	$58,549	$99,989

19. FOREIGN EXCHANGE LOSS (GAIN)

For the year ended December 31, (Canadian dollar in thousands)	2015	2014
Unrealized foreign exchange loss (gain) on translation of:		
US dollar denominated long-term debt	$58,394	$58,508
Foreign currency denominated cash balances	(6,104)	(718)
Other foreign currency denominated monetary items	(836)	42
Unrealized foreign exchange loss	$51,454	$57,832
Realized foreign exchange gain	(2,330)	(230)
Net foreign exchange loss	$49,124	$57,602

20. LOSS (GAIN) ON DERECOGNITION AND DISPOSITION OF ASSETS

The following table shows the loss (gain) on derecognition and disposition of assets:

For the year ended December 31, (Canadian dollar in thousands)	2015	2014
Loss on derecognition of property, plant, and equipment	$1,853	$2,888
Loss (gain) on disposition of property, plant, and equipment	(15)	662
Loss (gain) on disposition of assets	$1,838	$3,550

21. CAPITAL MANAGEMENT

In managing capital, the Company seeks to safeguard its ability to operate as a going concern while continuing to pursue the development of its *in situ* oil sands properties.

In the current low price commodity environment, the Company will continue to actively monitor its working capital balances and deploy capital prudently to maximize its liquidity position to and ensure it has the ability to make payments on outstanding debt.

Refer to financial statement note 2 for going concern discussion and financial statement note 24 for summary of commitments.

The Company's current capital structure is summarized as follows:

As at December 31, (Canadian dollar in thousands)	2015	2014
Long-term debt [1]	$257,337	$1,091,010
Shareholders' equity	524,097	10,880
Total long-term debt plus equity ("Capitalization")	$781,434	$1,101,890
Long-term debt to Capitalization [2]	33%	99%

(1) Long-term debt is stated at its carrying amount, which is net of transaction costs; includes the current portion of long-term debt.
(2) Calculated as long-term debt divided by the book value of shareholders' equity plus long-term debt.

The long-term debt agreements contain certain provisions which restrict the Company's ability to incur additional indebtedness; pay dividends; process certain payments; and dispose of collateralized assets.

22. CASH FLOW INFORMATION

Changes in non-cash working capital

As at December 31, (Canadian dollar in thousands)	2015	2014
Trade and accrued receivables	$16,825	$11,460
Inventories	781	1,866
Other assets	(4,991)	(8,021)
Trade and accrued payables	(26,680)	(2,333)
Total	$(14,065)	$2,972
Relating to:		
Operations	$(10,231)	$1,529
Investing	(3,834)	1,443
Total	$(14,065)	$2,972

Cash and cash equivalents

As at December 31, (Canadian dollar in thousands)	2015	2014
Cash	$47,235	$87,664
Restricted cash [1]	-	6,500
Total	$47,235	$94,164

(1) At December 31, 2014, the restricted cash related to cash allocated for the payment of the Company's 2014 employee incentive compensation

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel include directors and executive officers of the Company. The compensation paid or payable to key management for services is shown below:

For the year ended December 31, (Canadian dollar in thousands)	2015	2014
Short-term employee benefits, including salaries	$5,032	$4,019
Post-employment benefits	85	162
Other long-term benefits	10	24
Termination payments	2,884	-
Share-based payments	163	348
Total	$8,174	$4,553

The stock options, awards, and units held by key management personnel under the Stock Option Plan, Share Award Incentive Plan, and Share Unit Plan are included below. The Share Award Incentive Plan and Share Unit Plan were terminated by the Board of Directors in 2015.

As at December 31,	2015	2014
Stock options:		
Number of options *(number in 000)*	1,338	8
Weighted average exercise price *($ per share)*	$1.21	$240.00
Weighted average remaining life *(years)*	4.7	3.4
Share units:		
Number of units	-	1,200
Weighted average remaining life *(years)*	-	2.43

The Company has management contracts with executive officers that require the Company to pay a lump sum amount in case of loss of employment under certain circumstances as prescribed in the contracts.

During 2015, the Company incurred legal fees of $2.9 million (2014: $469 thousand) from a law firm of which a director prior to the Recapitalization is a partner. The legal costs incurred were in the normal course of operations and based on the exchange value of the service provided.

24. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At December 31, 2015, the Company is subject to the following commitments:

As at (Canadian dollar in thousands)	2016	2017	2018	2019	2020	> 2020	Total
Operating (1)	$9,706	$8,464	$16	$-	$-	$-	$18,186
Service and Maintenance (2)	2,400	2,400	2,400	2,400	2,400	7,400	19,400
Long-term debt - interest payments (3)(4)	30,566	37,166	18,631	-	-	-	86,363
Long-term debt - principal (3)	2,109	2,109	273,904	-	-	-	278,122
Total commitments	$44,781	$50,139	$294,951	$2,400	$2,400	$7,400	$402,071

(1) Operating commitments relate to rail, vehicle, information technology, and office leasing (net of subleases) arrangements
(2) Service and maintenance commitments pertain to the Company's facilities and equipment
(3) Interest and principal repayments on US dollar-denominated debt are translated at US$1 = $1.3840 and relate to the Company's Convertible Notes and Amended Term Loan Facility
(4) Interest includes PIK interest on the Amended Term Loan Facility. Refer to financial statement note 13.1 for applicable PIK interest rates and time horizons

This is **Exhibit "C"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

CONDENSED INTERIM BALANCE SHEET

(UNAUDITED)

As at (Canadian dollar in thousands)	Notes	March 31, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**$30,503**	$47,235
Trade and accrued receivables		**4,375**	10,653
Inventories		**4,735**	6,046
Other assets		**8,025**	13,895
		47,638	77,829
NON-CURRENT ASSETS			
Property, plant, and equipment	4	**789,275**	794,254
		789,275	794,254
		$836,913	$872,083
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and accrued payables		**$22,503**	$16,535
Current portion of onerous lease obligation	11	**7,413**	-
Current portion of long-term debt	6	**245,039**	2,109
		274,955	18,644
NON-CURRENT LIABILITIES			
Onerous lease obligation	11	**3,012**	-
Long-term debt	6	**-**	255,228
Decommissioning liabilities	7	**77,767**	74,114
		80,779	329,342
SHAREHOLDERS' EQUITY			
Share capital	8	**1,177,556**	1,177,556
Contributed surplus		**41,287**	41,190
Deficit		**(737,664)**	(694,649)
		481,179	524,097
		$836,913	$872,083

Going concern (note 2)

The accompanying notes to the condensed interim financial statements are an integral part of the statements.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

For the three months ended March 31, (Canadian dollar in thousands)	Notes	2016	2015
INCOME			
Revenue, net of royalties		**$11,824**	$53,774
Interest and other income		**57**	133
		11,881	53,907
EXPENSES			
Blending of products sold		**5,943**	21,896
Production and operating expenses		**17,386**	22,300
Transportation and handling costs		**11,196**	21,283
Provision for onerous lease	11	**10,425**	-
General and administrative		**3,982**	5,932
Share-based compensation		**97**	138
Depletion, depreciation, amortization, and impairment	4	**10,032**	25,930
Gain on risk management contracts		**-**	(108)
Foreign exchange loss (gain)		**(12,400)**	68,106
Loss on disposition and derecognition of property, plant, and equipment		**-**	435
Finance charges		**8,235**	27,878
LOSS BEFORE INCOME TAX		**(43,015)**	(139,883)
Income tax provision		**-**	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS		**$(43,015)**	$(139,883)
NET LOSS PER SHARE [1]			
Basic		**$(1.52)**	$(240.00)
Diluted		**$(1.52)**	$(240.00)

(1) The Company is in a net loss position; any effect of stock options and Convertible Note conversion are anti-dilutive

The accompanying notes to the condensed interim financial statements are an integral part of the statements.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

As at March 31, (Canadian dollar in thousands)	Notes	2016	2015
SHARE CAPITAL			
Balance, beginning of period		**$1,177,556**	$622,681
Balance, end of period		**$1,177,556**	$622,681
CONTRIBUTED SURPLUS			
Balance, beginning of period		**$41,190**	$40,553
Share-based compensation		**97**	138
Balance, end of period		**$41,287**	$40,691
DEFICIT			
Balance, beginning of period		**$(694,649)**	$(652,354)
Net loss		**(43,015)**	(139,883)
Balance, end of period		**$(737,664)**	$(792,237)
Total shareholders' equity		**$481,179**	$(128,865)

The accompanying notes to the condensed interim financial statements are an integral part of the statements.

CONDENSED INTERIM STATEMENTS OF CASH FLOW

(UNAUDITED)

For the three months ended March 31, (Canadian dollar in thousands)	Notes	2016	2015
OPERATING			
Loss from operations		**$(43,015)**	$(139,883)
Adjustments for:			
Depletion, depreciation, amortization, and impairment	4	**10,032**	25,930
Provision for onerous lease	11	**10,425**	-
Share-based compensation		**97**	138
Finance charges - non-cash portion		**299**	2,697
Interest expense on long-term debt		**7,610**	24,936
Unrealized gain on risk management contracts		**-**	(1,235)
Unrealized foreign exchange loss (gain)		**(12,262)**	69,774
Loss on disposition and derecognition of property, plant, and equipment	4	**-**	435
Decommissioning liabilities settled	7	**6**	(14)
Changes in non-cash working capital		**13,027**	(16,429)
Cash flow used in operating activities		**(13,781)**	(33,651)
INVESTING			
Expenditures on property, plant, and equipment	4	**(1,381)**	(6,101)
Changes in non-cash working capital		**(421)**	(4,435)
Cash flow used in investing activities		**(1,802)**	(10,536)
FINANCING			
Repayment on borrowings under the Amended Term Loan Facility		**-**	(407)
Interest paid on long-term debt		**-**	(2,774)
Cash flow used in financing activities		**-**	(3,181)
		(15,583)	(47,368)
Foreign exchange gain (loss) on cash balances held in foreign currency		**(1,149)**	2,511
Cash and cash equivalents, beginning of period		**47,235**	94,164
Cash and cash equivalents, end of period		**$30,503**	$49,307

The accompanying notes to the condensed interim financial statements are an integral part of the statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Connacher Oil and Gas Limited ("Connacher" or the "Company") is a public company listed on the Toronto Stock Exchange under the symbol CLC and headquartered in Calgary, Alberta, Canada. The address of the Company's principal office is Suite 900, 322 - 6th Avenue S.W., Calgary, Alberta.

Connacher is an *in situ* oil sands developer, producer, and marketer of bitumen.

2. PROCESS TO REVIEW CAPITAL STRUCTURE AND GOING CONCERN

On March 31, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and certain lenders constituting the "Required Lenders" in respect of US$153.8 million of loans made by the lenders (the "Lenders") under the credit agreement dated as of May 23, 2014 (as amended, restated, supplemented, or otherwise modified from time to time), including as amended pursuant to the Amendment No. 1 dated May 8, 2015 (the "Amended Term Loan Facility"). Under the terms of the Forbearance Agreement, among other things, the Lenders agreed to forbear from exercising enforcement rights and remedies arising from the Company's failure to pay the cash interest and principal payments due on March 31, 2016 until the earlier of April 30, 2016; the occurrence of an event of default under the Amended Term Loan Facility, unrelated to the failure to pay principal and interest due on March 31, 2016; or the occurrence of a default or breach of representation by the Company under the Forbearance Agreement.

On April 30, 2016, the Company entered into a second forbearance agreement (the "Second Forbearance Agreement") which extended the forbearance period until May 16, 2016 and can be found on the Company's SEDAR profile.

The failure to pay the principal payment and the failure to pay cash interest due on March 31, 2016 within the applicable grace period pursuant to the Amended Term Loan Facility both constitute an event of default under the note indenture (the "Convertible Note Indenture") governing the 12% convertible second lien notes due August 31, 2018 (the "Convertible Notes"). The Company is working and will continue to work with an ad hoc committee of the holders of the Convertible Notes during the forbearance period.

The condensed interim financial statements have been prepared on a going concern basis, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Conversely, if the going concern assumption is not appropriate, adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material.

The deterioration of crude oil pricing has constrained the Company's ability to generate positive cash flow from operations. Coupled with the low commodity price environment, the restrictive provisions of the Company's long-term debt arrangements have severely constrained the Company's access to additional financing. As a result, the Company did not discharge the principal and interest payable due on March 31, 2016 related to the Amended Term Loan Facility. Without the injection of new sources of financing and positive cash flow from operations, the Company will be challenged to deploy the capital required to maintain existing reserve and production bases, fund maintenance capital, fund working capital requirements, and will be unable to discharge future obligations as they come due.

The Company continues to investigate, evaluate, and consider possible financing and restructuring alternatives.

One alternative available to the Company is to file for creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). CCAA is a federal insolvency statute that allows an insolvent company, which owes creditors in excess of $5 million, to restructure its business and financial affairs as it stays creditors and others from enforcing rights against the insolvent company.

The aforementioned factors and related uncertainties cast significant doubt about the Company's ability to continue as a going concern.

3. BASIS OF PREPARATION

The condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting and follow the same accounting policies and methods of computation as the most recent annual financial statements.

Certain information and disclosures normally required to be included in notes to the annual financial statements have been condensed or omitted. Accordingly, the condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

3.1 Accounting pronouncements issued but not adopted

The standards and interpretations that are issued but not yet effective up to the date of the issuance of the Company's condensed interim financial statements are discussed below. The Company intends to adopt the following standards and interpretations, if applicable, when they become effective.

IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 will address: the classification and measurement requirements for financial assets and liabilities; a new hedge accounting model; and the impairment of financial instruments. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018; however, early adoption is available. The extent and impact of the adoption of IFRS 9 has not yet been determined.

IFRS 15 - Revenue from Contract with Customers ("IFRS 15")

IFRS 15 will replace IAS 18 - Revenue, IAS 11 - Construction Contracts, and related interpretations. IFRS 15 is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018. The extent and impact of the adoption of IFRS 15 has not been determined.

IFRS 16 - Leases ("IFRS 16")

IFRS 16 will replace IAS 17 - Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases will apply, with required recognition of assets and liabilities for most leases. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. The extent and impact of the adoption of IFRS 16 has not been determined.

4. PROPERTY, PLANT, AND EQUIPMENT ("PP&E")

As at (Canadian dollar in thousands)	Petroleum and natural gas properties	Corporate	Total
Cost			
Balance, December 31, 2015	$1,506,180	$22,598	$1,528,778
Additions	1,301	80	1,381
Change in decommissioning liabilities (note 7)	3,348	-	3,348
Balance, March 31, 2016	**$1,510,829**	**$22,678**	**$1,533,507**

	Petroleum and natural gas properties	Corporate	Total
Accumulated depletion, depreciation, and impairment			
Balance, December 31, 2015	$718,523	$16,001	$734,524
Depletion and depreciation	9,331	377	9,708
Balance, March 31, 2016	**$727,854**	**$16,378**	**$744,232**

Carrying amount of PP&E			
As at December 31, 2015	$787,657	$6,597	$794,254
As at March 31, 2016	**$782,975**	**$6,300**	**$789,275**

Property, plant, and equipment with a carrying cost of $789.3 million (December 31, 2015: $794.3 million) is collateralized to secure long-term debt.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the condensed interim financial statements are categorized within the fair value hierarchy:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; or,
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company assesses the fair value of the Convertible Notes and Amended Term Loan Facility at each reporting date or as needed.

In computing the fair value for these financial instruments, the Company considers various outcomes and multiple variables, including, but not limited to: credit spreads and interest rate spreads. The calculations are complex and require significant judgement around market inputs, which are subject to factors outside of management's control. As such, these values are subject to measurement uncertainty and may not be reflective of values that these financial instruments are settled at.

The following table shows the comparison of the carrying and fair values of the Company's financial instruments by classification:

As at		March 31, 2016		December 31, 2015
(Canadian dollar in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Loans and receivables				
Cash [1]	**$30,503**	**$30,503**	$47,235	$47,235
Trade and accrued receivables [1]	**4,375**	**4,375**	10,653	10,653
Fair value through profit and loss				
Convertible Notes [2]	**45,486**	**45,486**	45,486	45,486
Other liabilities				
Trade and accrued payables [1]	**22,503**	**22,503**	16,535	16,535
Onerous lease provision [1]	**10,425**	**10,425**	-	-
Amended Term Loan Facility [2]	**199,553**	**104,178**	211,851	170,540

(1) The fair values of cash, trade and accrued receivables, and trade and accrued payables approximate the carrying amounts due to the short-term maturity of the instruments
(2) The fair values of long-term debt are based on market information, a Level 2 measurement

6. LONG-TERM DEBT

As at (Canadian dollar in thousands)	March 31, 2016	December 31, 2015
Current portion of Amended Term Loan Facility - principal payments	**$1,977**	$2,109
Amended Term Loan Facility, due May 23, 2018 (US$153.8 million face value)	**197,576**	-
Convertible Notes, 12%, due August 31, 2018 (US$35 million face value) [1][2]	**45,486**	-
Current portion of long-term debt	**245,039**	2,109
Amended Term Loan Facility, due May 23, 2018 (US$153.8 million face value)	**-**	209,742
Convertible Notes, 12%, due August 31, 2018 (US$35 million face value) [1][2]	**-**	45,486
Long-term debt	**$-**	$255,228

On March 31, 2016, the Company entered into the Forbearance Agreement with the Lenders. Under the terms of the Forbearance Agreement, among other things, the Lenders agreed to forbear from exercising enforcement rights and remedies arising from the Company's failure to pay the cash interest and principal payments due on March 31, 2016 until the earlier of April 30, 2016; the occurrence of an event of default under the Amended Term Loan Facility unrelated to the failure to pay principal and interest due on March 31, 2016; or the occurrence of a default or breach of representation by the Company under the Forbearance Agreement.

On April 30, 2016, the Company entered into a Second Forbearance Agreement which extended the forbearance period until May 16, 2016 and can be found on the Company's SEDAR profile.

It is anticipated that upon the expiry of the Second Forbearance Agreement, a resolution to the Company's failure to pay cash interest and principal payments due March 31, 2016 will remain indeterminable. As a result, the Amended Term Loan Facility was reclassified under current liabilities.

The failure to pay the principal payment and the failure to pay cash interest due on March 31, 2016 within the applicable grace period pursuant to the Amended Term Loan Facility both constituted an event of default under the Convertible Note Indenture governing the Convertible Notes. The Company is working and will continue to work with an ad hoc committee of the holders of the Convertible Notes during the forbearance period. As a result of the aforementioned event of default under the Convertible Note Indenture, the Company does not have the unconditional right to defer settlement of the Convertible Notes to August 31, 2018. As a result, the Convertible Notes were reclassified under current liabilities.

7. DECOMMISSIONING LIABILITIES

The following table summarizes the details of decommissioning liabilities:

As at (Canadian dollar in thousands)	March 31, 2016	December 31, 2015
Balance, beginning of period	**$74,114**	$70,174
Liabilities settled	**6**	(14)
Change in estimates	**3,348**	2,478
Unwinding of discount	**299**	1,476
Balance, end of period	**$77,767**	$74,114

8. SHARE CAPITAL

Authorized: unlimited number of common voting shares with no par value

Authorized: unlimited number of first preferred shares with no par value of which none are outstanding

Authorized: unlimited number of second preferred shares with no par value of which none are outstanding

8.1 Issued and outstanding common share capital

		March 31, 2016		December 31, 2015
	Number	**Canadian dollars in thousands**	Number	Canadian dollars in thousands
Balance, beginning of period	**28,328,658**	**$1,177,556**	566,118	$622,681
Convertible Notes exercised	-	-	19,413	14
Common shares repurchased	-	-	(70)	(2)
Shares issued for exchange of the Notes	-	-	27,743,197	554,863
Balance, end of period	**28,328,658**	**$1,177,556**	28,328,658	$1,177,556
Weighted average common shares outstanding basic and diluted	**28,328,658**		18,629,708	

9. STOCK OPTION PLAN, SHARE AWARD INCENTIVE PLAN, AND SHARE UNIT PLAN

9.1 Stock option plan

The following table shows the changes in stock options and the related weighted average exercise prices on a post-consolidation basis:

For the three months ended March 31,		2016		2015 (1)
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**1,337,768**	**$1.21**	21,979	$392.00
Forfeited	-	-	(439)	216.00
Expired	-	-	(2,200)	1,064.00
Outstanding, end of period	**1,337,768**	**$1.21**	19,340	$320.00
Exercisable, end of period	-	-	9,875	$472.00

(1) Balances and amounts for 2015 reflect the 800:1 share consolidation associated with the Company's recapitalization transaction, which closed on May 8, 2015

For the three months ended March 31, 2016 and 2015, no additional stock options were granted.

10. CAPITAL MANAGEMENT

In managing capital, the Company seeks to safeguard its ability to operate as a going concern while continuing to pursue the development of its *in situ* oil sands properties.

In the current low price commodity environment, the Company will continue to actively monitor its working capital balances and deploy capital prudently to maximize its liquidity position.

The long-term debt agreements contain certain provisions which restrict the Company's ability to incur additional indebtedness; pay dividends; process certain payments; and dispose of collateralized assets.

Refer to financial statement note 2 for going concern discussion and the forbearance agreements entered into by the Company and financial statement note 11 for summary of commitments.

11. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At March 31, 2016, the Company is subject to the following commitments:

For the 12 months ending March 31, (Canadian dollar in thousands)	2017	2018	2019	2020	2021	> 2021	Total
Operating (1)	$2,160	$543	$17	$5	$-	$-	$2,725
Service and Maintenance (2)	2,400	2,400	2,400	2,400	2,400	6,800	18,800
Long-term debt - interest payments (3)(4)	30,475	30,664	13,232	-	-	-	74,371
Long-term debt - principal (3)	1,977	1,977	262,807	-	-	-	266,761
Onerous lease (5)	8,502	3,613	259	-	-	-	12,374
Total commitments	$45,514	$39,197	$278,715	$2,405	$2,400	$6,800	$375,031

(1) Operating commitments relate to vehicle, information technology, and office leasing (net of subleases) arrangements
(2) Service and maintenance commitments pertain to the Company's facilities and equipment
(3) Interest and principal repayments on US dollar-denominated debt are translated at US$1 = $1.2971 and relate to the Company's Convertible Notes and Amended Term Loan Facility
(4) Interest includes PIK and cash interest on the Amended Term Loan Facility and cash interest on the Convertible Notes
(5) Onerous lease commitment relates to the Company's undiscounted rail lease and volume commitments

At March 31, 2016, the rail cars under lease were not being utilized; however, the Company was still obligated to make payments. As a result, an onerous lease provision was recorded as the unavoidable costs associated with the lease contract exceeded the economic benefits to be received. The aggregate liability was measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The total provision recorded at March 31, 2016 totaled $10.4 million.

12. SUBSEQUENT EVENT

Subsequent to March 31, 2016, the Company was provided with a notice of default as it failed to pre-pay for expenses related to a transloading and transportation management agreement.

The agreement extends into 2018 and includes monthly costs of approximately US$600 thousand and is recorded in financial statement note 11 under onerous lease.

At May 10, 2016, a resolution related to the event of default is indeterminable.

This is **Exhibit "D"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

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A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

Connacher
OIL AND GAS LIMITED

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2015

March 29, 2016

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FORWARD LOOKING INFORMATION

Certain statements in this Annual Information Form are "forward looking information" within the meaning of applicable securities laws. Forward looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "scheduled", "potential", "will", "indicate", "focus", "vision", "goal", "outlook", "proposed", "target", "objective", or other similar words, or statements that certain events or conditions "may", "should" or "could" occur. Forward looking information is based on the Company's expectations regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward looking information reflects the Company's current beliefs and assumptions and is based on information currently available to it. Forward looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking information, including risks associated with the impact of general economic conditions, industry conditions, governmental regulation, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the Company's ability to access sufficient capital from internal and external sources, the risks discussed under "Risk Factors" and elsewhere in this Annual Information Form and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Although the forward looking information contained in this Annual Information Form is based upon assumptions which the Company believes to be reasonable, the Company cannot make assurances that actual results will be consistent with such forward looking information. Such forward looking information is made as of the date of this Annual Information Form, and the Company assumes no obligation to update or revise it to reflect new events or circumstances, except as required by law. Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Company's securities should not place undue reliance on this forward looking information.

Specific forward looking information contained in this Annual Information Form includes, among others, statements regarding:

- the operation of the Company's facilities, including Pod One and Algar;
- the Company's estimated future bitumen production and the timing associated therewith;
- estimates of the Company's reserves and estimates of the present value of the future net revenue as evaluated by GLJ;
- capital projects including future development and exploration activities in 2016 and beyond;
- the Company's expansion plans for its properties, including the timing thereof and the expected increases in production and revenues attributable to such expansion plans;
- the sources of funding and timing of funding of future development costs;
- the timing of the expected expiration of certain of the Company's rights to explore, develop and exploit certain of its acreage;
- the expected timing of asset retirement obligations;
- the Company's anticipated future maintenance capital costs and the sources of funding and timing of funding of such costs;
- the Company's ability to market products successfully to its current and anticipated customers;
- the Company's expectations regarding future activity levels in the Canadian oil sands and

the possible impact thereof on the price of equipment and services and the availability of skilled labor;

- the Company's expectations regarding the future price discount of heavy crude oil compared to light crude oil and the price of natural gas and the anticipated impact thereof on the Canadian oil and gas industry;
- future economic conditions, including future interest rates and commodity pricing in Canada and internationally;
- future regulations which may come into effect and the costs and other impacts of such regulations, governmental controls and applicable royalty rates on the Company's operations;
- the Company's plans for the transportation of the bitumen it produces and availability of additional rail cars, trucking and pipeline options to transport dilbit;
- the Company's competitive advantages and ability to compete successfully; and
- the Company's expectations regarding the development and production potential of its properties.

With respect to forward looking information contained in this Annual Information Form, the Company has made assumptions regarding, among other things:

- unanticipated operating events which can reduce production or cause production to be shut in or delayed or operating costs to increase;
- production rates and production decline rates;
- the Company's ability to recover reserves;
- the Company's ability to optimize operating costs;
- the capacity of the Company's trucking facilities to meet future transportation requirements;
- the capability of the CoGen facility to meet a portion of future power needs for its oil sands operations at Great Divide;
- future development costs;
- future heavy oil differentials, interest rates and foreign exchange rates;
- future royalty and taxation rates;
- the cost of expanding and maintaining the Company's property holdings;
- well abandonment costs and salvage values;
- the Company's ability to obtain qualified staffing and equipment in a timely and cost-efficient manner to meet its demand;
- the timing for receipt of required regulatory approvals to proceed with future projects;
- continued compliance with existing regulatory and environmental approvals or future changes or modifications to those approvals;
- the impact of increasing competition; and
- the Company's ability to obtain financing on acceptable terms.

Many of the foregoing assumptions are subject to change and are beyond the Company's control. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the forward looking information include:

- the decline of dilbit prices or the increase of diluent prices;
- changes in the differential pricing between heavy/light and sweet/sour crude oil;
- the uncertainty of the Company's ability to attract capital and the adequacy of the Company's liquidity;
- restrictions or unavailability of credit or other capital to finance the Company's business plan;
- general economic conditions in Canada, the US and globally;
- currency and interest rate fluctuations;
- difficulties encountered in delivering diluent to the Company's oil sands project at Great Divide and dilbit to commercial markets;
- changes in, or the introduction of new, government regulations relating to the business of the Company;
- difficulties or interruptions encountered and additional costs incurred during the production of bitumen;

- inflationary pressures on operating costs, including labor, natural gas and other energy sources used in oil sands processes;
- inefficiencies, curtailments or shutdown of the Pod One or Algar production facilities, including the impact on SORs on its SAGD operations;
- the Company's ability to hire and retain skilled staff and contractors;
- the availability of required equipment and services;
- imprecision in estimated capital expenditures as well as potential delays or changes in plans with respect to exploration and development projects or capital expenditures;
- performance and availability or curtailment of facilities owned by third parties;
- the Company's ability to complete projects, including planned maintenance events, both on time and on budget, which could be impacted by competition from other projects (including other oil sands projects) for goods and services and demands on infrastructure in Alberta's Fort McMurray region and the surrounding area (including housing, roads and schools);
- costs associated with producing bitumen;
- the impact of competition;
- the need to obtain required approvals and permits from regulatory authorities;
- liabilities stemming from damage to the environment, or to third persons;
- compliance with and liabilities under environmental laws and regulations;
- the uncertainty of estimates by GLJ with respect to the Company's reserves;
- changes in customer demand;
- impacts of fossil fuel combustion on climate change, including potential impact on demand for or regulation of the Company's products;
- failure to obtain third party consents and approvals, when required;
- changes to the royalty regime in respect of the Company's bitumen production;
- the impact of amendments to the income tax laws or government incentive programs on the Company; and
- stock market volatility and the basis of market valuations.

In addition, design capacity is not necessarily indicative of the stabilized production levels that may ultimately be achieved at the Company's SAGD facilities. Moreover, reported average or instantaneous production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this Annual Information Form due to, among other factors, difficulties or interruptions encountered during the production of bitumen or other hydrocarbons.

The information contained in this Annual Information Form, including the information provided under the heading "Risk Factors", identifies additional factors that could affect the Company's operating results and performance. Statements relating to "reserves" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Information relating to bitumen reserves is provided under the heading "Reserves" in this Annual Information Form.

Forward looking information is expressly qualified in its entirety by this cautionary statement.

ABBREVIATIONS AND TECHNICAL TERMS

In this Annual Information Form, the terms and abbreviations set forth below have the following meanings:

"bbl"	Barrels	**"Mbbl"**	One thousand barrels
"bbl/d"	Barrels per day	**"MMbbl"**	One million barrels
"boe"	Barrels of oil equivalent	**"Mboe"**	One thousand barrels of oil equivalent
"boe/d"	Barrels of oil equivalent per day	**"Mcf"**	One thousand cubic feet
"bopd"	Barrels of oil per day	**"Mcf/d"**	One thousand cubic feet per day
"$M"	Thousands of Canadian dollars	**"MMcf"**	One million cubic feet
"$MM"	Millions of Canadian dollars	**"US$"**	United States dollars
"m"	Metres	**"WTI"**	West Texas Intermediate

Note: For the purposes of this document, six Mcf of natural gas equals one bbl of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf per bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

"**1P**" means the proved reserve category, as defined in the COGE Handbook;

"**2P**" means the proved plus probable reserve category, as defined in the COGE Handbook;

"**3D**" means three-dimensional;

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereto, as now in effect and as it may be amended from time to time;

"**AER**" means the Alberta Energy Regulator;

"**Algar**" means the Company's second SAGD bitumen facility and related wells located at Great Divide;

"**ArrangeCo**" means 9171665 Canada Ltd, a corporation incorporated under the laws of Canada;

"**ASC**" means the Alberta Securities Commission;

"**Avenue Funds**" means funds and accounts managed by Avenue Capital Management II, L.P.;

"**Backstop Agreement**" means the backstop agreement dated as of January 30, 2015 among Connacher and the Backstoppers, pursuant to which the Backstoppers agreed to (i) acquire any of the Convertible Notes not otherwise purchased by eligible Prior Noteholders pursuant to the Convertible Notes Offering, and (ii) fund the Additional Commitments under the Amended Fist Lien Term Loan Facility Credit Agreement;

"**Backstoppers**" means those Prior Noteholders who entered into the Backstop Agreement;

"**BCSC**" means the British Columbia Securities Commission;

"**CAPP**" means the Canadian Association of Petroleum Producers;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations thereto, as now in effect and as it may be amended from time to time;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining Metallurgy & Petroleum (Petroleum Society);

"**CoGen facility**" means the Company's cogeneration plant at Algar;

"**Committed Subscribing Initial Consenting Noteholders**" means the holders of the Old Notes who executed the Support Agreement on or before January 30, 2015 and who agreed to subscribe for and purchase from the Company their pro rata share of the Convertible Notes pursuant to the Convertible Notes Offering;

"**Common Share Consolidation**" means the consolidation of the Common Shares on the basis of 800 exisitng Common Shares for one new Common Share;

"**Common Shares**" means the common shares in the capital of Connacher;

"**Connacher**" means Connacher Oil and Gas Limited;

"**Connacher GLJ Report**" means the independent reserves report, prepared by GLJ Petroleum Consultants Ltd. (**"GLJ"**), effective December 31, 2015;

"**Continuance**" means the continuation of Connacher from the ABCA to the CBCA pursuant to Section 189 of the ABCA;

"**Convertible Notes**" means the US$35 million aggregate principal amount of 12% convertible second lien secured notes of Connacher due August 31, 2018;

"**Convertible Notes Offering**" means the offering of US$35 million aggregate principal amount of Convertible Notes maturing on August 31, 2018 to eligible Prior Noteholders;

"**Convertible Note Indenture**" means the trust indenture between Connacher and the trustee dated May 8, 2015, which governs the Convertible Notes;

"**Company**" means Connacher;

"**dilbit**" means diluted bitumen;

"**First Lien Term Loan**" means the First Lien Credit Agreement among Connacher, as borrower, Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the lenders party thereto dated May 23, 2014;

"**Great Divide Expansion Project**" means the approved plan to expand SAGD bitumen production capacity at Great Divide, initially from notional 20,000 bbl/d of capacity to 44,000 bbl/d of capacity;

"**Implementation Date**" means May 8, 2015, being the date shown on the Certificate of Arrangement issued by the Director under the CBCA;

"**Information Circular**" means the management information circular dated February 20, 2015;

"**Initial Consenting Noteholders**" means those Prior Noteholders who entered into the Support Agreement on or before January 30, 2015;

"**Modified Plan**" means the modified plan prepared by Connacher in respect of the Great Divide Expansion Project;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**Old Notes**" means the $350 million principal amount of 8¾% senior secured notes of Connacher due August 1, 2018 and the US$550 million principal amount of 8½% senior secured notes of Connacher due August 1, 2019;

"**Prior Noteholders**" means the holders of the Old Notes;

"**Pod One**" means the Company's first SAGD bitumen facility and related wells located at Great Divide;

"**RCE program**" means CAPP's Responsible Canadian Energy program;

"**Recapitalization**" included, among other things:

(a) The exchange of approximately $1.0 billion of the Company's debt for Common Shares, including accrued and unpaid interest;

(b) The issuance by the Company of US$35 million aggregate principal amount of Convertible Notes due August 31, 2018;

(c) Amendments to the existing first lien term loan credit agreement dated May 23, 2014 to increase the total commitments to provide for loans in the aggregate principal amount of the US$24,770,869.46 (equivalent of C$30 million) (the "**Additional Commitments**") to replace the Company's existing Revolving Credit Facility (the "**Amended First Lien Term Loan Facility Credit Agreement**");

(d) The Common Share Consolidation; and

(e) The Continuance.

"**Refinery**" means the 9,500 bbl/d heavy crude oil refinery located at Great Falls, Montana;

"**Revolving Credit Facility**" means the Amended and Restated Senior Secured Revolving Facility among Connacher, as borrower, Royal Bank of Canada, as administrative agent, and the lenders named therein, dated May 31, 2011;

"**SAGD**" means steam-assisted gravity drainage;

"**SAGD+® Process**" is a registered trademark referring to Connacher's recovery process that co-injects solvent and steam;

"**SOR**" means steam-oil ratio;

"**Support Agreement**" means the support agreement dated as of January 30, 2015 among Connacher and the Initial Consenting Noteholders, including the restructuring term sheet appended thereto, pursuant to which such Initial Consenting Noteholders agreed to support and vote in favour of the Recapitalization on the terms and conditions set forth therein, as the same may be amended or restated from time to time in accordance with its terms;

"**TSX**" means the Toronto Stock Exchange;

"**TSX-V**" means the TSX Venture Exchange; and

"**US**" means the United States of America.

In this Annual Information Form, references to "dollars" and "$" are to the currency of Canada, unless otherwise indicated.

Capitalized terms used herein, and not otherwise defined, have the meanings ascribed to them in the Abbreviations and Technical Terms, which begins on page 5.

THE COMPANY

Incorporation and Organization

Connacher was formed on July 3, 1997 through the amalgamation, pursuant to the ABCA, of Petro Power Energy Inc. and Justinian Explorations Ltd. and continued as Justinian Explorations Ltd., a public corporation listed on the TSX-V. On January 23, 2001, the outstanding shares were consolidated on a ten-for-one basis and the name of the Company was changed to "Connacher Oil and Gas Limited". Trading in the Common

Shares under the symbol "CLL" commenced on the TSX-V on March 23, 2001. This listing was surrendered on August 1, 2003 when the Company graduated to, and commenced trading on, the TSX. The Company was continued from the ABCA to the CBCA on March 30, 2015. The Company then amalgamated with ArrangeCo and continued as "Connacher Oil and Gas Limited" on May 8, 2015. Subsequent to the closing of the Recapitalization, trading on the TSX under the symbol "CLC" commenced on May 14, 2015.

The Company has its head and principal office at Suite 900, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2 and its registered office at 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2.

General Development of the Company

Connacher is an oil company engaged in the exploration for, and the development, production and marketing of bitumen. The Company's principal asset is its 100 per cent working interest in approximately 87,000 net acres of oil sands leases. These are primarily situated in the Great Divide, as well as Thornbury and Quigley lands, which are all situated southwest of Fort McMurray, Alberta. The Company's oil sands production utilizes the SAGD extraction method. Connacher is not engaged in oil sands mining.

The Company's first two SAGD projects at Great Divide, Pod One and Algar, are currently producing. During the past three years, the primary focus of the Company has been continued production and optimization of both Great Divide facilities. In addition, exploration and delineation core hole drilling and 3D seismic programs have been conducted in support of the Great Divide Expansion Project. The Company received AER approval of the Great Divide Expansion Project in September 2012. Connacher has recently modified the Great Divide Expansion Project, which is reflected in the Modified Plan, which has been incorporated into the Connacher GLJ Report. The Modified Plan is comprised of expansions to the existing Algar and Pod One plants and a new 12,000 bbl/d plant adjacent to the existing Algar plant. The Modified Plan is subject to approval of the AER, by way of an amendment to the existing AER approvals.

Prior to October 2012 Connacher was an integrated oil company engaged in the exploration for, and the development, production, refining and marketing of bitumen, crude oil, natural gas and refined products. In addition to its oil sands assets, the Company owned and operated the Refinery and owned conventional producing crude oil and natural gas properties in Alberta and Saskatchewan. In connection with its strategic alternatives process, the Company sold the Refinery and its conventional oil and gas properties, thus focusing its business solely on its oil sands assets.

The following is a general description of the development of the business of the Company over the past three years.

In January 2013, the Revolving Credit Facility was renewed with a borrowing base set at $95 million.

Following an extensive executive search process led by the Chair of the Company's Human Resources Committee, the Company announced the appointment of Mr. Christopher Bloomer as the Company's Chief Executive Officer, effective April 11, 2013.

In June 2013, Jesse Beaudry was appointed Vice President, Marketing and Transportation Logistics. In September 2013, Suzanne Loov was appointed Corporate Secretary in addition to her role as General Counsel.

Beyond the basic SAGD process, the Company received regulatory approval in 2013 for the injection of solvent with steam (**SAGD+®** Process) into all well pairs at Algar. Recent tests have shown that the **SAGD+®** Process increases well productivity and reduces the amount of steam required to produce a barrel of oil.

Also in 2013, the Company received regulatory approval to co-inject methane with steam at Pod One for reservoir pressure support at Pod One.

During 2013 and 2014, the Company focussed its efforts on improving operational efficiencies and optimizing production at Pod One and Algar. During 2013, the Company completed the drilling of four infill wells on Pad 102 and four new well pairs at Pad 104. The infill wells were placed on production during the third quarter of 2013 and the new wells were placed on production in January 2014. During 2014, nine new infill wells were drilled at Pod One and the Company advanced its **SAGD+®** Process commercial project at Algar and the mini-steam expansion project at Pod One. During 2014, five of the new infill wells were placed on production. The Company achieved record bitumen production for the year ended 2014, with average production of 14,139 bbl/d. Production for the fourth quarter of 2014 averaged 15,250 bbl/d. Asset reliability, coupled with the 2014 infill well drilling program, was a large contributor to these results.

In January 2014, Mr. Glen Roane was appointed to the Board of Directors of Connacher. In October 2014, Messrs. Leigh Cassidy and Daryl Gilbert were appointed to the Board of Directors of Connacher. These appointments, which were part of a Board renewal process, increased the number of independent directors and augmented the expertise of the Board.

In May 2014, the Company closed the First Lien Term Loan financing, in an aggregate principal amount of US$128.4 million (equivalent of $140 million).

In addition, in May 2014, the Company obtained lender consent to amend and restate the existing Revolving Credit Facility to $30 million and extend the maturity date to December 31, 2016.

In October 2014, Connacher's Board of Directors obtained proposals from and met with several investment banking firms to select a financial advisor to assist the Board of Directors in evaluating various alternatives available to address the Company's liquidity and capital structure. In November 2014, Connacher retained BMO Capital Markets as its financial advisor to assist Connacher in devising and implementing a strategy to address Connacher's liquidity and capital structure. This mandate was expanded in January 2015 to include a strategic process that could involve a sale of Connacher or all or any portion of its assets.

On January 18, 2015, the Company received a recapitalization proposal. From January 19 through January 30, management of Connacher, together with BMO Capital Markets, engaged in negotiations that culminated in the Recapitalization which was completed on May 8, 2015.

Mr. Boland resigned as a director of the Company on January 28, 2015.

Messrs. Bessell and Roane ceased serving as directors of the Company on March 30, 2015.

Mr. Evans ceased serving as a director of the Company on April 28, 2015.

The Recapitalization included the following elements:

(a) The exchange of approximately $1.0 billion of Connacher's debt for Common Shares, including accrued and unpaid interest;
(b) The issuance by Connacher of the Convertible Notes;
(c) Amendments to the existing First Lien Term Loan dated May 23, 2014 to increase the total commitments to provide for the Additional Commitments to replace Connacher's existing Revolving Credit Facility;
(d) The Continuance; and
(e) The Consolidation.

In connection with the completion of the Recapitalization, Mrs. Kennedy and Messrs. Cassidy, Mihaichuk and Ogle resigned from the Board of Directors of the Company effective May 8, 2015 and Gene Davis, Brent de Jong and Scott Pearl were appointed to the Board of Directors.

Mr. Dreisinger was appointed to the Board of Directors on May 31, 2015. Messrs. Hammerman and Vasilyev were appointed to the Board of Directors on October 16, 2015.

In November, 2015, Connacher announced that Jeff Beeston would assume the role of Vice President of Finance and Interim Chief Financial Officer of the Company, effective November 18, 2015, replacing Mr. Pollard who ceased serving as Chief Financial Officer effective November 15, 2015.

In December, 2015, Connacher announced that Merle Johnson would assume the role of Chief Executive Officer and a director of the Company effective December 4, 2015, replacing Mr. de Jong who resigned as the Company's Chief Executive Officer and as a director effective December 4, 2015.

In 2016, the Company's board of directors initiated a process to investigate, evaluate, and consider possible financing and restructuring alternatives available to the Company and formed a special committee to assist with the process. In addition, in accordance with the terms and conditions of the issuance of the Convertible Notes, the Company exercised its right to defer the cash payment of interest payable on March 31, 2016 until June 30, 2016 (or such other interest payment date as Connacher may subsequently elect).

Oil Sands Seasonality and Other Factors

The Company's oil sands activities at Great Divide are located in Northern Alberta where work is often difficult as extreme cold temperatures can adversely affect the performance of facilities and infrastructure and limit the time that individuals can work in exposed areas. Accordingly, this may impact operating and capital costs if operational upsets occur. A large proportion of operating expenses are fixed and, as such, unit operating expenses fluctuate with changes in production volumes. Therefore, maintenance and turnaround activities are typically scheduled to avoid the winter months. However, the exact timing of unit shutdowns cannot be accurately scheduled and unplanned outages occur. Drilling operations are generally preferred in the winter months; however, in certain areas of Great Divide all year drilling can take place.

BUSINESS OF THE COMPANY

Connacher is an oil company engaged in the exploration for, and the development, production and marketing of bitumen. The Company owns and operates 136 gross and net sections of oil sands leases (87,040 gross and net acres) and 166.5 gross sections (125.4 net sections or 80,256 net acres) of petroleum and natural gas rights in Great Divide, Thornbury and Quigley, all southwest of Fort McMurray, Alberta. Connacher utilizes SAGD technology to extract bitumen from oil sands formations at Great Divide, which are located approximately 475 m below the surface of its leases. Connacher is not engaged in oil sands mining.

Great Divide, Alberta

The Company has two existing SAGD projects at Great Divide, Pod One and Algar.

Pod One

Construction of Pod One was completed in August 2007 and Pod One has been producing commercially since March 1, 2008. A total of 23 SAGD well pairs have been drilled to date from three well pads located at Pod One, including four SAGD well pairs drilled in 2013 from a new well pad, Pad 104. Pod One has a steam generation design capacity of 27,000 bbl/d. Approximately 19.8 MMbbl of bitumen have been produced from Pod One since its start-up in August 2007. In addition to the SADG well pairs, Connacher has drilled 13 infill wells at Pod One and as of December 31, 2015, 12 of these wells were producing bitumen.

Trucking facilities are also located at Pod One and in October 2010, the Pod One trucking terminal expansion was completed and commissioned into service. Concurrently, the Company's dilbit/diluent transfer line connecting Algar and Pod One was activated to allow the coordination of all marketing operations from Pod One. With the trucking terminal expansion, Connacher is able to handle approximately 22,680 bbl/d of dilbit volumes at this facility.

Algar

Construction of Algar was completed in April 2010, full SAGD production commenced in early August 2010 and commerciality was achieved on October 1, 2010. A total of 18 SAGD well pairs, including the well pair on Pad 202-1, re-drilled in January 2013, have been drilled to date from two well pads located at Algar. Algar has a steam generation design capacity of approximately 30,000 bbl/d. The site was also prepared to allow for expansion to up to 34,000 bbl/d of bitumen production in subsequent years upon the investment of additional capital for plant expansion and the drilling of new SAGD well pairs. Approximately 11.9 MMbbl of bitumen have been produced from Algar since its start-up in August 2010.

Connacher completed a two well injection trial of the **SAGD+®** Process from July 2011 to November 2011 which evidenced increases in production and reductions in SOR for the two test wells. A second test of the **SAGD+®** Process was conducted from May 2012 to May 2015. Based on the results of these tests the Company has received approval for and has initiated a commercial **SAGD+®** Process on all the SAGD well pairs at Algar. The anticipated additional bitumen volumes from this **SAGD+®** Process are included in the Connacher GLJ Report as 2P reserves.

In early September 2010, the Company began generating power from its CoGen facility. The CoGen facility supplies approximately 80 to 90 per cent of the electricity to both Pod One and Algar. Steam produced by the CoGen facility supplements some of Algar's steam requirements. Having a reliable source of power from which to generate consistent steam and steam injection is critical to improving the level and consistency of production at Pod One and Algar.

Great Divide Expansion Project

Exploration and delineation core hole drilling and 3D seismic programs have been conducted in support of the Great Divide Expansion Project and Modified Plan. The Company received AER approval of the Great Divide Expansion Project in September 2012. The Great Divide Expansion Project comprises two 12,000 bbl/d plants built on the existing Algar plant site. Connacher has done some preliminary engineering on the Modified Plan, which has been incorporated into the Connacher GLJ Report. The Modified Plan is comprised of expansions to the existing Algar and Pod One plants and a new 12,000 bbl/d plant adjacent to the existing Algar plant. The Modified Plan is subject to approval of the AER, by way of an amendment to the existing AER approvals. Completion of the Modified Plan is subject to numerous risks and uncertainties. See "Forward Looking Information" and "Risk Factors".

Reserves at Great Divide

The Connacher GLJ Report estimates the Company's 1P and 2P gross bitumen reserves in Great Divide to be 214 MMbbls and 436 MMbbls, respectively. See "Reserves".

SAGD Process

Connacher uses SAGD technology to extract bitumen from oil sands formations, which are located approximately 475 m below the surface. This *in situ* extraction methodology has been used for more than 20 years on a commercial basis and is now being widely applied in the Athabasca oil sands region where Connacher's projects are located.

SAGD typically involves drilling a pair of horizontal wells that run for approximately 600 to 800 m. The upper well of the well pair is the steam injection well and the producing well is generally located five m below it, at or near the base of the bitumen reservoir. In the Company's projects, steam is generated on-site using locally available non-potable subsurface water heated by natural gas-fired boilers. Steam is continuously injected through the upper well into the reservoir and a steam chamber is created to heat the oil sands and liberate the bitumen. The heated bitumen then drains by gravity into the lower horizontal well and is brought to the surface as an emulsion comprised of hot water and bitumen.

After the produced bitumen and water emulsion is recovered on the surface, the fluids are piped to a central plant where the water and other contaminants are removed from the bitumen. Over 95 per cent of the water recovered is recycled through the Company's evaporators and sent to the boilers, with minimal amounts of makeup water, to create more steam. The amount of steam required is largely a function of the quality of the reservoir being developed and results in a SOR that is calculated by dividing the number of barrels of steam produced by the bitumen produced over time. As of December 31, 2015, cumulative SORs at Pod One and Algar were 3.8 and 4.6, respectively.

After the water and other contaminants are removed from the produced emulsion, the produced bitumen is blended on-site with diluent to become less viscous, creating dilbit for delivery to market, either by truck, rail or pipeline.

Marketing and Logistics

Connacher currently transports its dilbit by truck as there is no pipeline connection to Great Divide. Dilbit sales are made to a variety of customers both intra-Alberta, served by truck, and outside of Alberta by railcar in order to secure the best market price available for its dilbit, net of transportation and diluent blending costs.

Connacher maintains a variety of options to sell its product, including a leased rail fleet of over 300 rail cars and additional contracts with counterparties who purchase dilbit in their own rail cars. Connacher has also acquired 23 super-b trailers to further strengthen its transportation capabilities. These options allow access to remote but favourably-priced markets for Connacher's dilbit throughout North America thereby delivering competitive netbacks. This initiative reduces Connacher's reliance on local market buyers of dilbit and thus further reduces single market pricing risk.

Connacher is engaged in the development of proposed changes to regulation and more stringent requirements in regards to transport of petroleum crude by rail both in Canada and the US. The specific regulatory changes that Connacher is interested in are regarding the classification of the product and means of containment for transportation. Connacher is in compliance with all current regulations and is staying abreast of upcoming amendments and additional requirements in regards to classification of its product and required containment for transfer by rail.

Oil Sands Leases and Royalties

The primary term of Connacher's oil sands leases, which were mostly acquired in or subsequent to 2004, is 15 years. An oil sands lease may be continued if it meets the minimum level of evaluation ("**MLE**") as determined by the Province of Alberta or by production. An application for continuation may be made during the last year of the term of the lease or at any time during the lease with the consent of the Minister of Energy for the Province of Alberta. The MLE consists of two options: (i) one well per section is drilled in a pattern that evaluates the lease with core data obtained for 25 per cent of the wells drilled; or (ii) wells are drilled in 60 per cent of the sections in a pattern that evaluates the lease with core data obtained for 25 per cent of the wells drilled along with seismic data tied to the wells. Production validates a lease and holds acreage through to abandonment.

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. The current oil sands royalty regulation is applied individually to each project and is based on sliding scale rates that move in relation to the WTI crude oil price (as converted to Canadian dollars) depending on the payout status of the specific project. Payout is determined to have been reached when a project's cumulative revenues exceed cumulative specified allowed costs for the first time. Prior to payout, the oil sands royalty is calculated on gross revenues, less diluent and handling costs, multiplied by a royalty rate that starts at one per cent and increases for every dollar that WTI is priced above $55 per barrel to a maximum of nine per cent when WTI is $120 per barrel or higher. Once a project reaches payout, the royalty is calculated based on the greater of: the pre-payout formula and the post-payout royalty, which is calculated based on gross revenue less diluent, handling and specified allowed costs (including most but not all operating expenses and capital expenditures directly associated with the project) multiplied by a royalty rate that starts at 25 per cent and increases for every dollar WTI is above $55 per barrel to 40 per cent when WTI is $120 per barrel or higher. Connacher's oil sands projects have not reached payout as of December 31, 2015.

Environmental Impact of the Company's Business

Environmental best-management practices that meet or exceed applicable regulations are being implemented throughout the organization, while compliance monitoring, management, and awareness programs continue to be enhanced to ensure that business activities remain consistent with rapid regulatory and/or legislative changes.

Water - Using and Reusing Water Responsibly

In accordance with applicable regulations, Connacher is required to recycle at least 90 per cent of the water used for its bitumen extraction process, with the balance being comprised of make-up water. Connacher continues to recycle up to 98 per cent of the water the Company uses to make steam. Connacher's in-situ production process uses non-potable make-up water, which is drawn from a deep, subsurface aquifer and is unsuitable for drinking or irrigation. Connacher's production process draws no water from any rivers, lakes, or streams, nor is any used water ever discharged into these types of water bodies.

Wildlife - Supporting and Monitoring Wildlife

Connacher believes that the development of bitumen resources should not occur at the expense of the wildlife populations that inhabit the area. Through a novel and holistic approach that fully integrates the monitoring of wildlife, woodland caribou, wetland health and land disturbance restoration, Connacher is able to gain a detailed technical understanding of how wildlife populations are influenced by its development activities. The integrated management approach has the potential to support the objectives of all terrestrial monitoring programs and provide a direct positive influence on future development and site restoration strategies.

Climate Change – Working to Reduce Emissions Intensity

Air emissions are a reality of bitumen production, as they are with most other viable forms of energy generation. The resource industry has a role to play by embracing new technologies and implementing best-practices that hold promise in achieving meaningful reductions in emissions. Connacher also has a role to play. Connacher is utilizing several strategies to reduce its overall emissions intensity, including:

- The Algar CoGen facility, enables the Company to be more self-sufficient for its electricity requirements, reduces demand for electricity from Alberta's power grid and generates steam that is used in the SAGD process;
- Connacher's **SAGD+®** Process, introduces a solvent mixture that is co-injected with steam to reduce the SOR, increasing the energy efficiency of *in situ* bitumen recovery and lowering the greenhouse gas ("**GHG**") emissions intensity; and
- Drilling infill wells, which require less steam than a conventional SAGD well pair, to enhance bitumen extraction between existing SAGD producing wells, with reduced emissions intensity.

Connacher has received AER approval for the co-injection of non-condensable gas ("**NCG**") with steam at Pod One. The co-injection of NCG with steam can lower SOR, and in turn, reduce GHG emissions intensity.

Land - Keeping a Minimal Footprint

Since Connacher is an in-situ bitumen producer, it does not require tailings ponds as part of its production process. Connacher's SAGD production operations allow it to access large subsurface bitumen deposits from a few strategically placed well pads. Due in large part to the use of state-of-the-art directional drilling technologies and bitumen recovery processes, the natural landscape directly above a bitumen deposit requires little-to-no permanent disturbance in order to extract the resource. Those land areas that are disturbed are done so while adhering to the philosophy of minimal disturbance and timely reclamation. Connacher's facilities are compact in size and efficient in design, thereby minimizing the amount of land disturbance necessary to accommodate them.

Social Responsibility and the Company's Business

Aboriginal Relations

The Company has been actively involved with the Aboriginal communities located in proximity to its operations. Connacher engages these communities and continues to review existing processes to ensure each First Nation and Métis community, and their members, have access to all available information concerning Connacher's activities in the region. Connacher continues to follow the process adopted from the onset of the Corporation's activity to ensure that the Company adheres to the following principles in its consultation process:

- recognize that each First Nation and Métis community has its own manner of doing business and therefore Connacher has developed a process specifically designed for each community;
- consultation and the resultant programs and policies are based on a long-term, mutually beneficial relationship that will continue until the property development life cycle and reclamation are complete;
- consultation will be completed in a timely manner that recognizes the busy schedules of all the Aboriginal communities, their members and advisors and information provided will be understandable;
- records of meetings, open houses and informal discussions will be compiled, as required, and information that is appropriate will be incorporated in the technical and regulatory plans of the project;
- information that is gathered during consultation that is proprietary will be treated as such; and
- consultation with the Aboriginal communities will comply with all Consultation Guidelines as outlined by the Province of Alberta.

Connacher will continue to work with the Government of Alberta, First Nation and Métis communities to ensure that meaningful consultation occurs in a timely manner and that any changes within the Alberta Consultation Guidelines are met.

Health and Safety

Connacher is committed to protecting the health and safety of its employees, contractors, and the public, while preserving the quality of the environment in which it operates. Connacher's business plan and operating standards provide the vision and strategy to manage Connacher's risks and liabilities and the tools needed to implement the practices and procedures that enable us to meet its performance goals.

Connacher's health and safety department provides employees with guidance, coaching, and training on how to interpret and apply the Company's established health and safety processes, policies, and rules consistently and accurately.

RESERVES

Connacher engaged GLJ to prepare the Connacher GLJ Report relating to the Company's bitumen reserves as at December 31, 2015. The Connacher GLJ Report is dated December 31, 2015. The information set forth below relating to the Company's *in situ* bitumen reserves constitute forward looking information which is subject to certain risks and uncertainties. See "Forward Looking Information" and "Risk Factors".

Connacher's bitumen reserves are located in the Great Divide region near Fort McMurray, Alberta. Bitumen reserves have been assigned to Pod One, Algar and to the Modified Plan in the 1P and 2P categories. The Connacher GLJ Report assumed 236 SAGD well pairs to be drilled for the 1P case and 431 SAGD well pairs for the 2P case. The Connacher GLJ Report also assumed 10 infill wells to be drilled for the 1P case and 370 infill wells for the 2P case, these numbers are in addition to existing wells. Cumulative SORs in the 2P case were 2.9 for developments at Pod One, 3.2 for Algar and 3.3 for the Modified Plan. The approximate minimum economic reservoir thickness cut-offs used by GLJ were 11 m of net pay for 1P bitumen reserves and 10 m of net pay for 2P bitumen reserves.

Set out below is a summary of the bitumen reserves and the value of future net revenue of the Company as at December 31, 2015 as evaluated by GLJ in the Connacher GLJ Report. The preparation date of the Connacher GLJ Report is December 31, 2015. The pricing used in the forecast price evaluations is set forth in the notes to the tables.

All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenues contained in the following tables do not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Connacher GLJ Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Connacher GLJ Report. The recovery and reserves estimates of the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

BITUMEN RESERVE VOLUMES
BASED ON FORECAST PRICES AND COSTS(6)

	Bitumen	
	Gross(1) (Mbbl)	**Net(1) (Mbbl)**
Proved Reserves(2)		
Producing	7,783	7,518
Developed Non-Producing(4)	114	111
Undeveloped(5)	206,791	180,657
Total Proved(2)	214,687	188,287
Total Probable(3)	221,061	179,510
Total Proved Plus Probable(2)(3)	**435,748**	**367,797**

NET PRESENT VALUE SUMMARY
BASED ON FORECAST PRICES AND COSTS(6)

	Net Present Value of Future Net Revenues Before Income Taxes Discounted %/Year ($MM)				
	0%	5%	10%	15%	20%
Proved Reserves(2)					
Producing	-35	-19	-11	-8	-7
Developed Non-Producing(4)	2	2	2	2	2
Undeveloped(5)	4,046	1,769	850	426	208
Total Proved(2)	**4,013**	**1,752**	**840**	**420**	**203**
Total Probable(3)	5,552	1,755	704	341	189
Total Proved Plus Probable(2)(3)	**9,566**	**3,507**	**1,544**	**761**	**392**

	Net Present Value of Future Net Revenues After Income Taxes Discounted %/Year ($MM)				
	0%	5%	10%	15%	20%
Proved Reserves(2)					
Producing	-35	-19	-11	-8	-7
Developed Non-Producing(4)	2	2	2	2	2
Undeveloped(5)	3,222	1,448	710	360	174
Total Proved(2)	**3,189**	**1,431**	**701**	**354**	**169**
Total Probable(3)	3,959	1,224	483	323	129
Total Proved Plus Probable(2)(3)	**7,149**	**2,655**	**1,184**	**586**	**299**

FUTURE NET REVENUE BY PRODUCTION GROUP

	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) ($MM)	Net Unit Value ($/boe)
Proved Producing(2)	Bitumen	-11	-1.51
Total Proved(2)	Bitumen	840	4.46
Total Proved Plus Probable(2)(3)	Bitumen	1,544	4.20

RECONCILIATION OF CONNACHER CONVENTIONAL AND BITUMEN RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS[8]

The following table sets forth a reconciliation of the changes in Connacher's working interest, before royalties of bitumen reserves as at December 31, 2015 against such reserves as at December 31, 2014 based on the forecast price and cost assumptions set forth in Note 6.

	Bitumen		
	Gross Proved (1)(2) (Mbbl)	Gross Probable (1)(3) (Mbbl)	Gross Proved Plus Probable (1)(2)(3) (Mbbl)
December 31, 2014	**219,293**	**221,739**	**441,032**
Discoveries	0	0	0
Extensions	0	0	0
Infill Drilling	0	0	0
Improved Recovery	0	0	0
Technical Revisions	1,736	-678	1,058
Acquisitions	0	0	0
Depositions	0	0	0
Economic Factors			
Production	-6,342	0	-6,342
December 31, 2015	**214,687**	**221,061**	**435,748**

Notes:

(1) "Gross Reserves" are the Company's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.

(2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(4) "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

(5) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved and probable) to which they are assigned.

(6) The pricing assumptions used in the Connacher GLJ Report with respect to values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth below. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

	Bitumen Wellhead Current ($Cdn/bbl)	Operating Cost Inflation %/Year	Capital Cost Inflation %/Year	Bank of Canada Average Noon Exchange Rate $US/$Cdn
2016	12.96	2	2	0.725
2017	28.23	2	2	0.750
2018	32.32	2	2	0.775
2019	40.33	2	2	0.800
2020	48.26	2	2	0.825
2021	52.08	2	2	0.850
2022	57.79	2	2	0.850
2023	62.99	2	2	0.850
2024	66.89	2	2	0.850
2025	68.43	2	2	0.850

(7) Values in the tables may not add due to rounding.

For comparison, the average bitumen wellhead price received by the Company in 2015 was $12.48/bbl.

Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to planned extension drilling locations. Such reserves may also relate to wells that have been drilled and not yet tied in because of seasonal access issues, the need for further testing of the wells or construction of pipelines and production facilities for the well.

At December 31, 2015, proved undeveloped reserves of 206,791 Mbbl of bitumen were assigned by GLJ in the Connacher GLJ Report. The Company's bitumen proved undeveloped reserves will be developed as existing wells decline and new wells are drilled to maintain utilization of oil sands plant capacity and related bitumen production.

The following table sets out the volumes of gross proved undeveloped reserves that were first attributed for bitumen for each of the Company's most recent three financial years and in the aggregate before that time using forecast prices and costs:

	Bitumen (Mbbl)	
Period	**First Attributed**	**Total at Year - end**
2013	0	189,538
2014	12,157	199,120
2015	0	206,791

The Connacher GLJ Report estimates the Company's gross probable undeveloped reserves to be 205,556 Mbbl of bitumen. A significant portion of the Company's probable undeveloped bitumen reserves will be developed primarily with the construction, commissioning and start-up of the Modified Plan, which requires additional approvals of the AER.

The following table sets out the volumes of gross probable undeveloped reserves that were first attributed for bitumen for each of the Company's most recent three financial years and in the aggregate before that time using forecast prices and costs:

	Bitumen (Mbbl)	
Period	**First Attributed**	**Total at Year - end**
2013	0	226,285
2014	0	213,632
2015	0	205,556

Significant Factors or Uncertainties

The Company does not anticipate that any important economic factors or significant uncertainties would affect particular components of its reported reserves data. Notwithstanding, a number of factors which are beyond the Company's control can significantly affect the Company's reserves, including product pricing, royalty and tax regimes, changing operating and capital costs, surface access issues, availability of services and processing facilities, technical issues affecting well performance and environmental legislation/costs. See "Risk Factors".

Future Development Costs

The following table sets forth the development costs deducted in the estimation of future net revenue attributable to each of the following reserves categories contained in the Connacher GLJ Report:

Company Annual Capital Expenditures Using Forecast Dollars ($MM)

	Total Proved Producing Future Development Costs ($MM)	Total Proved Future Development Costs ($MM)	Total Proved Plus Probable Development Costs ($MM)
2016	0.4	0.4	0.8
2017	0.8	134	86
2018	7.0	268	218
2019	3.9	116	177
2020	2.4	110	317
Total for all remaining years	9.2	2,875	8,096
Total, undiscounted	23.6	3,504	8,895
Total, discounted at 10%	15.5	1,095	1,852

Future development costs are expected to be funded from a combination of the following: operational cash flow, debt and equity financing and/or farm-out arrangements with other companies. The timing of such funding may influence the timing of the developmental work expenditures.

OTHER OIL AND GAS INFORMATION

Properties and Wells

The following table sets out the Company's producing and non-producing bitumen production wells at Great Divide as of December 31, 2015:

	Bitumen Production Wells(1)	
	Gross(2)	Net(2)
Pod One		
Producing SAGD Well Pairs	23	23
Non-Producing SAGD Well Pairs	0	0
Producing Infill Wells	12	12
Non-Producing Infill Wells	1	1
Total	**36**	**36**
Algar		
Producing SAGD Well Pairs	18	18
Non-Producing SAGD Well Pairs	0	0
Producing Infill Wells	0	0
Total	**18**	**18**
Total - Pod One and Algar	**54**	**54**

Notes:

(1) Prior to December 31, 2012 no infill wells were drilled.

(2) "Gross Wells" are the total number of wells in which Connacher has an interest. "Net Wells" are the number of wells obtained by aggregating Connacher's working interest in each of its gross wells.

Costs Incurred

The following table summarizes the capital expenditures made by Connacher for the year-ended December 31, 2015:

Costs ($M)	
Property Acquisition Costs	
Proved properties	0
Unproved properties	0
Exploration Costs	0
Development & Production	21,059
Total	**21,059**

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells which Connacher completed during its 2015 financial year:

	Exploratory Wells		Development Wells	
	Gross(1)	Net(1)	Gross(1)	Net(1)
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Infill Wells	0	0	0	0
SAGD Wells	0	0	0	0
Suspended Wells	0	0	0	0
SAGD Observation Wells	0	0	0	0
Water Source / Disposal Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0

Note:

(1) "Gross Wells" are the total number of wells in which Connacher has an interest. "Net Wells" are the number of wells obtained by aggregating Connacher's working interest in each of its gross wells.

The Company has delayed completion and tie-in of the mini-steam expansion project at Pod One and the **SAGD+®** Process commercial project at Algar and currently has not allocated any of its resources to growth capital expenditures in 2016.

Properties with No Attributed Reserves

The following table sets out the Company's undeveloped land position as at December 31, 2015:

	Undeveloped Acreage (Acres)	
	Gross(1)	Net(1)
Alberta	168,800	145,932

Note:

(1) "Gross" means the total area of properties in which the Company has a working interest. "Net" means the total area in which the Company has an interest multiplied by the working interest owned by the Company.

The Company does not expect its rights to explore, develop and exploit any of its unproved properties to expire within the next year.

Asset Retirement Obligations

The Company follows the Canadian Institute of Chartered Accountants' standard on Decommissioning Liabilities to account for and report future asset requirement expenditures. This standard requires liability recognition for retirement obligations associated with long-lived assets, which would include abandonment of oil and natural gas wells, related facilities, compressors and gas plants, removal of equipment from leased acreage and returning such land to its original condition. Under the standard, the estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset utilizing a risk-free interest rate. The obligation is reviewed regularly by management of the Company based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted against income until it is settled or the property is sold and is included as a component of financing expense. Actual restoration expenditures are charged to the accumulated obligation as incurred.

As at December 31, 2015, the estimated total undiscounted amount required to settle the decommissioning liability (including reclamation) in respect of the Company's 185 net producing and non-producing wells and facilities was $72.6 million. These obligations will be settled over the useful lives of the underlying assets, which currently extend up to 42 years. The 10 per cent discounted present value of this amount is $17.7 million. The Company does not expect to incur any material amount of these expenditures over the next three years.

In the Connacher GLJ Report, well abandonment and reclamation costs for total proved plus probable reserves were estimated to be $662 million, undiscounted, and $37 million, discounted at 10 per cent.

Tax Horizon

Income earned in Canada is not expected to attract taxes until the Company utilizes its accumulated tax pools and loss-carry forwards, which exceed $1.2 billion. Based on anticipated capital spending, which augment the tax pools, the Company does not expect to pay Canadian income taxes for the foreseeable future.

Production Estimates

The following table sets forth the volume of working interest production, before royalties, estimated for 2016 in the Connacher GLJ Report for gross proved reserves and gross probable reserves:

	2016 Bitumen (bbl/d)
Total Proved(1)	9,491
Total Probable(2)	456
Total Proved Plus Probable(1)(2)	**9,947**

Notes:

(1) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(2) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Production History

The following table sets forth certain information in respect of Connacher's sales, product prices, royalties, production costs and netbacks received for each quarter of its most recently completed financial year:

	Three Months Ended March 31, 2015	Three Months Ended June 30, 2015	Three Months Ended September 30, 2015	Three Months Ended December 31, 2015
Oilsands Operations:				
Average Daily Production Bitumen (bbl/d)	15,078	14,951	14,258	13,919
Average Net Prices Received Bitumen ($/bbl)	7.80	26.49	10.82	4.92
Royalties Bitumen ($/bbl)	-0.12	0.71	0.33	0.09
Production Costs Bitumen ($/bbl)	16.67	15.62	17.57	17.09
Netback Received (1) Bitumen ($/bbl)	-8.75	10.16	-7.08	-12.26

Note:

(1) Bitumen netbacks are calculated by deducting the related diluent, transportation, handling, field production and operating expenses, and royalties from dilbit sales.

The Company's average daily production for the year ended December 31, 2015 from Great Divide was 14,547 bbl/d of bitumen. In light of exceptionally low commodity prices, the Company reduced its production at Great Divide starting in the first quarter of 2016.

Competitive Conditions

The petroleum and natural gas industry is competitive in all aspects. Connacher competes with numerous other companies for access to capital to fund its exploration and development activities. It also competes with other companies in the search for exploration and development prospects, in the marketing of its production and the transportation of production to market.

DIRECTORS AND OFFICERS

As of the date of this Annual Information Form, the name, municipality of residence, positions held with the Company and principal occupation during the preceding five years of each of the directors and officers of the Company are as set forth below. Each director will hold office until the close of the next annual meeting of shareholders of the Company, or until his successor is duly elected or appointed.

Directors

Name and Province or State of Residence	Positions Held	Principal Occupation During the Preceding Five Years	Director Since
Gene Davis (1)(2)(4) New Jersey, US	Director	Since 1997, Mr. Davis has been Chairman and Chief Executive Officer of Pirinate Consulting Group, LLC, a privately-held consulting firm specializing in turn-around management, merger and acquisition consulting, hostile and friendly takeovers and strategic planning advisory services. He has advised, managed, sold, liquidated and/or served as the Chief Executive Officer, Chief Restructuring Officer, and Chairman of the Board of a number of businesses, including companies operating in the telecommunications, automotive, manufacturing, high-technology, medical technologies, metals, energy, financial services, consumer products and services, import-export, mining and transportation and logistics sectors.	May 8, 2015
Doug Dreisinger(3)(4) Alberta, Canada	Director	Mr. Dreisinger is a global energy and chemical industry executive with over 30 years of experience. Mr. Dreisinger is currently a member of the Board of the Alberta Petroleum Marketing Commission. From 1993 to 2013 he held a variety of Business Development & Marketing roles with Nexen Inc., and was appointed President of the Energy Marketing division in 2010.	May 31, 2015
Daryl Gilbert(1)(2)(4) Alberta, Canada	Director	Mr. Gilbert is currently the Managing Director of JOG Capital Inc., a private equity energy investment firm. Prior thereto he was an independent consultant in reserves evaluation at Gilbert Laustsen Jung Associates Ltd., now GLJ. Mr. Gilbert was also the President and Chief Executive Officer of GLJ until his retirement in 2005.	October 8, 2014
Jason Hammerman(2) New York, US	Director	Mr. Hammerman is a Vice President at Avenue Capital Management where he is responsible for identifying and analyzing investment opportunities for the Avenue U.S. Strategy. Since joining Avenue in 2008, Mr. Hammerman has been researching and investing in the oil and gas industry as well as other industries, with an emphasis on those requiring financial and operational turnaround.	October 16, 2015

Name and Province or State of Residence	Positions Held	Principal Occupation During the Preceding Five Years	Director Since
Merle Johnson[(3)] Alberta, Canada	Chief Executive Officer and Director	Mr. Johnson has 19 years of combined experience in conventional oil and gas, thermal oil and mining. Mr. Johnson joined Connacher in June of 2007 during the construction of Connacher's first SAGD bitumen project at Pod One. He was promoted to Vice President in 2009, to Chief Operating Officer in 2012 and to Chief Executive Officer in 2015.	December 4, 2015
Scott Pearl[(1)(3)(4)] New York, US	Director	Mr. Pearl is the founder of SGP-Invest LLC, a firm focused on providing capital and advisory. Mr. Pearl currently serves on the Board of Directors and has been a founding shareholder for portfolio investments that include Cleopatra Resources, a natural gas fueling infrastructure company and Altex Ltd., a Canadian-based energy transportation provider. Mr. Pearl also serves on the Board of Directors of Bennu Oil and Gas, a Gulf of Mexico based oil producer. Mr. Pearl was previously a founding shareholder and served on the Board of Directors of Flex LNG, a publicly-traded, Norwegian-based floating LNG developer. Prior to founding SGP-Invest LLC, Mr. Pearl managed a portfolio of public and private equity and credit securities primarily focused on global energy and infrastructure companies for Seneca Capital – an event-driven multi-strategy investment fund based in New York. Before joining Seneca, Mr. Pearl was a Vice President at Credit Suisse and published equity research for electric utilities. Previously, Mr. Pearl served as an Investment Banker providing capital raising services as well as strategic advice to energy companies for Credit Suisse First Boston as well as Lehman Brothers. Mr. Pearl began his career in project finance focused on the electric power sector for Chase Securities, Inc.	May 8, 2015
Evgeny Vasilyev[(2)] Moscow, Russia	Director	Mr. Vasilyev has been at VR Capital Group since 2012, where he is a portfolio manager and focuses on the energy sector in North America. He has over six years of prior experience at McKinsey & Company where he advised companies on a variety of strategic, operational, and marketing topics.	October 16, 2015

Notes:

(1) Member of the Audit and Reserves Committee.
(2) Member of the Governance and Compensation Committee.
(3) Member of the Strategy and Marketing Committee.
(4) Member of the Special Committee.
(5) Connacher does not have an Executive Committee.

Officers

Name and Province of Residence	Positions Held	Principal Occupation During the Preceding Five Years
Jesse Beaudry Alberta, Canada	Vice President, Crude Oil Marketing, Transportation and Information Technology	Vice President, Crude Oil Marketing, Transportation and Information Technology since December 9, 2015. Prior thereto, Vice President, Marketing and Transportation Logistics since June, 2013. Prior thereto, Vice President, Sustainability and Technical Services of Connacher since November 2012. Prior thereto, Vice President, Sustainability since March 2012 and prior thereto Director, Sustainability of Connacher from August 2011 to March 2012 and Manager, Regulatory, Health, Safety and Environment since July 2007.
Jeff Beeston Alberta, Canada	Vice President of Finance and Interim Chief Financial Officer	Vice President of Finance and Interim Chief Financial Officer since November 18, 2015. Prior thereto, Manager, Finance since November, 2010, overseeing activities relating to debt and equity capital markets, corporate planning and development, risk management, treasury and taxation. Mr. Beeston is a Chartered Accountant with over 14 years of experience. Prior to joining Connacher, Mr. Beeston was Manager, Taxation at an oil and gas producer for five years and at a big four accounting firm for three years. Mr. Beeston holds a Bachelor of Commerce from the University of Alberta.
Merle Johnson Alberta, Canada	Chief Executive Officer	Chief Executive Officer since December 2015. Prior thereto, Chief Operating Officer since November 2012, Vice President, Oil Sands since March 2012, Vice President, Engineering since October 2009 and, Engineering Manager of Connacher since June 2007.
Suzanne Loov Alberta, Canada	General Counsel and Corporate Secretary	General Counsel since July 1, 2013 and Corporate Secretary since September 1, 2013 of Connacher. Prior thereto, legal consultant since October 2005 and Corporate Secretary of NXT Energy Solutions Inc. from December 2009 to August 2013.

As at March 29, 2016, the directors and executive officers of Connacher, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 224 Common Shares, constituting approximately 0.001 per cent of the issued and outstanding Common Shares.

No director, officer or shareholder holding sufficient securities of the Company to affect materially the control of the Company, a personal holding company of any such person, or a company for which such person is or has acted as a director or executive officer that while such person was acting in that capacity, or within a year of the person ceasing to act in that capacity is or has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person, except as hereinafter set forth.

Mr. Gilbert was a director of Globel Direct, Inc. ("**Globel**") from December 1998 to June 2009. On June 12, 2007, Globel was granted protection from its creditors by the Court of Queen's Bench of Alberta pursuant to the CCAA, which protection expired on December 7, 2007, following which the monitor was discharged on December 12, 2007 and a receiver/manager was appointed. Subject to the completion of matters relating to the wind-up of the administration of the receivership, the receiver was discharged on September 3, 2008. Globel ceased operations, and as a result became the subject of cease trade orders issued by the ASC on September 24, 2008 and the BCSC on September 30, 2008 for failure to file certain disclosure documents. Globel was struck from the Alberta corporate registry on June 2, 2009.

Certain directors and officers of the Company are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Corporation. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

AUDIT COMMITTEE

Composition and Qualifications

The Company's Audit and Reserves Committee consists of three outside and independent directors namely, Messrs. Davis (Chair), Gilbert and Pearl. The Board has determined that all of the members of the Audit and Reserves Committee are "financially literate" as defined in National Instrument 52-110. An individual is considered financially literate if he has the ability to read and understand a set of financial statements that present a breadth and complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements. The education and experience of each member of the Company's Audit and Reserves Committee relevant to the performance of his responsibilities are as set forth below:

Gene Davis, Chair

Since 1997, Mr. Davis has been Chairman and Chief Executive Officer of Pirinate Consulting Group, LLC, a privately-held consulting firm specializing in turn-around management, merger and acquisition consulting, hostile and friendly takeovers and strategic planning advisory services. He has advised, managed, sold, liquidated and/or served as the Chief Executive Officer, Chief Restructuring Officer, and Chairman of the Board of a number of businesses, including companies operating in the telecommunications, automotive, manufacturing, high-technology, medical technologies, metals, energy, financial services, consumer products and services, import-export, mining and transportation and logistics sectors.

Mr. Davis holds a bachelor's degree in international politics from Columbia College, a master's degree in international law and organization from the School of International Affairs of Columbia University and a Juris Doctor degree from Columbia University School of Law.

Daryl Gilbert

Mr. Gilbert is currently the Managing Director of JOG Capital Inc., a private equity energy investment firm. Prior thereto he was an independent consultant in reserves evaluation at Gilbert Laustsen Jung Associates Ltd., now GLJ Petroleum Consultants Ltd. ("GLJ"). Mr. Gilbert was also the President and Chief Executive Officer of GLJ until his retirement in 2005.

Mr. Gilbert received a Bachelor of Science degree from the University of Manitoba in Civil Engineering and is a member of the Association of Petroleum Engineers and Geoscientists of Alberta and the Society of Petroleum Engineers.

Scott Pearl

Mr. Pearl is the founder of SGP-Invest LLC, a firm focused on providing capital and advisory. Mr. Pearl currently serves on the Board of Directors and has been a founding shareholder for portfolio investments that include Cleopatra Resources, a natural gas fueling infrastructure company and Altex Ltd., a Canadian-based energy transportation provider. Mr. Pearl also serves on the Board of Directors of Bennu Oil and Gas, a Gulf of Mexico based oil producer. Mr. Pearl was previously a founding shareholder and served on the Board of Directors of Flex LNG, a publicly-traded, Norwegian-based floating LNG developer. Prior to founding SGP-Invest LLC, Mr. Pearl managed a portfolio of public and private equity and credit securities primarily focused on global energy and infrastructure companies for Seneca Capital – an event-driven multi-strategy investment fund based in New York. Before joining Seneca, Mr. Pearl was a Vice President at Credit Suisse and published equity research for electric utilities. Previously, Mr. Pearl served as an Investment Banker providing capital raising services as well as strategic advice to energy companies for Credit Suisse First Boston as well as Lehman Brothers. Mr. Pearl began his career in project finance focused on the electric power sector for Chase Securities, Inc.

Mr. Pearl earned a Bachelor of Science in Economics with a Concentration in Finance from the Wharton School of Business at the University of Pennsylvania.

Responsibilities and Terms of Reference

The Audit and Reserves Committee reviews with management and the external auditors, and recommends to the Board of Directors for approval, the annual financial statements of the Company and the reports of the external auditors thereon, the interim financial statements of the Company and related financial reporting, including management's discussion and analysis and earnings press releases on the annual and interim financial statements of the Company. The Audit and Reserves Committee reviews and establishes, in conjunction with the external auditors and management, audit plans and procedures and meets with the auditors independently of management at each regularly scheduled meeting and otherwise as considered appropriate. The Audit and Reserves Committee is responsible for reviewing auditor independence, approving all non-audit services, reviewing and making recommendations to the Board of Directors on internal control procedures and management information systems. In addition, the Committee is responsible for assessing and reporting to the Board on financial risk management positions. Set out as Schedule C is the text of the Audit and Reserves Committee's charter.

All permissible categories of non-audit services require pre-approval from the Audit and Reserves Committee.

External Auditor Service Fees

The following summarizes the total fees billed by Deloitte LLP, the external auditor of the Company, for the years ended December 31, 2015 and 2014:

	2015	2014
Audit fees	$165,000	$193,000
Audit-related fees[(1)]	$138,525	$69,500
Tax fees[(2)]	-	-
All other fees	-	-
TOTAL	$303,525	$262,500

Notes:

(1) Fees for assurance and related services by Deloitte LLP in connection with their review of the Company's financial statements and not otherwise reported under "Audit Fees". Such services include review engagement fees for the non-audit review of the Company's quarterly consolidated financial statements and services related to financings.

(2) Fees for tax compliance, tax advice and tax planning.

PERSONNEL

As at December 31, 2015, the Company had 124 employees, including four officers, 28 employees at its head office in Calgary and 92 field employees.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares (together, "**Preferred Shares**"), issuable in series and up to US$35 million aggregate principal amount of Convertible Notes. As at December 31, 2015, 28,328,656 Common Shares, no Preferred Shares, US$35 million aggregate principal amount of Convertible Notes were issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares, Preferred Shares and the Convertible Notes.

Common Shares

The holders of Common Shares are entitled to: dividends if, as and when declared by the Board of Directors; to one vote per share at meetings of the holders of Common Shares of the Company; and upon liquidation, dissolution or winding up of the Company to receive pro rata the remaining property and assets of the Company, subject to the rights of shares having priority over the Common Shares. All of the Common Shares currently outstanding are fully-paid and non-assessable.

Preferred Shares

The Preferred Shares are issuable in series and each class of Preferred Shares will have such rights, restrictions, conditions and limitations as the Board of Directors may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of the Company, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series.

Convertible Notes

On May 8, 2015 Connacher issued US$35 million aggregate principal amount of Convertible Notes, resulting in net proceeds of approximately $42.3 million. The Convertible Notes bear interest at 12 per cent and are due August 1, 2018. Quarterly interest payments are due March 31, June 30, September 30, and December 31 of each year. Connacher has the right to defer the payment of interest on the Convertible Notes and on deferred interest thereon in respect of any quarter up to maturity, in which case such deferred interest will accrue at an annual rate of 14 per cent for such quarter and compound at an annual rate of 14 per cent until paid and will be due no later than maturity. In accordance with the terms and conditions of the Convertible Note Indenture, it has elected to exercise its right to defer the cash payment of interest payable on March 31, 2016 upon all such Convertible Notes until June 30, 2016 (or such other interest payment date as Connacher may subsequently elect).

The Convertible Notes are convertible into Common Shares at any time at the option of the holders at a rate of 1,886.8 Common Shares for each US$1,000 principal amount of Convertible Notes to be converted, subject to adjustment, at any time at the option of any individual holder of the Convertible Notes and the Convertible Notes are convertible in full, upon the election of (i) each Backstopper which then owns (together with its affiliates) at least 75 per cent of the original aggregate principal amount of the Convertible Notes issued to that party pursuant to the Recapitalization and (ii) each Committed Subscribing Initial Consenting Noteholder which then owns (together with its affiliates) at least 75 per cent of the original aggregate principal amount of the Convertible Notes issued to that party pursuant to the Recapitalization.

Notwithstanding the above, the Company shall not effect any conversion of the Convertible Notes, and no holder shall have the right to convert any portion of the Convertible Notes pursuant to the terms and provisions of the Convertible Note Indenture, to the extent that after giving effect to such conversion such holder, alone or together with any of its affiliates and persons acting jointly or in concert with such holder and its affiliates, would beneficially own in excess of 49.9 per cent of the number of Common Shares outstanding immediately after giving effect to such conversion.

The Company may redeem, at any time, some or all of the Convertible Notes with notice provided at least 30 days and not more than 60 days before the date set for redemption at which time Connacher shall pay the principal amount, plus the applicable premium and accrued interest. The Convertible Notes are general senior obligations and rank equally in right of payment with all of the Company's existing and future indebtedness that is not subordinated in right of payment of the Convertible Notes, rank senior to all the Company's unsecured and future subordinated indebtedness and effectively are subordinated to all existing and future first secured indebtedness of the Company and of its restricted subsidiaries, including the First Lien Term Loan, as amended by the Amended First Lien Term Loan Facility Credit Agreement. The Convertible Notes are secured by a second ranking charge over all of the existing and future property of the Company.

CREDIT RATINGS

The Convertible Notes and the Common Shares are currently not rated.

PRIOR SALES

Other than:

(a) the issuance of options to acquire an aggregate of 1,337,768 Common Shares at exercise prices ranging from $0.21 to $1.80 and having a weighted average exercise price of $1.21 per Common Share;

(b) the issuance on May 8, 2015 of US$35.0 million aggregate principal amount of Convertible Notes due August 31, 2018; and

(c) the issuance on May 8, 2015 of 27,743,197 Common Shares in exchange or conversion and in full settlement of the Old Notes, including accrued and unpaid interest;

the Company has not issued any Common Shares or securities convertible or exchangeable into Common Shares during the past twelve month period, which are outstanding as of March 29, 2016.

Pursuant to the Restructuring, all options, warrants, rights or similar instruments derived from, relating to, or convertible or exchangeable for Common Shares outstanding at the time of closing the Restructuring were cancelled and extinguished.

DIVIDEND POLICY

The Company has not declared or paid any dividends on its Common Shares since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions that the Board of Directors may consider appropriate in the circumstances.

MARKET FOR SECURITIES

Prior to the closing of the Recapitalization on May 8, 2015, the Common Shares were listed and posted for trading on the TSX under the trading symbol "CLL". Subsequent to May 8, 2015, the Common Shares continued to be listed and posted for trading on the TSX under the trading symbol "CLC".

2015 [(1)]	High ($)	Low ($)	Volume
Prior to the Recapitalization[(2)]			
January	0.05	0.04	14,447,847
February	0.05	0.04	13,237,183
March	0.04	0.03	19,412,043
April	0.03	0.01	103,376,609
May 1-8, 2015	0.03	0.02	11,579,676
Post-Recapitalization[(3)]			

May 15-31, 2015[(4)]	6.00	2.57	310,125
June	2.63	1.48	445,567
July	1.01	0.89	202,358
August	0.95	0.94	203,432
September	0.57	0.50	441,802
October	0.65	0.51	279,605
November	0.56	0.30	304,780
December	0.15	0.12	1,608,350

Notes:

(1) The table sets out the high and low price for, and the volume of trading in, the Common Shares on the TSX, as reported by the TSX, on a monthly basis for the financial year-ended December 31, 2015. Pursuant to the Recapitalization, the Company's Common Shares were consolidated on the basis of one new Common Share for 800 existing Common Shares.

(2) The high price, low price, and volume do not reflect the Consolidation.

(3) The high price, low price, and volume reflect the Consolidation.

(4) Subsequent to the closing of the Recapitalization, trading under the symbol "CLC" commenced on May 14, 2015.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and in Toronto, Ontario.

RISK FACTORS

Risks Relating to Economic Conditions, Commodity Pricing and Exchange Rate Fluctuations

The Company is not Currently Profitable and May Not Become Profitable

The Company has experienced operating losses for the past several years, may incur substantial losses and negative operating cash flow for the foreseeable future, and may never achieve and maintain profitability. For the three month period ended December 31, 2015, Connacher had a net loss of $56.0 million and for the year ended December 31, 2015, Connacher had a net loss of approximately $42.3 million. Connacher's failure to achieve or maintain profitability could negatively impact the value of its equity securities. In recent years, Connacher's internally generated cash flow has left it with insufficient liquidity with which to invest in its asset base so as to maintain or grow the Company's production. Connacher cannot be certain that it will be able to invest its cash flow profitably so as to maintain or grow its production.

Going Concern

The consolidated annual financial statements of the Company for the year-ended December 31, 2015 were prepared on a going concern basis, which asserts the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Conversely, if the going concern assumption is not appropriate, adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary.

The Company's current debt structure and limited access to additional financing due to restrictions associated with the terms of its long-term debt arrangements create material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Projected cash flows from operations may not be sufficient to cover the semi-annual senior notes interest payments or quarterly term loan facility interest and principal payments.

The Company will continue to monitor its working capital balances and commitments as changing economic and risk conditions emerge. Based on current projections, the Company anticipates that it will need additional funds in 2016 in order to meet its obligations as they come due. Additional funding may be necessary based on actual commodity prices relative to the Company's budget.

The Company's Results of Operations Depend upon the Prevailing Prices of Crude Oil in the Worldwide Markets. Those Prices Are Subject To Widespread Fluctuations

The Company's revenues, cash flow, earnings, cost of capital, asset values, results of operations and financial condition are dependent upon the prevailing price of crude oil and heavy crude oil differentials.

These commodity prices are beyond the control of the Company. The Company's financial condition, operating results and future rate of growth depend upon the prices that the Company receives for its crude oil. Such prices also affect the amount of the Company's cash flow available for capital expenditures and the Company's ability to access funds.

A significant decline in crude oil prices would adversely impact the market value and lending value of the Company's estimated reserves. Sustained low prices could result in a material reduction of the Company's operating and financial results, revenues, reserves and overall value. In addition, any prolonged period of low crude oil prices could result in a decision by the Company to suspend or slow development activities, to suspend or slow the construction or expansion of bitumen recovery projects or to suspend or reduce production. Any such suspension or reduction of production would result in a corresponding substantial decrease in the Company's revenues and earnings and could materially impact the Company's ability to meet its debt servicing obligations and could expose the Company to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum products produced by the Company at such reduced prices would lower its revenues and could result in losses.

The market prices for heavy crude oil (which includes bitumen blends) are lower than the established market prices for light and medium grades of crude oil. The market for heavy crude oil is more limited than for light and medium grades of crude oil, making it more susceptible to supply and demand fluctuations. Future price differentials are uncertain and any increase in the heavy crude oil differentials could have an adverse effect on the Company's results of operations, financial condition and prospects.

The Company periodically conducts an assessment of the carrying value of its assets. If crude oil prices or the market value of investment holdings decline, the carrying value of the Company's assets could be subject to downward revision and its earnings could be adversely affected.

Crude Oil Prices Can Fluctuate Significantly

Crude oil prices have historically been extremely volatile and fluctuate significantly in response to regional, national and global supply and demand factors beyond the Company's control. Among the factors that can cause crude oil price fluctuations are:

- changes in the level of consumer demand for petroleum products, including demand for different qualities and types of oil and liquids;
- the domestic and foreign supply of crude oil, including the decisions of the Organization of Petroleum Exporting Countries relating to export quotas and their compliance or non-compliance with such self-imposed quotas;
- weather conditions, including hurricanes, floods and other natural disasters;
- domestic and foreign governmental regulations and taxes;
- the effect of worldwide conservation of resources;
- new bitumen, crude oil and natural gas discoveries;
- economic growth in developed and emerging nations;
- the price and availability of alternative fuels, including liquefied natural gas;
- political conditions in crude oil producing regions, including terrorist activities and other hostilities;
- the proximity of reserves to, and capacity of, transportation facilities and the availability of refining capacity;
- the ability to secure adequate transportation for products and constraints in transportation facilities including those resulting from pipeline breaks or curtailments;
- the availability of refining capacity;
- the price of foreign imports of crude oil;
- overall global and domestic economic conditions, including currency fluctuations; and
- concern over climate change or emissions of greenhouse gases.

The Company's Production is Concentrated in a Single Area

The Company's business is focused solely on its oil sands activities. All of the Company's current production and future production is or will be generated through its oil sands interests at Great Divide. Any event that interrupts the operations at Great Divide may result in a significant loss or delay in production which could adversely affect the Company's financial condition and results of operations.

Need to Replace Reserves

The Company's future success depends upon Connacher's ability to find, develop, or acquire additional oil and gas reserves that are economically recoverable. Without successful exploration, development, exploitation, or acquisition activities, Connacher's reserves will deplete and, as a consequence, either production or the average life of reserves will decline. If future production declines to the extent that cash flow becomes insufficient to fund capital expenditures, and external sources of capital become limited or unavailable, Connacher's ability to make the necessary capital expenditures to maintain and expand Connacher's oil and gas reserves will be impaired. The Company cannot guarantee that it will be able to find and develop or acquire additional reserves at an acceptable cost.

Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and past practices. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and gas reserves. No assurance can be given that Connacher will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Connacher may determine that current markets, terms of acquisition and participation, or pricing conditions make such acquisitions or participations uneconomic.

The Company's strategies to minimize this inherent risk include focusing on selected core areas in Western Canada with high working interests and assuming operatorship of key facilities. Connacher utilizes a team of highly qualified professionals with expertise and experience in these areas. Connacher assesses strategic acquisitions to complement existing activities while striving for a balance between exploration and lower risk development and exploitation prospects.

Global Financial Conditions are Subject to Increased Volatility, Which May Impact the Company's Ability to Obtain Equity, Debt or Bank Financing in the Future and May Adversely Impact Its Operations

Global financial conditions are subject to volatility which may impact the Company's ability to obtain equity, debt or bank financing on terms commercially reasonable to the Company, if at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. A return to the levels of volatility and market turmoil seen during the 2008/2009 global recession and the continuation of the 2015/2016 depressed commodity price environment could adversely impact the Company's operations and the trading price of its securities.

The Company is Subject to Foreign Currency Exchange Fluctuation Exposure

Revenue received from the sale of crude oil is generally referenced to a price denominated in US dollars and the Company incurs most of its operating and other costs in Canadian dollars. As a result, Connacher is impacted by exchange rate fluctuations, and any strengthening of the Canadian dollar relative to the US dollar could negatively impact the Company's operating margins and cash flows. As the Company reports its operating results, as contained in its consolidated balance sheet, statement of operations and comprehensive income (loss) and statement of cash flows, in Canadian dollars, fluctuations in the rate of exchange between the US dollar and Canadian dollar would affect, and could result in a material change in, reported results.

Uncertainty of Reserve Estimates

Estimates of oil and gas reserves and the future net cash flow therefrom, involve a great deal of uncertainty because they depend upon the reliability of available geologic and engineering data, which is inherently imprecise. Geologic and engineering data are used to determine the probability that an oil and gas reservoir exists at a particular location and whether oil and gas are recoverable from the reservoir. The probability of the existence and recoverability of reserves is less than 100% and actual recoveries of proved reserves may be materially different from estimates.

Estimates of oil and gas reserves require numerous assumptions relating to operating conditions and economic factors, including future oil and gas prices, recovery costs, the availability of enhanced recovery techniques, the ability to market production, and governmental and other regulatory factors, such as taxes, royalty rates, and environmental laws. A change in one or more of these factors could result in known quantities of oil and gas previously estimated as proved reserves becoming unrecoverable. Each of these factors also impact recovery costs and production rates, and therefore, will reduce the present value of future net cash flows from estimated reserves.

In addition, estimates of reserves, and future net cash flows expected therefrom, that are prepared by different independent engineers or by the same engineers at different times, may vary substantially.

Exploration, Development, and Production Risks

There are many operating risks and hazards inherent in exploring for, producing, processing, and transporting oil and gas. Drilling operations may encounter unexpected formations or pressures that could cause damage to equipment or personal injury and fires, explosions, blowouts, oil spills, or other accidents may occur. Additionally, the Company could experience interruptions to or the termination of drilling, production, processing, and transportation activities due to bad weather, natural disasters, delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity, or other geological and mechanical conditions. Any of these events resulting in a shutdown or slowdown of operations will adversely affect the Company's business. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Drilling activities, including completions, are subject to the risk that no commercially productive reservoirs will be encountered and the Company will not recover all or any portion of its investment. The cost of drilling, completing, and operating wells is often uncertain due to drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over pressured zones, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Company Borrows Funds in US Dollars

A significant portion of the Company's debt is denominated in US dollars. Fluctuations in exchange rates may significantly increase or decrease the amount of debt recorded on the Company's financial statements. The Company may employ derivative structures to hedge foreign exchange risk, however, no derivative structure will protect against all fluctuations.

The Company May Engage In Hedging Activities That Could Have a Negative Impact on Earnings and Cash Flow

The Company continually evaluates the use of and often employs exchange-traded or over-the-counter derivative structures to hedge commodity, interest rate and foreign exchange risk. Risks associated with such products include, but are not limited to, counterparty risk, settlement risk, basis risk, liquidity risk and market risk which could impair or negate the Company's hedging strategy and result in a negative impact on its earnings and cash flow. Additionally, if crude oil prices, interest rates or exchange rates increase above or decrease below those levels specified in any future hedging agreements, such hedging arrangements may prevent the Company from realizing the full benefit of such increases or decreases.

Due to the uncertain worldwide economic environment, there can be no assurance that the Company will be able to engage in hedging activities with credit worthy counterparties.

Commodity Price Inputs used in the Company's Operations Are Volatile

The nature of the Company's operations results in exposure to fluctuations in diluent and natural gas prices. Natural gas is a significant component of the Company's upstream oil sands operating cost structure, as it is used to generate steam for the SAGD process and to create electricity at the Company's CoGen facility. Diluent, such as condensate, is also one of the upstream crude oil sands significant commodity input costs.

If the correlation between bitumen sales prices and heavy crude oil input costs does not continue, or if the price of electricity, natural gas or diluents rise or remain steady while the price for bitumen falls, the Company's results of operations, financial condition and prospects could be adversely affected.

Risks Relating to the Great Divide, Pod One and Algar

Pod One and Algar Are Operational, But There Remains A Risk That the Company May Have Interruptions or Reductions of Operations or Increased Costs or Decreased Margins

Pod One and Algar are operational but there remains a risk that the Company may have interruptions or reductions of operations or increased costs or decreased margins due to many factors, including, without limitation:

- prevailing commodity prices or other economic factors resulting in uneconomic operations;
- reduced access to diluent;
- breakdown or failure of equipment or processes;
- reservoir performance;
- errors in construction or design affecting operations;
- labor disputes, disruptions or declines in productivity;
- increases in materials, services, transportation or labor costs;
- non-performance by, or financial failure of, third-party contractors;
- disruption or delays in availability of transportation services;
- energy supply disruption;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- increased royalty payments based on the price of WTI or further changes to royalty regimes;
- shortages of, or delays in, obtaining qualified labor and accessing required equipment, materials or services;
- permit requirement violation;
- transportation or operations accidents or other accidental events;
- delays induced by weather; and
- catastrophic events such as fire, earthquakes, storms or explosions.

If the Company's Pod One and/or Algar SAGD Facilities Do Not Operate As Planned, The Company's Revenue, Cash Flow And Earnings May Be Reduced

The performance of the Company's Pod One and Algar SAGD facilities may differ from the Company's expectations. The variances from the Company's expectations may include, without limitation:

- the ability to operate at the expected level of throughput or production;
- the need to workover existing wells or the need to drill additional wells;
- the ability to realize the anticipated long-term SOR;
- the reliability or availability of the facilities; and
- infrastructure and pump performance.

If the facilities do not perform to the Company's expectations or as required by regulatory approvals, the Company may be required to invest additional capital to correct deficiencies or the Company may not be able to produce the anticipated level of production. If these expectations are not met, the Company's revenue, cash flow and earnings could be reduced.

The Selling Price of Dilbit May Vary Considerably During the Operating Period. If the Price Decreases, the Company's Earnings and Cash Flow May Be Reduced

The selling price received for bitumen produced at Great Divide may vary considerably during the operating period. If certain factors that adversely influence bitumen pricing increase, the Company's earnings and cash flow will be reduced. These factors may include, separately or collectively:

- the heavy oil differential;
- the cost of diluent;
- the cost to transport diluent;
- the operation of and access to proximate upgraders;
- the dilbit quality differential;
- the distance to available markets; and/or
- the cost to transport dilbit and the cost to dispose of certain by-products.

In addition, the absolute price of crude oil prices, as measured by WTI, and US/Canadian foreign exchange rates will influence the selling price of bitumen received by the Company. A low WTI price and a strong Canadian dollar would negatively impact earnings and cash flow of the Company.

The Operating Costs of Pod One and Algar May Vary Considerably During the Operating Period. If They Increase, The Company's Earnings and Cash Flow May Be Reduced

The operating costs of Pod One and Algar may vary considerably during the operating period. If such costs increase, the Company's earnings and cash flow will be reduced. The factors that could affect operating costs include, without limitation:

- the cost of natural gas and electricity;
- the amount and cost of labor to operate Pod One and Algar;
- power outages, particularly in winter when freeze-ups could occur;
- produced sand causing erosion, hot spots and corrosion;
- reliability of the facilities;
- the maintenance costs of the facilities;
- well performance and pump life;
- workovers or the need to drill additional wells and rig availability;
- severe weather;
- the cost of insurance and the inability to insure for certain types of losses;
- catastrophic events such as fires, storms or explosions;
- the cost of chemicals; and
- the cost of complying with regulatory approvals.

Access to Diluent Supplies at Favourable Prices May Be Limited

Bitumen is characterized by high specific gravity or weight and high viscosity or resistance to flow. Diluent is required to facilitate the processing and transportation of bitumen. Although new shale gas plays have resulted in an increase in the Company's ability to secure access to diluent, such continued access cannot be guaranteed. A shortfall in the supply of diluent may cause its cost to increase or alternative diluent supplies to be purchased, thereby increasing the cost to transport bitumen to market and correspondingly increasing the Company's operating costs and negatively impacting the overall profitability of Great Divide.

In Situ Extraction Is Subject to Uncertainty

Current SAGD technologies for *in situ* recovery of bitumen are energy intensive, requiring significant consumption of natural gas or other fuels in the production of steam, which is used in the recovery process. The amount of steam required in the production process can also vary and impact costs. The quality and performance of the reservoir can also impact the timing and levels of production using this technology. Commercial application of this technology for bitumen is relatively new and accordingly in the absence of long-term operating history there can be no assurances with respect to the sustainability of SAGD operations. Should the Company encounter adverse reservoir conditions, bitumen recovery levels achieved by the Company using SAGD processes may be negatively affected.

The Recovery of Bitumen from Oil Sands is Subject to a Number of Risks and Uncertainties, many of which are Outside of the Company's Control

Recovering bitumen from oil sands involves particular risks and uncertainties. Severe weather conditions can cause reduced production and in some situations result in higher costs. SAGD bitumen recovery facilities and development and expansion of production can require significant capital outlays. Equipment failures could result in damage to the Company's facilities or wells and liability to third parties against which the Company may not be able to fully insure or may elect not to insure because of high premium costs or for other reasons.

Abandonment and Reclamation Costs Relating to Great Divide May Be Higher Than Anticipated

The Company will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of Pod One and Algar and remediation and reclamation of its lands at the end of its economic life, the cost of which may be substantial. Any failure to comply with such legislation, regulations and regulatory approvals may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to estimate reliably the abandonment and reclamation costs since they will be a function of regulatory requirements at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. In the future the Company may determine it prudent or be required by legislation, regulations or regulatory approvals to establish and fund one or more abandonment and reclamation funds to provide for payment of future abandonment and reclamation costs. If the Company established an abandonment and reclamation fund, its liquidity and cash flow may be adversely affected.

As the Company has not established a separate reclamation fund for the purposes of funding its estimated future environmental and reclamation obligations, the Company cannot assure investors that it will be able to satisfy its future environmental and reclamation obligations. Any site reclamation or abandonment costs incurred in the ordinary course, in a specific period, will be funded out of cash flows and, therefore, will reduce the amounts that may be available for reinvestment in the business. Should the Company be unable to fully fund the cost of remedying an environmental claim, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Restricted Market Access May Impact the Company's Results

The Company's results depend upon the Company's ability to deliver products to the most attractive markets. Restricted market access resulting from a lack of pipeline or other transportation alternatives to attractive markets as well as regulatory and/or other marketplace barriers could impact the Company's results. With growing conventional and oil sands production across North America and limited availability of infrastructure to carry the Company's products to the marketplace, oil and natural gas transportation capacity is expected to be restricted in the next few years. Restricted market access may potentially have a material impact on the Company's financial position, medium to long-term business strategy, cash flow and corporate reputation.

Constrained market access for oil sands production due to insufficient pipeline takeaway capacity, growing inland production and refinery outages create risk of widening differentials or shut-in of production that could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow. In addition, oil and natural gas producers in North America, and particularly in Canada, currently receive discounted prices for their production relative to certain international prices, due to constraints on the ability to transport and sell such products to international markets. A failure to resolve such constraints may result in continued discounted or reduced commodity prices realized by oil and natural gas producers such as Connacher. A prolonged period of low prices could affect the value of the Company's assets and the level of spending on growth projects, and could result in the curtailment of production and/or the impairment of that property's carrying value. Accordingly, low commodity prices, particularly for crude oil, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, and may also lead to impairments or write-offs of the values of Connacher's assets or projects in development.

Transportation to and from Great Divide is Subject to Certain Hazards

The Company currently trucks bitumen to market or to rail trans-loading facilities. Normal hazards associated with trucking include proximity to a busy highway (Highway 63), traffic and adverse weather. The Company anticipates that vehicular traffic to and from Pod One and Algar will be via Highway 63. Collisions between vehicles and wildlife remain a significant hazard.

The Company also utilizes rail to transport dilbit to the market and diluent to Pod One and Algar. Normal hazards associated with transportation by rail include collisions with vehicles and wildlife and rail line breaks. The Company's crude-by-rail shipments may be impacted by service delays, inclement weather or derailment and could adversely impact the Company's crude oil sales volumes or the price received for the Company's product. Connacher's product or railcars may be involved in a derailment or incident that results in legal liability or reputational harm. In addition, if new regulation is introduced, including but not limited to the potential amendment of the safety standards for tank cars used to transport crude oil, it could adversely affect the Company's ability to ship crude oil by rail or the economics associated with rail transportation.

Future Expansions at Great Divide, Including the Completion of the Modified Plan, may be Subject to Delay Due to Commodity Price Declines and Credit and Capital Market Conditions, Regulatory Approvals and Economic Downturns. Expansions may not be Completed on Time, on Budget or at all and Once Operational, may be Subject to Delays, Interruptions or Increased Costs that may Materially Adversely Affect the Company's Results of Operations

Future expansion at Great Divide will be subject to construction stage and financing risks. Additionally, there is a risk that future operations, including expansion of production capacity at Great Divide, may have delays, interruption of operations or increased costs due to many factors, including, without limitation:

- an inability to obtain adequate financing, or financing on terms satisfactory to the Company;
- prevailing commodity prices or other economic factors resulting in uneconomic operations;
- shortages of, delays in, and increasing costs for obtaining qualified labor, equipment, construction materials or services;
- changes in the scope of the project or increases in the amount or cost of materials or labor;
- contractor or operator errors in design or construction and non-performance by, or financial failure of, third party contractors;
- breakdown or failure of equipment or processes;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- transportation or construction accidents, disruption or delays in availability of transportation services or adverse weather conditions affecting construction or transportation;
- unforeseen site surface or subsurface conditions;
- disruption in the supply of energy; and
- catastrophic events such as fires, storms or explosions.

The Company's development and operation of any additional expansions at Great Divide and Modified Plan will be subject to substantially all of the same risks as those set forth in this Annual Information Form for Pod One and Algar.

A recovery from depressed commodity prices may result in an increase in activity in the Canadian oil sands to the high levels of industrial activity seen subsequent to 2008/2009 but prior to 2016. The Company's expansion projects will need to compete for equipment, supplies, services, and labor in this environment, which could result in increased costs or, shortages of goods and services that delay progress, or both.

In addition, participation in expansion projects will significantly increase the demands on the Company's management and administrative resources and may require significant external financing. The Company may not be able to effectively manage or finance the expansions and any failure to do so could have a material adverse effect on the Company's business, financial condition or results of operations. Additionally, financing required to fund these expansion projects may not be available on terms and conditions acceptable to the Company or at all. See "Risks Factors-Risks Relating to Financing and the Company's Indebtedness."

Risks Relating to the Company's Oil Sands

The Company Must Obtain and Maintain Regulatory Approvals and Comply With Stringent Environmental Legislation and Regulations. The Failure to Obtain Such Approvals and Comply With Applicable Legislation and Regulations Could, Among Other Things, Prevent or Limit the Company's Operations or Subject the Company to Substantial Liability, Which, in Turn, Could Have a Material Adverse Effect on the Company's Business and Financial Condition

The operation and eventual decommissioning of the Company's projects and operations, as well as the construction of future phases of the Company's oil sands projects, the development of additional projects and remediation and reclamation of the lands used in the Company's operations, are conditional upon various environmental and regulatory approvals issued by governmental authorities. There is no assurance such approvals will be issued, or once issued, not repealed or renewed, or that they will not contain terms and conditions which make the Company's projects and operations uneconomic or cause the Company to significantly alter its projects and operations. Further, the development, operation and eventual decommissioning of the Company's projects and remediation and reclamation of the Company's lands are and will be subject to legislation, regulations and regulatory approvals relating to environmental protection and operational safety. Risks of substantial costs and liabilities are inherent in oil sands development and production and there can be no assurance that substantial costs and liabilities will not be incurred or that the Company's projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increased levels of royalties or increasingly strict environmental, health and safety laws, regulations and enforcement policies thereunder and claims for damages to property or persons resulting from the projects' development and operations could result in substantial costs and liabilities to the Company or delays to, or abandonment of, the Company's projects and operations, including Pod One and Algar. In addition, no assurance can be given that future environmental legislation, regulations and regulatory approvals will not adversely impact the Company's ability to develop, operate or expand its operations or increase or maintain its production or will not increase the Company's unit costs of production for bitumen.

Alberta has enacted the *Climate Change and Emissions Management Act* (the "**Act**") and the *Specified Gas Reporting Regulation* which requires all facilities emitting over 50,000 tonnes of carbon dioxide equivalent ("**CO_2e**") annually to report their GHG emissions.

Alberta has also enacted the *Specified Gas Emitters Regulation* ("**SGER**") which requires all facilities in Alberta emitting over 100,000 tonnes of $C0_2$e per year to reduce their emissions intensity (total annual emissions per unit of production) by 12 per cent from their 2003 - 2005 baseline emissions intensity. New facilities which emit over 100,000 tonnes of CO_2e per year have a graduated reduction obligation of two per cent per year starting in their fourth year of commercial operation up to a reduction obligation of 12 per cent below the emissions intensity in their third year of operation. New facilities are facilities that began operation on or after January 1, 2000 and have completed less than eight years of commercial operation.

The Company's Pod One facilities' fourth year of operation was in 2012 and began to reduce its emissions intensity in accordance with the SGER. The Company has four options to choose from in order to meet the SGER's reduction requirements, and these are (i) by making improvement to operations that result in reductions; (ii) by purchasing emission performance credits ("**EPCs**") from other sectors or facilities that have reduced their emissions below the required emission intensity reduction levels; (iii) by purchasing off-set credits from other sectors or facilities that have emissions below the 100,000 tonne $C0_2$e per year threshold and are voluntarily reducing their emissions in Alberta; or (iv) by contributing to the Climate Change and Emissions Management Fund. The Company can choose one of these options or a combination thereof. For 2013, the Company adopted option (iv) by contributing to the Climate Change and Emissions Management Fund. As of December 31, 2013, the estimated contribution to the fund will be approximately $360,000. The *Environmental Protection and Enhancement Act* ("**EPEA**") was amended to include the Oil Sands Environmental Monitoring Program Regulation, which provides the vehicle to collect funding for the Oil Sands Environmental Monitoring Program (Joint Oil Sands Monitoring Program ("**JOSM**")). This applied to all companies with an approval or application under EPEA for an oil sands mine, processing plant or *in situ* plant. Connacher paid approximately $700,000 towards the 2013-2014 approved JOSM plan. By funding JOSM, some monitoring requirements that are duplicated by the new monitoring plan, will be removed from the current Connacher EPEA approval.

Canada has been an active participant in the United Nations Framework Convention on Climate Change ("**UNFCCC**") since its establishment, and has signalled its desire to work with other countries to negotiate a new fair and effective international climate change agreement for the post-2012 period. However in December 2012 Canada withdrew as a signatory to the Kyoto Protocol.

Previously Canada committed to reducing its economy-wide GHG emissions by 17 per cent below 2005 levels by 2020, which is equivalent to reducing Canada's 2020 emissions to 607 megatonnes ("**MT**"). This target was set internationally in the Copenhagen Accord, and is aligned with that of the US. Canada's target was formally reiterated in the Cancun Agreement, adopted in December 2010.

Going forward, the Government has announced that it will focus on a sector-by-sector regulatory approach, beginning with the largest sources of emissions. Given the high degree of economic integration between Canada and the US, Canada has stated that it will be aligned with future US emissions reduction regulations where it is appropriate and in Canada's best interests to do so. This regulatory agenda will continue to be supported by the targeted complementary measure designed to advance Canada's transition to a clean energy economy.

Under Canada's plan to address climate change, actions have been taken regarding two of the largest sources of GHG emissions: the electricity and transportation sectors.

The oil, gas and oil sands industries are expected to be a sector of the economy where the federal Government will regulate GHG emissions next. However, at this time it is not known how or when GHG emissions from the oil, gas and oil sands industries will be regulated or the reductions in emissions that will be required. The Company believes that it is reasonably likely that new federal legislation requiring GHG emissions will be enacted in Canada and that such federal legislation could have a material effect on the development of Connacher's assets.

Future federal industrial air pollutant and GHG emission reduction requirements, together with provincial emission intensity reduction requirements in the Act, or emission or emission intensity reduction requirements in future regulatory approvals, may require the reduction of emissions or emission intensity from the Company's operations and facilities, payments to a technology fund or the purchase of EPCs or off-set credits. The required emission or emission intensity reductions may not be technically or economically feasible to implement for Pod One or Algar and the failure to meet such emission or emission intensity reduction requirements or other compliance mechanisms may materially adversely affect the Company's business and result in fines, penalties and the suspension of operations. As well, equipment from suppliers which may be required to meet future emission standard benchmarks may not be available on an economic basis and other compliance methods of reducing emissions or emission intensity to required levels in the future may significantly increase the Company's operating costs or reduce the output of the Company's projects. EPCs or off-set credits may not be available for acquisition by the Company's projects or may not be available on an economic basis. There is also the risk that the provincial government could impose additional emission or emission intensity reduction requirements, or that the federal and/or provincial governments could pass legislation implementing a carbon tax on fuel consumed or GHGs emitted.

The Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring that was released on February 3, 2012 will involve additional monitoring of air, water, land and biodiversity in the oil sands region. The outcomes of this additional monitoring may result in new government regulations being enacted that could result in increased costs and additional legal obligations for Connacher's operations.

The Great Divide facilities rely on non-potable subsurface water which is obtained under licenses from Alberta Environment and Sustainable Resource Development. There can be no assurance that the licenses to withdraw subsurface water will not be rescinded or that additional conditions will not be added to these licenses. There can be no assurance that the Company will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. In addition, the expansion of the Company's projects rely on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to the Company or at all, or that such additional water will in fact be available to divert under such licenses.

Alberta's Land-use Framework, which is being implemented under the *Alberta Land Stewardship Act* ("**ALSA**"), sets out the Government of Alberta's approach to managing Alberta's land and natural resources to achieve long-term economic, environmental and social goals. ALSA contemplates the creation of regional plans which could amend or extinguish previously issued regulatory approvals in order to achieve or maintain an objective or policy resulting from the implementation of a regional plan. The Government of Alberta is expected to develop a regional plan for each of seven planning regions in the province. So far, a plan has been formally adopted for the Lower Athabasca region ("**LARP**") and a draft plan has been prepared for the South Saskatchewan region. The LARP identifies and sets resource and environmental management outcomes for air, land, water and biodiversity, and acts as a guide for future resource decisions while considering social and economic impacts. LARP was formally approved by the government of Alberta and put into force on August 22, 2012 and became effective on September 1, 2012. With the expected development of the management frameworks underneath the LARP (specifically the biodiversity management framework), Connacher may be affected. But it is uncertain to what extent and timing of release of the framework.

The *Species at Risk Act* ("**SARA**") was enacted by the Government of Canada as a means to manage species of special concern to prevent them from becoming extinct, endangered or threatened. The woodland caribou has been designated as a species under threat in the Province of Alberta. Pursuant to the SARA, lands that fall within Connacher's oil sands leases have been designated as sensitive habitat for caribou. The Company has undertaken enhanced operating practices within the designated areas with a view to protecting the threatened caribou population.

It is possible that the LARP and current or future requirements under the SARA may negatively impact Connacher's access to or its ability to conduct operations on certain resource properties or limit or prohibit development due to environmental limits and thresholds. In addition, the enhanced operating practices undertaken by the Company in response to the SARA increase operating costs and such costs may further increase in the future if there are further changes to the prescribed operating practices.

The Company's Operating Cash Flow will be Directly Affected by the Applicable Royalty Regime

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights.

A change in the royalty regime resulting in an increase in royalties would reduce the Company's cash flow and earnings and could make future capital expenditures or the Company's operations uneconomic and could, in the event of a material increase in royalties, make it more difficult to service and repay the Company's debt. Any material increase in royalties would also significantly reduce the value of the Company's associated assets.

The Company's Business May Suffer in the event of a Loss of Key Personnel

The Company faces numerous risks due to the stage of its development, as well as certain other factors. The Company's success will depend in part on the ability, expertise, judgment, discretion and good faith of the Company's Management and its ability to retain them. The Company does not maintain key-man life insurance with respect to any of its employees. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The loss of any key personnel may have a material adverse effect on the Company's business, financial condition or results of operations.

The Company's Operations Are Subject to Numerous Operational Hazards and Other Risks against Which the Company May Not Be Insured

The operation of Pod One and Algar will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts, oil spills, pipeline failures and rail transportation incidents. The Company's SAGD process operates at high temperatures and pressures that may increase these operational risks. The consequences of such events include personal injuries, loss of life, environmental damage, property damage, loss of revenues, fines, penalties, legal liabilities, disruption to operations, asset repair costs, remediation and reclamation costs, monitoring post-cleanup and/or reputational impacts that may affect the Company's license to operate. Remediation may be complicated by a number of factors including shortages of specialized equipment or personnel, extreme operating environments and the absence of appropriate or proven countermeasures to effectively remedy such consequences. Emergency preparedness, business continuity and security policies and programs are in place for all operating areas, and are routinely exercised. The Company, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks and hazards. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks and hazards.

SAGD and other *in situ* exploration and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Connacher's business, financial condition, results of operations and prospects.

The Company is not fully insured against certain environmental risks, either because such insurance is not available or because of high premium costs. In particular, insurance against risks from environmental pollution occurring over time (as opposed to sudden and catastrophic damages) is not available on economically reasonable terms. Accordingly, the Company's properties may be subject to liability due to hazard that cannot be insured against, or that have not been insured against due to prohibitive premium costs or for other reasons.

The Labor Force Is Limited and the Company May Not Be Able to Hire All of the Labor Force Required At the Compensation Levels Budgeted For or At All

The labor force in Alberta, and specifically in the Fort McMurray and surrounding area, has at times been limited. A resurgence of activity in the oil sands industry may impact the Company's ability to access the necessary skilled laborers to operate Pod One and Algar and construct expansion projects could have an adverse effect on the Company's development plans. The Company competes with other oil sands projects for experienced employees and such competition may impact the availability of employees and/or may result in increases to compensation paid to such employees. In addition, rising personnel costs could result in increases in general and administrative expenses and labor costs which may adversely affect the Company's cash flow and earnings.

Title Review Will Be Done In Accordance With Industry Standards but Will Not Guarantee Title to the Company's Properties

The Company's oil sands properties were leased from the Crown in Right of Alberta and although title reviews will be done according to industry standards prior to the purchase of most crude oil producing properties (excluding properties acquired from the Crown in Right of Alberta) or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim which could result in a reduction of the revenue the Company receives. If such were the case, the Company's entitlement to the production and reserves associated with such leases could be jeopardized, which could have a material adverse effect on the Company's financial condition, results of operations and the Company's ability to execute its business plan in a timely manner or at all.

Aboriginal Peoples May Make Claims against the Company or Its Properties

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western Canada. Certain aboriginal peoples have filed a claim against the Government of Canada, the Province of Alberta, certain governmental entities and the regional municipality of Wood Buffalo (which includes the City of Fort McMurray, Alberta) claiming, among other things, aboriginal title to large areas of lands surrounding Fort McMurray, including the lands on which Pod One, Algar and most of the other oil sands operations in Alberta are located. Such claims, if successful, could have a significant adverse effect on the Company and Great Divide. The Company continues to consult with and work with Aboriginal groups at Great Divide, which may result in timing uncertainties or delays of future development activities.

Capital Projects May Experience Cost Overruns

There is a risk associated with providing cost estimates for major projects. Connacher often provides estimates for its major projects, such as the Modified Plan, which encompass the conceptual stage through to final scope design, including detailed engineering cost estimates; however, these projects typically evolve over time and updates for significant timing and cost estimate changes are often required during project construction. At each stage of these major projects, cost estimates involve uncertainties. Accordingly, actual costs can vary from these estimates and these differences can be material. Further there is a risk that maintenance at Pod One or Algar will be required more often than currently planned or that significant capital projects could arise that were not previously anticipated.

Negative Public Perception of Canada's Oil Sands May Have a Negative Impact on Connacher's Operations and Business

Development of Canada's oil sands has received significant attention in political, media and activist commentary on the subject of pipeline transportation, climate change, GHG emissions, water usage, and harm to aboriginal communities and environmental damages. Public concerns regarding such issues may directly or indirectly have a negative impact on the profitability of Connacher by: (i) creating significant regulatory uncertainty that could challenge the economic modeling of future projects and potentially delay sanctioning; (ii) motivating extraordinary environmental and emissions regulation by governmental authorities, which could result in changes to Connacher's operating requirements, thereby potentially increasing the cost of operation and reclamation and abandonment; (iii) compelling legislation or policy that limits the purchase of crude oil produced from Canada's oil sands by governments or other consumers, which in turn, may limit the market for Connacher's dilbit and reduce its price; and (iv) resulting in proposed pipelines not being able to receive the necessary permits and approvals, which, in turn may limit the market for Connacher's dilbit and reduce its price.

Bitumen and Bitumen Blended Products May Be Subject To Export and Import Restrictions

The Government of Canada previously announced that it will review and may restrict exports from Canada of bitumen and bitumen blended products to countries with less stringent GHG emissions limits than those which apply in Canada. Any export restrictions imposed with respect to bitumen or bitumen blended products, may restrict the markets in which the Company may sell its bitumen and bitumen blended products, which may result in the Company receiving a lower price for its production.

The European Union's Fuel Quality Directive ("**FDQ**") formerly considered oil sands bitumen as more carbon-intensive than conventional oil. The new FDQ only requires refiners to report average emissions value of the feedstock used in the products they produce.

Any foreign import restrictions or financial penalties imposed on the use of bitumen or bitumen blended products may restrict the markets in which the Company may sell its bitumen and bitumen blended products and/or result in the Company receiving a lower price for such products.

Risks Relating to Financing and the Company's Indebtedness

The Company Has Issued US Dollar Denominated Debt

Interest and principal payments on the Convertible Notes and Amended First Lien Term Loan Facility Credit Agreement must be made in US dollars. If the Canadian dollar weakens with respect to the US dollar, the Canadian dollar cost of these payments will increase. The Company may be unable to maintain a level of cash flow from operating activities sufficient to permit the Company to pay the principal, interest and premium, if any, on the Company's indebtedness.

The Company's Overall Level of Indebtedness Represents a Large Portion of Its Current Capitalization and Could Constrain Its Operations

The Company has a significant amount of indebtedness and the Company's level of indebtedness could materially and adversely affect it in a number of ways. For example, it could:

- make it more difficult for the Company to conduct its operations;
- increase the Company's vulnerability to general adverse economic and industry conditions;
- reduce the availability of the Company's cash flow to fund working capital, capital expenditures, development efforts and other general corporate expenditures;
- limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit the Company's ability to borrow additional funds on commercially reasonable terms, if at all, to meet its operating expenses, to fund expansion and for other purposes.

The Company's Ability to Make Scheduled Repayments or to Re-Finance Its Debt Obligations Will Depend upon Its Financial and Operating Performance

The Company's ability to make scheduled repayments when due at maturity or to re-finance its debt obligations prior to or on maturity will in part depend upon the Company's financial and operating performance, which in turn will partially depend upon prevailing industry and general economic conditions which are beyond its control. There can be no assurance that the Company's operating performance, cash flow and capital resources will be sufficient to service and/or repay its debt in the future, in which case the Company may be required to sell assets to repay its debt, defer capital expenditures or raise additional debt or equity, to the extent available.

If the Company is Unable to Obtain Sufficient Funding, Its Ability to Expand Its Operations May Be Impaired

The Company's ongoing activities may not generate sufficient cash flow from operations to fund future exploration, development or acquisition programs. The Company may require additional external financing and the amount of such financing may be significant. While there are various financing options available to the Company, including the sale of new equity or debt or joint ventures, sale of working interests or other alternatives, the Company's ability to arrange such financing in the future may depend in part upon the prevailing capital market conditions, as well as the Company's business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company or at all. Failure to obtain such financing on a timely basis could cause the Company to forfeit interests in certain properties, miss certain acquisition opportunities and reduce or terminate operations. This may result in the Company not being able to replace its reserves or maintain production, which will have an adverse effect on its financial position. In addition, if the Company obtains additional financing by the issuance of shares from treasury, control of the Company may change and existing shareholders may suffer additional dilution.

From time to time the Company may enter into transactions to acquire assets. Such transactions may be financed partially or wholly with debt, which may temporarily increase the Company's debt levels above industry standards.

Risks Relating to Reserves

Undue Reliance Should Not Be Placed on Estimates of Reserves, since these Estimates are Subject to Numerous Uncertainties. The Company's Actual Reserves Could be lower than Such Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and future net revenues to be derived therefrom, including many factors beyond the Company's control. The reserve and future net revenue information set forth herein represents estimates only. The reserves and estimated future net cash flow from the Company's properties have been independently evaluated by GLJ with an effective date of December 31, 2015. These evaluations include a number of assumptions relating to factors such as historical production in the area compared with production rates from similar producing areas, initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of blended bitumen, crude oil and natural gas, operating costs, well abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on prices in use at the date the relevant evaluations were prepared, and many of these assumptions are subject to change and are beyond the Company's control. Actual production and cash flow derived therefrom will vary from these evaluations, and such variations could be material.

Reserve estimates are based on the relevant factors, assumptions and prices on the date the evaluations were prepared. Many of these factors are subject to change and are beyond the Company's control. If these factors, assumptions and prices prove to be inaccurate, the Company's actual reserves could vary materially from its estimates. Additionally, all such estimates are, to some degree, uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable quantities of oil and natural gas, the classification of such reserves based on risk of recovery and associated contingencies, and the estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and upon analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

Reserve estimates may require revision based on actual production experience. Such figures have been determined based upon assumed commodity prices and operating costs. Market price fluctuations of crude oil and natural gas prices may render uneconomic the recovery of certain grades of bitumen.

The present value of estimated future net revenue referred to herein should not be construed as the fair market value of estimated bitumen reserves attributable to the Company's properties. The estimated discounted future revenue from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net revenue will also be affected by factors such as the amount and timing of actual production, supply and demand for bitumen, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

The Company's Cash Flow and Earnings Growth are Highly Dependent upon the Company Developing Its Current Reserve Base and Converting Its Reserve Base to Production and Cash Flow

The Company's reserves and production and, therefore, the Company's future cash flow and earnings and growth are dependent upon the Company further developing its current reserve base to production and cash flow and discovering or acquiring additional reserves. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investments to maintain and expand its reserves will be impaired. There can be no assurance that the Company will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs.

Risks Relating to Third Parties

The Company May Be Subject to Conflicting Interests with Joint Venture Partners

Management of the Company may attempt to identify industry participants and negotiate transactions whereby other enterprises will join with the Company to conduct joint venture activity to develop the Company's oil sands properties. There can be no assurances as to the timing or completion of related terms of possible joint venture arrangements.

Joint venture arrangements may be negotiated with third parties who will generally have objectives and interests that may not coincide with Connacher's interests and may conflict with Connacher's interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, arrangements with these third parties will not be consummated.

In certain circumstances, the concurrence of joint venture partners may be required for various actions. Other parties influencing the timing of events may have priorities that differ from Connacher's, even if they generally share Connacher's objectives. Demands by or expectations of joint venture partners and others may affect Connacher's participation in such projects, or its ability to obtain or maintain necessary licenses and other approvals or the timing of undertaking various activities or operations.

The Company Is Subject to Third Party Credit Risks through Its Contractual Arrangements

The Company may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners and the marketers of its bitumen. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit conditions in the industry and of a potential joint venture partner may impact a potential joint venture partner's willingness to participate in a future Connacher capital program.

The Company is Subject to Extensive Government Regulation. The Company May Have to Expend Substantial Amounts for Compliance with Regulations or the Company May Become Liable for Failure to Comply With Regulations

The oil and gas industry in Canada, including the oil sands industry, operates under Canadian federal, provincial, territorial and municipal legislation and regulation governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, income, the exportation of crude oil, natural gas and other products, the use of sub-surface water in the Company's operations, as well as other matters. The industry is also subject to regulation by federal, provincial, territorial and municipal governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights.

Environmental laws and regulations that affect the Company's operations and processes are extensive and have become progressively more stringent. Violations of these laws and regulations or permit conditions can result in substantial penalties, injunctive relief requirements compelling installation of additional controls, civil and criminal sanctions, permit revocations and/or facility shutdowns.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for crude oil and natural gas, increase the Company's costs and have a material adverse impact on the Company.

To date, the Company believes Pod One and Algar have received all of the approvals currently required. However, before proceeding with future phases at Great Divide, the Company must obtain all additional required regulatory approvals. The regulatory approval process can involve stakeholder consultation, environmental impact assessments, public hearings and appeals to tribunals and courts, among other things. In addition, regulatory approvals may be subject to conditions including security deposit obligations and other commitments. Failure to obtain regulatory approvals, or failure to obtain them on a timely basis, could result in delays or restructuring of the project and increased costs, all of which could have a material adverse effect on the Company. Pod One, Algar and ongoing exploration activity are also subject to periodic inspections by regulatory authorities to ensure the Company's compliance with applicable legislation and the conditions of regulatory approvals. Negative inspection results may lead to the imposition of fines or penalties or the suspension or rescission of the project's regulatory approvals.

The Company's Operations Will Depend on Infrastructure Owned and Operated by Third Parties and on Services Provided by Third Parties. Failure by These Third Parties to Provide Infrastructure and Services required by the Company Could Have a Material Adverse Effect on the Company's Business and Results of Operations

The Company depends on certain infrastructure owned and operated or to be constructed by others and on services provided by third parties, including, without limitation, processing facilities, pipelines, trans-loading facilities, or rail lines for the transportation of products to the market, the transportation of natural gas to Great Divide, disposal pipelines, electrical grid transmission lines for the provision and/or sale of electricity to the Company, roads, airstrips, terminals and vessels. The failure of any or all of these third parties to supply utilities, services, or in connection with Pod One and Algar, to construct necessary infrastructure, on a timely basis and on acceptable commercial terms will negatively impact the Company's operations and financial results.

The Company currently trucks diluent to, and dilbit from, Great Divide and also uses rail to ship dilbit to markets. The Company is investigating pipeline alternatives. The ability to deliver diluent to Great Divide and ship dilbit to markets is dependent on, among other things, access to trucks and drivers, rail cars and railroads and may be impacted by accidents, weather delay and general road conditions. Delays or the inability to deliver diluent to Great Divide or ship dilbit to market could have a negative impact on the Company's results of operations and cash flow.

Recent disruptions in pipeline services have resulted in apportionment on volumes, greater supply of heavy crude oil and dilbit in local markets and increased demand and cost of alternative sources of transportation for the Company's products. Future transportation and infrastructure issues may adversely affect the Company's results of operations and cash flow.

Changes in Tax Laws May Adversely Affect the Company and Future Expansion Phases

Income tax laws or government incentive programs relating to the oil and gas industry and in particular the oil sands sector may in the future be changed or interpreted in a manner that adversely affects the Company, its operations and future expansion plans.

The Company's Industry Is Highly Competitive and Many of Its Competitors Have Greater Resources than the Company Does

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of crude oil and natural gas interests and the distribution and marketing of petroleum products. The Company will compete with producers of bitumen, synthetic crude oil blends and other producers of conventional crude oil and natural gas. Some of the conventional producers have lower operating costs than the Company is anticipated to have and many of them have greater resources than the Company has. Certain of the Company's competitors may have greater resources to source, attract and retain the personnel, materials and services that the Company will require to conduct its operations or to conduct expansions at Great Divide. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than the Company have announced plans to enter the oil sands business and begin production of bitumen, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of bitumen or synthetic crude oil and other competing crude oil products in the marketplace and could materially increase the costs of inputs such as natural gas, diluents, labor, equipment, materials or services. Depending on the levels of future demand, increased supplies could have a negative impact on prices of bitumen and, accordingly, the Company's results of operations and cash flow.

The Company Relies Heavily on a Limited Number of Customers. A Loss of any of These Customers Could Have a Material Adverse Effect on the Company's Business and Results of Operations

In 2015, a single customer accounted for approximately 37 per cent of the Company's total bitumen sales and in 2014 a single customer accounted for approximately 30 per cent of the Company's total bitumen sales. As the Company's bitumen sales rely heavily on a limited number of customers, any loss of such customers could have a negative impact on the Company's business, financial condition and results of operations.

Other Risks Affecting the Company's Business

Terrorist Attacks and the Threat of Terrorist Attacks May Have an Adverse Impact on the Oil and Gas Industry and Energy Infrastructure

The long-term impact of terrorist attacks in the US, such as the attacks on September 11, 2001, and in Canada and the threat of future terrorist attacks on the oil and gas industry and energy infrastructure in general and on the Company, in particular, is not known at this time. The possibility that the oil and gas industry and energy infrastructure facilities may be direct targets of, or indirect casualties of, an act of terror and the implementation of security measures which may be taken as a precaution against possible terrorist attacks will result in increased costs to the Company's business.

The Company's Information Assets and Critical Infrastructure May Be subject To Destruction, Theft, Cyber-Attacks or Misuse by Unauthorized Parties

The Company is subject to a variety of information technology and system risks as a part of its normal course operations. Although the Company has security measures in place that are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and a disruption to its business activities. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company May Be Unable to Utilize the Most Advanced Commercially Available Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

There Are Potential Conflicts of Interest to Which Some of the Company's Directors and Officers Will Be Subject in Connection with the Company's Operations

Some of the directors and officers of the Company are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other Corporations and situations may arise where the directors and officers will be in direct competition with the Company. From time to time, the Company may jointly participate in exploration and development activities with one or more corporations with which a director or officer of the Company may be involved.

Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the CBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the CBCA.

Risks Relating to the Company's Equity Securities

Sales of a Significant Number of Equity Securities in the Public Markets, or the Perception of Such Sales, Could Depress the Market Price of the Common Shares

Sales of a significant number of Common Shares or other equity-related securities in the public markets by Connacher or by Connacher's significant Shareholders could depress the market price of the Common Shares. In addition, with any sale or issuance of equity securities by Connacher, investors will suffer dilution of their voting power and Connacher may experience dilution in its earnings per share. The Company cannot predict the effect that future sales of the Common Shares or other equity-related securities would have on the market price of the Common Shares. The price of the Common Shares could be affected by possible sales of Common Shares or by hedging or arbitrage trading activity.

The Trading Price for the Common Shares May be Volatile

The trading price of the Common Shares may be subject to large fluctuations, which may result in losses to investors. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including:

- the price of oil and gas;
- Connacher's financial condition, financial performance and future prospects;
- the public's reaction to Connacher's news releases, other public announcements and Connacher's filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track Connacher's equity securities or the securities of other companies in the oil and gas sector;
- changes in general economic conditions and the overall condition of the financial markets;
- the number of Common Shares to be publicly traded;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving Connacher or its competitors; and
- the factors listed under the heading "*Forward Looking Information*".

Shareholders are Subject to Potential Dilution

Management continually evaluates acquisition opportunities and recapitalization transactions, and although Connacher is not currently party to any definitive agreements in respect of such transactions, it may engage in transactions that result in the issuance of additional Common Shares which issuances may be dilutive. A Shareholder's percentage interest in Connacher will be substantially diluted upon conversion of any of the Convertible Notes. Other issuances of additional Common Shares may also result in dilution to the holders of the Common Shares.

The Company May Not Generate Cash Flow Sufficient To Service All of Its Obligations

The Company's ability to make payments on its indebtedness, including its debt securities, and to fund its operations, working capital and capital expenditures, depends on its ability to generate cash in the future. The Company's cash flow is subject to general economic, industry, financial, competitive, operating, regulatory and other factors that are beyond its control. The Company's business may not generate cash flow in an amount sufficient to enable it to repay its indebtedness, including its debt securities, or to fund its other liquidity needs. The Company may need to refinance all or a portion of its indebtedness, including its debt securities, on or before maturity. The Company's ability to refinance its indebtedness or obtain additional financing will depend on, among other things:

- its financial condition at the time;
- restrictions in its indentures and its credit agreement; and
- other factors, including the condition of the financial markets or the oil and gas industry.

As a result, the Company may not be able to refinance any of its indebtedness, including its debt securities, on commercially reasonable terms, or at all. If the Company does not generate sufficient cash flow from operations, and additional borrowings or refinancing or proceeds of asset sales are not available to Connacher, the Company may not have sufficient cash to enable Connacher to meet all of its obligations, including payments on the Company's debt securities.

The Instruments Governing the Company's Indebtedness Contain Significant Restrictions that Limit Operating and Financial Flexibility

The instruments governing the Company's indebtedness contain covenants that, among other things, limit its ability to:

- incur additional indebtedness;
- pay dividends and make distributions;
- repurchase shares;
- make certain investments;
- transfer or sell assets;
- create liens;
- enter into transactions with affiliates; and
- merge, consolidate, amalgamate or sell all or substantially all of its assets.

All of these restrictions may limit the Company's ability to execute its business strategy.

LEGAL PROCEEDINGS

There are no material legal proceedings against the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the acquisition by a fund managed by VR Fund of 4,538,997 Common Shares and US$6,485,617 principal amount of Convertible Notes and the acquisition by Avenue Funds of 12,953,255 Common Shares and US$19,461,584 principal amount of Convertible Notes pursuant to the Recapitalization, Management is not aware of any material interest, direct or indirect, of any director or executive officer of the Company, any person beneficially owning, directly or indirectly, more than ten percent of the Company's voting securities, or any director or officer of such person in any transaction within the three most recently completed financial years or during the current financial year which in either case has materially affected or will materially affect the Company.

INTERESTS OF EXPERTS

GLJ has prepared a valuation described herein. GLJ did not hold any interests in securities or other property of Connacher when it prepared its valuation, has not received any such interest since such time nor will receive any such interest. The auditors of the Company, Deloitte LLP, is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. No director, officer or employee of GLJ or Deloitte LLP is to be elected, appointed or employed by Connacher.

MATERIAL CONTRACTS

On May 8, 2015, Connacher entered into the Convertible Note Indenture with Wilmington Trust, National Association, as trustee, relating to the Convertible Notes.

On May 15, 2015, Connacher also entered into the Amended First Lien Term Loan Facility Credit Agreement to increase the total commitments to provide for the Additional Commitments to replace the Revolving Credit Facility.

The Convertible Note Indenture and the Amended First Lien Term Loan Facility Credit Agreement are available by accessing the Company's publicly filed documents on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular. Additional financial information is provided in the Company's consolidated annual financial statements and managements' discussion and analysis for the year-ended December 31, 2015.

Copies of this Annual Information Form, the Company's consolidated annual financial statements, any interim financial statements of the Company subsequent to the consolidated annual financial statements, the Information Circular and other additional information relating to the Company are available on SEDAR at www.sedar.com.

SCHEDULE A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Connacher Oil and Gas Limited (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – M$)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	Dec. 31, 2015	Canada	-	1,544,252	-	**1,544,252**

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 4, 2016

"Originally Signed by"
Caralyn P. Bennett, P. Eng.
Vice President, Corporate Strategy

SCHEDULE B

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Connacher Oil and Gas Limited (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented in Schedule B and will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Forms 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(Signed) "Merle Johnson"

Merle Johnson
Chief Executive Officer

(Signed) "Daryl Gilbert"

Daryl Gilbert
Director

(Signed) "Jeff Beeston"

Jeff Beeston
Interim Chief Financial Officer

(Signed) "Gene Davis"

Gene Davis
Director

Signed: March 29, 2016

SCHEDULE C

AUDIT AND RESERVES COMMITTEE
TERMS OF REFERENCE

The Audit and Reserves Committee (the "**Committee**") of the board of directors (the "**Board**") of Connacher Oil and Gas Limited (the "**Company**") shall have the oversight responsibility, authority and specific duties as described below.

COMPOSITION

The Committee will be comprised of three or more directors as determined by the Board. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member of the Committee shall have no direct or indirect material relationship with the Company which could reasonably be expected to materially interfere with the member's independent judgment. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board and shall be reviewed at least annually.

Members of the Committee shall be appointed from time to time by the Board. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of the Company. If a member of the Committee ceases to be independent for reasons outside that member's reasonable control, the member shall immediately notify the Chief Executive Officer as to this fact and shall resign his position as a member of the Committee on the earliest of (i) the appointment of his successor; (ii) the next annual meeting of shareholders of the Company; and (iii) the date that is six months from the occurrence of the event which caused the member to not be independent. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

OPERATION

The Committee shall have access to such officers and employees of the Company, to the Company's independent external auditors, to the Company's internal auditor, if any, to the Company's independent qualified reserves evaluator(s), and to such information respecting the Company, as it considers necessary or advisable in order to perform its duties and responsibilities. The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any such counsel and advisors, such engagement to be for the Company's sole account and expense.

Meetings of the Committee shall be conducted as follows:

1. The Committee shall meet at least four times annually at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit timely review of:

   (a) the quarterly and annual financial statements and reports; and

   (b) the annual independent qualified reserves evaluator(s) report on the Company's reserves data, the Statement of Reserves Data and Other Oil and Gas Information and public disclosure in respect thereof.

   The independent auditors or any one member of the Committee may also request a meeting of the Committee.

2. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other.

3. The Chair shall, in consultation with management and the external auditors, establish the agenda for the meetings and instruct management to ensure that properly prepared agenda materials are circulated to the Committee with sufficient time for study prior to the meetings.

4. Every question at a Committee meeting shall be decided by a majority of the votes cast.

5. The Chief Executive Officer shall be available to advise the Committee, and may attend meetings at the invitation of the Chair of the Committee. Other management representatives may be invited to attend. The independent external auditors shall be given notice of, and shall be entitled to attend, each meeting of the Committee at the expense of the Company. The Chair of the Committee shall hold *in camera* meetings of the Committee, without management present, at every regularly scheduled Committee meeting.

6. The Corporate Secretary shall act as secretary for the purposes of recording the minutes of each meeting. If no Corporate Secretary has been appointed or the Corporate Secretary is not present at the meeting, a Committee member, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purpose of recording the minutes of each meeting.

7. The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

The Committee provides an avenue for communication for the Board, particularly for outside directors, with the independent external auditors, internal auditor, if any, financial and senior management, and the independent reserves evaluator(s). The independent external auditors, the internal auditor, if any, and the independent reserves evaluator(s) shall have a direct line of communication to the Committee through its Chair. The Committee, through its Chair, may contact directly any employee in the Company as deemed necessary, and any employee may bring before the Committee, on a confidential basis, any matter involving financial practices or transactions or the reserves evaluation process.

RESPONSIBILITIES

The Committee is part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities generally and with respect to: the preparation and disclosure of the financial statements, and accompanying reports, to be provided to shareholders and regulatory bodies; the system of internal control and management information systems of the Company that management has established; the external audit process; the internal audit process, if any, and the oil and gas reserves evaluation process and public disclosure of reserves data and related information in connection with oil and gas activities and pursuant to National Instrument 51-101 (as amended or replaced from time to time).

In addition, the Committee shall assist the Board as requested in fulfilling its oversight responsibilities with respect to: financial policies and strategies; financial risk management practices; and transactions or circumstances which could materially affect the financial position or results of operations of the Company.

The role of the Committee is one of stewardship and oversight. Management is responsible for preparing the financial statements and financial reporting of the Company and for maintaining internal control and management information and risk management systems and procedures. The external auditors are responsible for the audit or review of the financial statements and other services they provide. The internal auditor, if any, is responsible for ensuring that the Company has implemented an effective system of internal control to manage the risks facing the Company, providing cost-effective and independent assurance that internal controls are effective and supporting employees of the Company in the effective discharge of their responsibilities through the provision of reports, recommendations, advice and information concerning activities reviewed by the internal auditor, if any.

The Committee should have a clear understanding with the external auditors that the independent auditors must maintain an open and transparent relationship with the Committee and the Board, and that the ultimate accountability of the external auditors is to the shareholders of the Company. The Committee should also have a clear understanding with the independent qualified reserves evaluator(s) that the independent qualified reserves evaluator(s) must maintain an open and transparent relationship with the Committee and the Board, and that the ultimate accountability of the evaluator is to the Committee and the Board.

The Committee shall provide the Board with a summary of all meetings by way of an oral report delivered by the Chair of the Committee to the Board. All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

SPECIFIC DUTIES

8. Financial Statements and Financial Reporting.

The Committee shall:

(a) review with management and the external auditors, and recommend to the Board for approval, the annual financial statements of the Company, the reports of the external auditors thereon and related financial reporting, including Management's Discussion and Analysis and financial press releases;

(b) review with management and the external auditors, and recommend to the Board for approval, the interim financial statements of the Company and related financial reporting, including Management's Discussion and Analysis and financial press releases;

(c) review with management and recommend to the Board for approval, any financial statements of the Company which have not previously been approved by the Board and which are to be included in a prospectus of the Company;

(d) review with management and the external auditors, and recommend to the Board for approval, any audited financial statements of the Company's subsidiaries and reports of the external auditors thereon;

(e) consider and be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements (other than disclosure referred to in clauses (a) and (b) above), and periodically assess the adequacy of such procedures;

(f) review with management, the external auditors and, if necessary, external legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters may be, or have been, disclosed in the financial statements;

(g) review the appropriateness of the accounting practices and policies of the Company, the use and effect of judgment on accounting measurements, the adequacy of accruals and estimates used by management in preparing financial statements and review any proposed changes in accounting policies and procedures;

(h) review accounting, tax and financial aspects of the operations of the Company as the Committee considers appropriate; and

(i) include in the annual information form each year, as required, a copy of the Terms of Reference of the Committee and a report to shareholders on the Committee's activities in satisfying its responsibilities during the year in compliance with these Terms of Reference.

9. Relationship with External Auditors.

The Committee shall:

(a) consider and make a recommendation to the Board as to the appointment or re appointment of the external auditors, ensuring that such auditors are participants in good standing pursuant to applicable securities laws;

(b) consider and make a recommendation to the Board as to the compensation of the external auditors;

(c) review and approve the annual audit plan of the external auditors in respect of the Company and any subsidiaries for which audited financial statements are required;

(d) oversee the work of the external auditors in performing their audit or review services and oversee the resolution of any disagreements between management and the external auditors;

(e) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Company and its affiliates in order to determine the external auditors' independence, including, without limitation,

(i) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Company,

(ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and

(iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

(f) pre-approve all non-audit services (where such non-audit services are considered to be above the *de minimus* level referred to in applicable law) to be provided to the Company (and any subsidiaries thereof) by the external auditors and review fee arrangements for such services (the Committee may delegate to one or more of its members the authority to pre-approve non-audit services so long as such pre-approval is presented to the full Committee at its first scheduled meeting following such pre-approval); and

(g) review and approve the hiring policies of the Company regarding employees and former employees of the present and former external auditors of the Company.

10. Relationship with Internal Auditor

The Committee shall:

(a) consult with the Chief Financial Officer regarding the engagement of an internal auditor;

(b) consult with the Chief Financial Officer to determine the terms and conditions of engagement of the internal auditor and shall respect the standards and norms for the employment of senior members of the executive team;

(c) oversee the work of the internal auditor;

(d) in conjunction with the senior executive officers of the Company, shall ensure that independent auditor has the independence, resources and support to perform its functions in an appropriate and effective manner;

(e) consult with the senior executive officers of the Company annually to establish the activities for internal auditor through the elaboration of an internal audit plan; and

(f) oversee the performance of the internal auditor's performance relative to its plan.

11. Internal Controls.

The Committee shall:

(a) review with management and the external auditors, the adequacy and effectiveness of the internal control and management information systems and procedures of the Company (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Company is in compliance with applicable legal and regulatory requirements and with the Company's policies;

(b) review the external auditors' recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto;

(c) establish procedures for the receipt, retention and treatment of complaints, submissions and concerns regarding accounting, internal controls or auditing matters on an anonymous and confidential basis; and

(d) review with external auditors any corporate transactions in which directors or officers of the Company have a personal interest.

12. Financial Risk Management.

The Committee shall:

(a) review with management and the external auditors their assessment of significant financial risks and exposures;

(b) review and assess the steps that management has taken to mitigate such risks;

(c) review annually the insurable risks and insurance coverages of the Company; and

(d) report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Company.

13. Oil and Gas Reserves Evaluation.

The Committee shall:

(a) review, at least annually, the Company's procedures relating to disclosure of information with respect to the oil and gas activities of the Company, including its procedures for complying with the disclosure requirements and restrictions of National Instrument 51-101;

(b) review annually the qualifications and independence of the independent qualified reserves evaluator(s) to be appointed or re-appointed by the Board and, in the case of any proposed change in the independent qualified reserves evaluator(s), determine the reasons for the proposed change and whether there have been any disputes between the appointed qualified reserves evaluator and management of the Company;

(c) review, at least annually, the Company's procedures for providing information to the independent qualified reserves evaluator(s) for the purposes of its report on reserves data of the Company under National Instrument 51-101;

(d) before approving the filing of reserves data of the Company and the report of the independent qualified reserves evaluator(s) thereon with the applicable regulatory authorities, meet with management and each of the independent qualified reserves evaluator(s) to:

  (i) determine whether any restrictions affect the ability of the independent qualified reserves evaluator(s) to report on the reserves data of the Company without reservation; and

  (ii) review the reserves data and the report of the independent qualified reserves evaluator(s) thereon;

(e) review the content and filing of the following information in accordance with National Instrument 51-101:

  (i) the Statement of Reserves Data and Other Information;

  (ii) the Report of Independent Qualified Reserves Evaluator(s);

  (iii) the Report of Management and Directors; and

  (iv) make a recommendation to the Board as to whether to approve the content and filing of the information referenced in (i), (ii) and (iii), above;

(f) review any public disclosure or regulatory filings with respect to any reserves evaluation and oil and gas activities and the compliance thereof with applicable regulatory requirements, and if appropriate make recommendations to the Board as to their approval for the release or filing thereof;

(g) co-ordinate meetings with the Company's senior reserve personnel, the independent qualified reserves evaluator(s) and the external auditors as required to address matters of mutual interest or concern in respect of the Company's evaluation of oil and natural gas reserves; and

(h) perform any other activities consistent with this mandate and, generally, governing laws as the Committee or the Board deems necessary or appropriate.

This is **Exhibit "E"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

CASSELS BROCK
LAWYERS

Enhanced Search Report (ESR)

Date of Report: May 12, 2016

SEARCHES CONDUCTED
Results of the following searches conducted are summarized in the attached Enhanced Search Report (ESR):
PARTY SEARCHED:
CONNACHER OIL AND GAS LIMITED
STATUTES OR OFFICES SEARCHED:
(a) *PERSONAL PROPERTY SECURITY ACT* (ALBERTA) (b) *BANK ACT (CANADA)* (ALBERTA)

esc
CORPORATE SERVICES LTD.

ESR
automatically generated by
LoanTransact™
By Ventext Corporation

CONNACHER OIL AND GAS LIMITED

PERSONAL PROPERTY SECURITY

Jurisdiction Searched: ALBERTA
Office Searched: PERSONAL PROPERTY REGISTRY, SERVICE ALBERTA
Statute Searched: *PERSONAL PROPERTY SECURITY ACT*
Date of Search (mm/dd/yyyy)**:** May 12 2016
File Currency Date: May 12 2016

An uncertified PPSA enquiry response was obtained from this Office in respect of "CONNACHER OIL AND GAS LIMITED" indicating the following registrations:

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS LIMITED CONNACHER FINANCE CORPORATION GREAT DIVIDE OIL CORPORATION GREAT DIVIDE OIL SANDS PARTNERSHIP GREAT DIVIDE PIPELINE LIMITED GREAT DIVIDE HOLDING CORPORATION 6419101 CANADA INC.	COMPUTERSHAR E TRUST COMPANY OF CANADA, AS COLLATER	07112205021	Nov 22 2007	Nov 22 2020	SECURITY AGREEMENT	ALL OF THE DEBTORS' PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.	THE COMPLETE NAME OF THE SECURED PARTY IN BLOCK #0001 IS: COMPUTERSHAR E TRUST COMPANY OF CANADA, AS COLLATERAL AGENT	

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS PARTNERSHIP								
CONNACHER OIL AND GAS LIMITED CONNACHER FINANCE CORPORATION GREAT DIVIDE OIL CORPORATION GREAT DIVIDE OIL SANDS PARTNERSHIP GREAT DIVIDE PIPELINE LIMITED GREAT DIVIDE HOLDING CORPORATION 6419101 CANADA INC. CONNACHER OIL AND GAS PARTNERSHIP	COMPUTERSHARE TRUST COMPANY OF CANADA, AS COLLATER	07112205104	Nov 22 2007		LAND CHARGE		THE COMPLETE NAME FOR THE SECURED PARTY IN BLOCK #0001 IS: COMPUTERSHARE TRUST COMPANY OF CANADA, AS COLLATERAL AGENT	
CONNACHER OIL AND GAS LIMITED	RICOH CANADA INC.	11123100237	Dec 31 2011	Dec 31 2016	SECURITY AGREEMENT	See **Detail Note 1**		
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	12040920346	Apr 09 2012	Apr 09 2017	SECURITY AGREEMENT			

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
	EMKAY CANADA LEASING CORP.							
CONNACHER OIL AND GAS LIMITED	GE VFS CANADA LIMITED PARTNERSHIP	12120618900	Dec 06 2012	Dec 06 2016	SECURITY AGREEMENT	See **Detail Note 2**		
CONNACHER OIL AND GAS LIMITED	GE VFS CANADA LIMITED PARTNERSHIP	12120618976	Dec 06 2012	Dec 06 2016	SECURITY AGREEMENT	See **Detail Note 3**		
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	13011600637	Jan 16 2013	Jan 16 2018	SECURITY AGREEMENT			
	EMKAY CANADA LEASING CORP.							
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	13020403755	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
	EMKAY CANADA LEASING CORP.							
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	13020403767	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
	EMKAY CANADA LEASING CORP.							
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	13020403794	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
	EMKAY CANADA LEASING CORP.							
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP.	13020403809	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
	EMKAY CANADA LEASING CORP.							

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13020403911	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13020403921	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13020403936	Feb 04 2013	Feb 04 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13022015304	Feb 20 2013	Feb 20 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13022015348	Feb 20 2013	Feb 20 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13022609647	Feb 26 2013	Feb 26 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13022609746	Feb 26 2013	Feb 26 2018	SECURITY AGREEMENT			

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13031320953	Mar 13 2013	Mar 13 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13031321999	Mar 13 2013	Mar 13 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13031322033	Mar 13 2013	Mar 13 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	13100911858	Oct 09 2013	Oct 09 2018	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14012107814	Jan 21 2014	Jan 21 2019	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14032716775	Mar 27 2014	Mar 27 2019	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14040125304	Apr 01 2014	Apr 01 2019	SECURITY AGREEMENT			

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14042108732	Apr 21 2014	Apr 21 2019	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14052856172	May 28 2014	May 28 2019	SECURITY AGREEMENT			
CONNACHER OIL AND GAS LIMITED	EMKAY CANADA LEASING CORP. EMKAY CANADA LEASING CORP.	14052856194	May 28 2014	May 28 2019	SECURITY AGREEMENT			
CONNACHER OIL & GAS LIMITED	NATIONAL LEASING GROUP INC.	14101617280	Oct 16 2014	Oct 16 2018	SECURITY AGREEMENT	See **Detail Note 4**	Purchase Money Security Interest.	
CONNACHER OIL AND GAS LIMITED	JIM PATTISON INDUSTRIES LTD.	15062327747	Jun 23 2015	Jun 23 2020	SECURITY AGREEMENT	COLLATERAL CLASSIFICATION: EQUIPMENT		
CONNACHER OIL AND GAS LIMITED	JIM PATTISON INDUSTRIES LTD.	15062617911	Jun 26 2015	Jun 26 2020	SECURITY AGREEMENT	COLLATERAL CLASSIFICATION: EQUIPMENT		
CONNACHER OIL AND GAS LIMITED	JIM PATTISON INDUSTRIES LTD.	15082627318	Aug 26 2015	Aug 26 2020	SECURITY AGREEMENT	COLLATERAL CLASSIFICATION: EQUIPMENT		
CONNACHER OIL AND GAS LIMITED	ARUNDEL CAPITAL CORPORATION	16011411669	Jan 14 2016	Jan 14 2021	SECURITY AGREEMENT	See **Detail Note 5**		

DEBTOR NAME	SECURED PARTY NAME	REGISTRATION NO.	REGISTRATION DATE	EXPIRY DATE	REGISTRATION TYPE	GENERAL COLLATERAL DESCRIPTION	PARTICULARS	ACTION REQUIRED
CONNACHER OIL AND GAS LIMITED	ARUNDEL CAPITAL CORPORATION	16011412231	Jan 14 2016	Jan 14 2021	SECURITY AGREEMENT	See **Detail Note 6**		
CONNACHER OIL AND GAS LIMITED	ARUNDEL CAPITAL CORPORATION	16011413719	Jan 14 2016	Jan 14 2021	SECURITY AGREEMENT	See **Detail Note 7**		
CONNACHER OIL AND GAS LIMITED	JIM PATTISON INDUSTRIES LTD.	16020225802	Feb 02 2016	Feb 02 2019	SECURITY AGREEMENT	COLLATERAL CLASSIFICATION: EQUIPMENT		
CONNACHER OIL & GAS	0606760 ALBERTA INC. O/A OK TIRE	16022325640	Feb 23 2016	Aug 23 2016	GARAGE KEEPERS' LIEN			

Detail Notes:

1 PHOTOCOPIERS TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO. PROCEEDS: GOODS, CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND INTANGIBLES (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT) AND INCLUDING INSURANCE PROCEEDS.

2 ALL GOODS WHICH ARE COPIERS TOGETHER WITH ALL REPLACEMENTS AND SUBSTITUTIONS THEREOF AND ALL PARTS, ACCESSORIES, ACCESSIONS AND ATTACHMENTS THERETO AND ALL PROCEEDS THEREOF, INCLUDING ALL PROCEEDS WHICH ARE ACCOUNTS, GOODS, CHATTEL PAPER, SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES, CROPS OR INSURANCE PROCEEDS (REFERENCE LEASE NO. 8756618-001)

3 ALL GOODS WHICH ARE COPIERS TOGETHER WITH ALL REPLACEMENTS AND SUBSTITUTIONS THEREOF AND ALL PARTS, ACCESSORIES, ACCESSIONS AND ATTACHMENTS THERETO AND ALL PROCEEDS THEREOF, INCLUDING ALL PROCEEDS WHICH ARE ACCOUNTS, GOODS, CHATTEL PAPER, SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES, CROPS OR INSURANCE PROCEEDS (REFERENCE LEASE NO. 8756622-001)

4 ALL PHOTOCOPIERS(RICOH MPC 5503 COPIERS) OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2685034, BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.

5 ONE(1) USED 2014 POLAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N1PMA34035E1042948,ONE(1) USED 2014 POLAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N1PMA33120E1043568,ONE(1) USED 2014 POLAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N1PMA34033E1042947,ONE(1) USED 2014 POLAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N1PMA33127E1042949,TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS,SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO, AND ALL PROCEEDS INANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THECOLLATERAL OR PROCEEDS THEREOF, AND WITHOUT LIMITATION, MONEY, CHEQUES DEPOSITS IN DEPOSIT-TAKING INSTITUTIONS, GOODS, ACCOUNTS RECEIVABLE,RENTS OR OTHER PAYMENTS ARISING FROM THE LEASE OF THE COLLATERAL,CHATTEL PAPER, INSTRUMENTS, INTANGIBLES, DOCUMENTS OF TITLE,SECURITIES, AND RIGHTS OF INSURANCE PAYMENTS OR ANY OTHER PAYMENTS ASINDEMNITY OR COMPENSATION FOR LOSS OR DAMAGE TO THE COLLATERAL ORPROCEEDS OF THE COLLATERAL.

6 ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N 1T9BL4030ES588960,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N 1T9BL3122ES588961,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N 1T9BL4034ES588962,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N 1T9BL3126ES588963,TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO, AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF, AND WITHOUT LIMITATION, MONEY, CHEQUES, DEPOSITS IN DEPOSIT-TAKING INSTITUTIONS, GOODS, ACCOUNTS RECEIVABLE, RENTS OR OTHER PAYMENTS ARISING FROM THE LEASE OF THE COLLATERAL, CHATTEL PAPER, INSTRUMENTS, INTANGIBLES, DOCUMENTS OF TITLE, SECURITIES, AND RIGHTS OF INSURANCE PAYMENTS OR ANY OTHER PAYMENTS AS INDEMNITY OR COMPENSATION FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.

7 ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N 1T9BL4038ES588964,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N 1T9BL312XES588965,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER LEAD S/N 1T9BL4031ES588966,ONE(1) USED 2014 TREMCAR SUPER B TC407 ALUMINUM TANK TRAILER REAR S/N 1T9BL3123ES588967,TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO, AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF, AND WITHOUT LIMITATION, MONEY, CHEQUES, DEPOSITS IN DEPOSIT-TAKING INSTITUTIONS, GOODS, ACCOUNTS RECEIVABLE, RENTS OR OTHER PAYMENTS ARISING FROM THE LEASE OF THE COLLATERAL, CHATTEL PAPER, INSTRUMENTS, INTANGIBLES, DOCUMENTS OF TITLE, SECURITIES, AND RIGHTS OF INSURANCE PAYMENTS OR ANY OTHER PAYMENTS AS INDEMNITY OR COMPENSATION FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.

BANK ACT (CANADA)

Jurisdiction Searched:	ALBERTA
Office Searched:	BANK OF CANADA
Statute Searched:	*BANK ACT (CANADA)*
Search Date (yyyy/mm/dd) **and Time:**	2016/05/12 07:21:15 AM PDT

CLEAR.

This is **Exhibit "F"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

SENIOR SECURED DEBTOR-IN-POSSESSION CREDIT FACILITY

INTERIM FINANCING TERM SHEET (Summary of Terms and Conditions)

The Interim Lenders are pleased to confirm their commitment to the Borrower (as such terms and other capitalized terms are defined below) to provide the Borrower with an interim facility in an aggregate amount up to at least the Initial Committed Amount, on the terms and subject to the conditions set forth in this Interim Financing Term Sheet (including the entering into by the Borrower, the Interim Lenders and the Agent of definitive credit documentation in form and substance satisfactory to the Agent and the Interim Lenders (acting reasonably)).

This Interim Financing Term Sheet (Summary of Terms and Conditions) is for convenience of reference only and is not exhaustive or definitive of the terms governing the interim facility described below. Reference should be made in all cases to the definitive credit documentation for the purposes of interpretation of the terms governing such interim facility and all other purposes respecting the interim facility described herein, and in the event of a conflict between the provisions of this Interim Financing Term Sheet and any definitive, executed documentation, the latter will govern. This Interim Financing Term Sheet is for the confidential use of Connacher Oil and Gas Limited and, except with the prior written consent of Wilmington Trust, National Association, as administrative agent for the Interim Lenders (as defined below), is not to be disclosed to any person other than as may be required by law or other than to directors and officers of, or legal counsel or the financial advisors to, Connacher Oil and Gas Limited, in each case who are directly involved in the transactions described herein and who have been informed of the confidential nature of this Interim Financing Term Sheet.

1.	**DEFINED TERMS:**	Unless otherwise indicated, capitalized terms used in this Interim Financing Term Sheet have the meanings given thereto in Schedule "A".
2.	**BORROWER:**	Connacher Oil and Gas Limited (the "**Borrower**").
3.	**GUARANTORS**	All subsidiaries of the Borrower after the date hereof, together with the Borrower, are collectively referred to herein as the "**Credit Parties**" and, individually, a "**Credit Party**".
4.	**ADMINISTRATIVE AGENT AND COLLATERAL AGENT:**	Wilmington Trust, National Association (in such capacity as administrative agent and collateral agent, the "**Agent**").
5.	**INTERIM LENDERS:**	(i) Credit Suisse Loan Funding LLC, Trilogy Portfolio Company, LLC, Rimrock High Income Plus (Master) Fund/Rimrock Low Volatility (Master) Fund, VR Global Partners, L.P and Avenue Capital Management II, L.P., each of which, subject to subsection (ii) of this Section 5, will be participating as a Non Pro-Rata Interim Lender and (ii) each of the other Tranche A

Lenders and the Tranche B Lenders as defined in the Pre-Filing Secured Credit Agreement, who may elect to participate as a Pro-Rata Interim Lender on or before May 23, 2016 (in their respective capacity as lenders under the Interim Facility, collectively, the "**Interim Lenders**" and individually an "**Interim Lender**"). For greater certainty, each Non Pro-Rata Interim Lender will participate in the amount of its Backstop Pro-Rata Share in the Initial Commitment Amount not committed to by the lenders referenced in subsection (ii) of this Section 5.

6. **PURPOSE:**

To provide financing for the short-term liquidity needs and general operating purposes of the Borrower pursuant to the Agreed Budget (as defined below) while the Borrower is: (a) under *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") protection pursuant to proceedings in Canada (the "**CCAA Proceedings**") to be commenced before the Court of Queen's Bench Alberta (the "**Court**"), as more fully set forth herein.

7. **INTERIM FACILITY, MAXIMUM AMOUNT AND FEES:**

A super priority (debtor-in-possession), interim, revolving credit facility (the "**Interim Facility**") up to a maximum principal amount of U.S$20,000,000 (as such amount may be reduced from time to time pursuant to Section 23 hereof, the "**Maximum Amount**"), subject to the terms and conditions contained herein. Interim Advances (as defined below) shall be utilized by the Borrower in accordance with the terms hereof. Subject to the terms and conditions to be set forth in the Credit Agreement, the Borrower may borrow, prepay and re-borrow Interim Advances.

Upfront fees in the aggregate amount of 3% for each Pro-Rata Interim Lender (payable in respect of the amount of such Pro-Rata Interim Lender's Commitment at such time) and 5% for each Non Pro-Rata Interim Lender (payable in respect of the amount of such Non Pro-Rata Interim Lender's Commitment at such time) shall be payable on the closing date (from the proceeds of the requested Interim Advance) to the Agent, for and on behalf of the Interim Lenders, in connection with the establishment of the Interim Facility (the "**Upfront Fees**"). For certainty, as of the closing date, the Upfront Fees shall be payable solely in respect of an aggregate amount of U.S.$11,500,000 (the "**Initial Committed Amount**").

Additional upfront fees (the "**Additional Upfront Fees**") at the same percentages for the applicable Interim Lenders as set forth above will be payable by the Borrower to the Agent for distribution to each Interim Lender in connection with the increase of such Interim Lender's portion of the Initial Committed Amount (the aggregate amount of any such increase being the "**Second Committed Amount**"). Such Additional Upfront Fee shall be payable on the date of the first drawdown under and in connection with the Second Committed Amount.

The Borrower shall pay to each Non Pro-Rata Interim Lender an additional fee of (i) 5% of the Initial Committed Amount or, (ii) if the Interim Lenders have provided the Second Committed Amount, 5% of the Initial Committed Amount plus the Second Committed Amount, on the date that all outstanding amounts under the Interim Facility are repaid.

An annual agency fee (the "**Agency Fee**", together with the Upfront Fee, the "**Fees**") in the amount of U.S.$60,000 shall be payable to the Agent on the closing date (from the proceeds of the requested Interim Advance), and on each one year anniversary thereof. The Agency Fee will be in addition to any reimbursement of the Agent's expenses required by the Interim Financing Credit Documentation.

Interim advances shall be made to the Borrower from the Interim Facility (such advances being referred to herein as "**Interim Advances**", and "**Interim Advance**" means each such advance) by the Interim Lenders in accordance with the conditions set out in Section 10 hereof.

8. DOCUMENTATION:

The Interim Facility will be established upon negotiation, execution and delivery of a definitive credit agreement (the "**Credit Agreement**") and other credit and related documentation in respect of the Interim Facility or the Interim Lender Charge that is requested by the Agent or the Interim Lenders (collectively, the "**Interim Financing Credit Documentation**") each of which shall be acceptable in form and substance to the Agent and the Interim Lenders (acting reasonably).

9. CONDITIONS PRECEDENT TO EFFECTIVENESS:

The effectiveness of the Credit Agreement is subject to the satisfaction of the following conditions precedent as determined by the Interim Lenders in their sole discretion:

(a) The Court shall have issued the Initial Order on May 16, 2016 (the "**Filing Date**") substantially in the form to be attached to the Credit Agreement and otherwise satisfactory to the Agent (solely with respect to the rights and interests of the Agent) and the Interim Lenders, approving the sale and investor solicitation procedure (the "**SISP**"), the Credit Agreement and the Interim Facility and granting the Agent for itself and on behalf of the Interim Lenders a charge (the "**Interim Lender Charge**") securing all obligations owing by the Credit Parties to the Agent and the Interim Lenders under the Interim Financing Credit Documentation, and without limitation, all principal of the Interim Advances, interest and fees thereon and Interim Financing Fees and Expenses (collectively, the "**Interim Financing Obligations**"), which shall have priority over all Liens other than the Permitted Priority Liens, and the Initial Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Agent or the Interim Lenders, as determined by the Agent (solely with respect to the rights and interests of the Agent) and the Interim Lenders (acting reasonably);

(b) The Interim Financing Credit Documentation shall be satisfactory to the Agent and the Interim Lenders, acting reasonably, and shall have been executed by the Borrower, the Agent and the Interim Lenders, as applicable;

(c) The Interim Lenders shall have received the Agreed Budget in accordance with the terms of the Credit Agreement;

(d) All of the representations and warranties of the Borrower as set forth in the Credit Agreement and the other Interim Financing Credit Documentation are true and accurate;

(e) No Default or Event of Default has occurred;

(f) (i) The Fees and (ii) all Interim Financing Fees and Expenses for which invoices have been provided to the Borrower shall, in each case, have been paid or will be paid from the proceeds of the requested Interim Advance within such period of time as is acceptable to the Interim Lenders, in their discretion; and

(g) There are no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens.

10. CONDITIONS PRECEDENT TO INTERIM ADVANCES:

The Interim Lenders' obligation to make Interim Advances to the Borrower in an aggregate amount up to the Initial Committed Amount is subject to the satisfaction of the following conditions precedent as determined by the Interim Lenders in their sole discretion (collectively, the "**Funding Conditions**"):

(a) The Interim Lenders shall have received a written request for an Interim Advance from the Borrower substantially in the form to be attached to the Credit Agreement, which shall be executed by an officer of the Borrower, and shall certify, *inter alia*, that the requested Interim Advance is within the Initial Committed Amount, is consistent with the Agreed Budget, and that Borrower and the other Credit Parties are in compliance with the Interim Financing Credit Documentation and the Restructuring

Court Orders (as defined below);

(b) The Interim Lenders shall, acting reasonably, be satisfied that the Credit Parties have complied with and are continuing to comply in all material respects with all applicable laws, regulations and policies in relation to its business other than (i) as may be permitted under the court orders made in the CCAA Proceedings applicable to the Borrower (collectively, the "**Restructuring Court Orders**" and each a "**Restructuring Court Order**") or (ii) as to which any enforcement in respect of noncompliance is stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order (in each case) does not result in the occurrence of an Event of Default;

(c) The requested Interim Advance shall not, if advanced to the Borrower, cause the aggregate amount of all outstanding Interim Advances to exceed the Initial Committed Amount or be greater than the total Interim Advances permitted to be obtained by the Borrower in accordance with the Agreed Budget (and for certainty, the Agreed Budget shall contain a "draw schedule" listing the dates and amounts of Interim Advances);

(d) (i) The Fees and (ii) all Interim Financing Fees and Expenses for which invoices have been provided to the Borrower shall, in each case, have been paid, or will be paid from the proceeds of the requested Interim Advance;

(e) All of the representations and warranties of the Credit Parties as set forth in the Credit Agreement and in any other Interim Financing Credit Documentation are true and accurate in all material respects;

(f) No Default or Event of Default has occurred or will occur as a result of the requested Interim Advance;

(g) There are no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens;

(h) The Interim Lenders are satisfied that no Material Adverse Change shall have occurred after the date of the issuance of the Initial Order; and

(i) Any orders granted by the Court shall be in full force and effect and shall not have been reversed, modified, amended or stayed in a manner adverse to the interests of the Interim Lenders.

For greater certainty, no Interim Lender shall be obligated to make any Interim Advance or otherwise make available funds pursuant to the Credit Agreement unless and until all the foregoing conditions have been satisfied and all the foregoing documentation and confirmations have been obtained (for certainty, each of the same as a condition precedent to each Interim Advance), each in form and content satisfactory to the Interim Lenders.

Notwithstanding any other provision herein (including this Section 10) or in any other Interim Financing Credit Documentation, the Interim Lenders are under no obligation to make Interim Advances to the Borrower in an aggregate amount exceeding the Initial Committed Amount. Any Interim Advance made available hereunder by the Interim Lenders to the Borrower in an aggregate amount exceeding the Initial Committed Amount shall be provided at the sole and absolute discretion of Interim Lenders holding Interim Advances representing at least 66 2/3% of the sum of all the Interim Advances at such time (the "**Committed Increase Lenders**") which shall obligate all Interim Lenders to make further Interim Advances in an aggregate amount up to the Second Committed Amount, subject to the Interim Lenders' determination that the Funding Conditions have been satisfied (in the Interim Lenders' sole discretion and taking into account the Second Committed Amount)). For further certainty, no Interim Lender will be permitted to increase its Initial Committed Amount if the Committed Increase Lenders do not agree, in their sole and absolute discretion, to make Interim Advances to the Borrower exceeding the Initial Committed Amount.

11.	**COSTS AND EXPENSES**	The Borrower shall pay all of the Agent's reasonable and documented legal fees and out-of-pocket disbursements (including the reasonable legal fees of Bennett Jones LLP and Jones Day, and the reasonable fees of financial advisors to the Agent, including PricewaterhouseCooper Inc.) and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge, the Interim Financing Credit Documentation or the CCAA Proceedings (collectively, the "**Interim Financing Fees and Expenses**").
12.	**INTERIM FACILITY SECURITY AND DOCUMENTATION**	All Interim Financing Obligations shall be secured by the Interim Lender Charge. The Interim Lender Charge shall be a priority Lien, subordinate only to the Permitted Priority Liens. Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of any Interim Advance may be used to investigate, object to or challenge in any way any claims of the Interim Lenders against any of the Credit Parties in respect of the Interim Facility or of the Pre-Filing Secured Creditors under the Pre-Filing Secured Credit Agreement. Nothing in this paragraph shall restrict the Credit Parties or the Monitor, including the engagement by the Monitor of independent legal counsel, from (and receiving their fees, costs and expenses therefor): (i) assessing the validity and enforceability of the Liens in respect of advances under the Pre-Filing Secured Credit Agreement, and (ii) conducting a claims process in accordance with any Restructuring Court Order. Except as set out in the Agreed Budget, the Borrower shall not effect, and shall not permit to occur, any distribution of funds (whether from proceeds of the Interim Facility or otherwise) from a Credit Party to any subsidiary or affiliate that is not a Credit Party.
13.	**PERMITTED LIENS AND PRIORITY:**	All Collateral will be free and clear of all Liens, except for the Permitted Liens.

14. MONITOR:

The monitor in the CCAA Proceedings is Ernst & Young Inc. (the "**Monitor**"). The Monitor shall be authorized to have direct discussions with the Agent and the Interim Lenders, and the Agent and the Interim Lenders shall be entitled to receive information from the Monitor as may be requested by the Agent or the Interim Lenders from time to time.

15. REPAYMENT:

The Interim Facility shall be repayable in full on the earlier of: (i) acceleration of the Interim Facility as a result of the occurrence of any Event of Default hereunder which is continuing and has not been cured; (ii) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a "**Plan**"); (iii) the closing of a Bankruptcy Sale within the CCAA Proceedings; (iv) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"); and (v) May 16, 2017 (the earliest of such dates being the "**Maturity Date**").

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date, without the Interim Lenders being required to make demand upon the Credit Parties or to give notice that the Interim Facility has expired and the obligations are due and payable. The orders of the Court sanctioning any Plan shall not discharge or otherwise affect in any way any of the obligations of the Borrower under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Agent and the Interim Lenders of all obligations under the Interim Facility on or before the date the Plan is implemented.

16. AGREED BUDGET AND REVISED BUDGETS:

To be attached as a schedule to the Credit Agreement will be the current weekly line item budget covering the period of at least 13 calendar weeks following the date of the Credit Agreement (together with all updates thereto approved by the Required Lenders in their sole and absolute discretion, the "**Agreed Budget**"). The Agreed Budget sets forth expected receipts and all of the operating and capital expenditures to be made during each calendar week and in the aggregate for the period of time covered by the Agreed Budget.

On Thursday of each week by 12:00 noon (Calgary time), commencing on the Thursday of the calendar week following the Filing Date, the Borrower shall deliver to the Agent for distribution to the Interim Lenders: (a) a report showing actual cash receipts and actual expenditures for each line item in the Agreed Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Agreed Budget for such line item during such one week period, (b) as applicable, an update and extension to the Agreed Budget (the "**Revised Budget**") for the period commencing from the end of the previous week through and including 13 weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the initial Agreed Budget and subject to the approval of the Interim Lenders and (c) a report showing the average daily barrel of oil equivalent produced by the Borrower for the immediately preceding week. No Event of Default shall arise from the failure of any Revised Budget to be approved by the Interim Lenders save and except to the extent specified in Section 28(d). The Borrower shall, and shall use commercially reasonable efforts, if requested by the Interim Lenders, to cause its non-legal advisors to, participate on weekly conference calls with the Interim Lenders, and their respective advisors, to discuss the Revised Budget, the Borrower's current and projected operational performance, and any related financial matters (and for certainty, the Borrower's counsel shall be permitted to participate on such calls in the Borrower's discretion). In addition, the Borrower shall, and shall use commercially reasonable efforts, if requested by the Interim Lenders, to cause any agent of the Borrower working for it with respect to any Bankruptcy Sale to participate on weekly conference calls with the Interim Lenders, and their respective advisors, to discuss any matters related to the SISP (and for certainty, the Borrower's counsel shall be permitted to participate on such calls in the Borrower's discretion). The Borrower shall ensure that when measured as of each Variance Testing Date, the following cash flow test (the "**Cash Flow Test**") for each of the components of the Agreed Budget is met:

1. The Borrower's total expenditures for the prior four week period (excluding the professional fees of the Borrower's advisors and any costs associated with the purchase of diluent) shall not have exceeded 110% of the amount of total expenditures for such prior four week period as set forth in the Agreed Budget; *provided that*, for the first three Variance Testing Dates after the Filing Date, in addition to the period reported in the Agreed Budget, prior weeks as reported in the 13-week cash flow projections provided by the Borrower to the Agent under and in connection with the Forbearance Agreements may be included in order to compare a four week period; and *provided further that* the fees of the Agent and the Interim Lenders' advisors shall not be included in such calculation.

2. The Borrower's net cash receipts for the prior four week period shall not be less than 90% of the amount of cash receipts for such prior four week period as set forth in the Agreed Budget; *provided that*, for the first three Variance Testing Dates after the Filing Date, in addition to the period reported in the Agreed Budget, prior weeks as reported in the 13-week cash flow projections provided by the Borrower to the Agent under and in connection with the Forbearance Agreements may be included in order to compare a four week period.

3. The Borrower shall provide detailed bridges (quantitative explanations of the budget-to-actual variances) for each variable line-item of the financial statements (revenues, royalties, processing costs, production taxes) as well as for any other line item variances outside of the management's direct control (foreign exchange gains/losses) that impact the overall consolidated financial results (the "**Budget Variance Report**").

4. In the event the cash receipts for the prior four weeks is less than 90% of the Agreed Budget for such prior four week, for reasons outside the control of the Borrower (including,

without limitation, changes in commodity prices for petroleum substances), the Cash Flow Test set forth in clause 2 above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than the Minimum Production Volume for such prior four week period.

Notwithstanding any other provision in this Section 16, the Borrower shall be permitted to incur extraordinary expenses not otherwise permitted under the Cash Flow Test with the consent of the Interim Lenders. For certainty, the Borrower may incur extraordinary expenses to the extent that those extraordinary expenses do not prevent the Borrower from meeting the Cash Flow Tests.

17. AVAILABILITY UNDER INTERIM FACILITY:

Provided that a Default or an Event of Default has not occurred, each Interim Advance shall be made by the Interim Lenders to the Borrower within two (2) Business Days after satisfaction, as determined by each of the Interim Lenders in their discretion, acting reasonably, of all of the applicable Funding Conditions set out in the Credit Agreement.

Interim Advances shall be available to the Borrower in U.S. Dollars. Each Interim Advance shall be in a minimum aggregate amount that is no less than U.S. $250,000 and in excess thereof in integral multiples of U.S. $100,000.

18. USE OF PROCEEDS:

The proceeds of the Interim Facility shall only be used: (i) to finance operating expenses, restructuring costs (including costs incurred under the Proposed KERP) in the CCAA Proceedings, professional fees of the Borrower's legal and other advisors, the Monitor and the Monitor's legal counsel and the Agent's legal and financial advisors, and for general corporate purposes of the Borrower, all in accordance with the Agreed Budget, subject to permitted expenditure variances referenced in Section 16(1) and (2), and (ii) to pay fees and expenses related to the Interim Facility and the CCAA Proceedings and those payments to the Pre-Filing Creditors contemplated in the Initial Order; provided that no proceeds from the Interim Facility or the Collateral shall be used other than in accordance with the Credit Agreement unless otherwise agreed in writing by the Interim Lenders.

19. EVIDENCE OF INDEBTEDNESS:

The Agent's and Interim Lenders' accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Interim Lenders pursuant to the Interim Facility.

20. PREPAYMENTS:

Provided the Monitor is satisfied that there are sufficient cash reserves in the Borrower's bank accounts to satisfy amounts secured by the Permitted Priority Liens, the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the Interim Facility at any time prior to the Maturity Date, without any prepayment fee or penalty (but subject to notice periods and customary breakage costs).

21. INTEREST RATE AND DEFAULT RATE:

The Interim Advances shall bear interest at either a rate per annum equal to (i) the Alternate Base Rate (as defined in the Pre-Filing Secured Credit Agreement) plus 9% or (ii) the Adjusted LIBO Rate (as defined in the Pre-Filing Secured Credit Agreement) plus 10%. Such interest shall accrue daily and shall be payable in arrears on each Interest Payment Date (as defined in the Pre-Filing Secured Credit Agreement) for each Interim Advance for the period from and including the date upon which the Interim Lenders advance such Interim Advance to the Borrower to and including the day such Interim Advance is repaid or paid, as the case may be, to the Interim Lenders, and shall be calculated on the principal amount of each Interim Advance outstanding during such period and on the basis of the actual number of days elapsed in a year of 360 days (for Adjusted LIBO Rate Interim Advances), and 365 days (for Alternate Base Rate Interim Advances).

If the Borrower shall default in the payment of any principal of or interest on any Interim Advance or any other amount due hereunder under the Credit Agreement or under any other Interim Financing Credit Documentation, by acceleration or otherwise, or (ii) if any Event of Default has occurred and is continuing then, until such defaulted amount shall have been paid in full or for so long as such Event of Default is continuing, to the extent permitted by law, all amounts outstanding under the Credit Agreement or under any other Interim Financing Credit Documentation shall bear interest (after as well as before judgment), payable on demand, at the rate otherwise applicable to such Interim Advance plus 2.00% per annum.

22. CURRENCY:

Unless otherwise stated, all monetary denominations shall be in U.S. Dollars. Any payment under the Credit Agreement which any Credit Party pays to the Interim Lenders in a currency other than U.S. Dollars (the "**Other Currency**"), whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction, will only discharge the Credit Parties' liability under this Agreement to the extent of the Equivalent Amount in U.S. Dollars of the Other Currency so paid.

23. MANDATORY REPAYMENTS:

Unless otherwise consented to in writing by the Interim Lenders, and provided the Monitor is satisfied that there are sufficient cash reserves in the Borrower's bank accounts to satisfy amounts secured by the Permitted Priority Liens and amounts anticipated on the date of the mandatory repayment under the Agreed Budget in respect of which Interim Advances were made that have not yet been incurred or paid, Interim Advances to the Borrower shall be forthwith repaid and the Initial Committed Amount and/or the Second Committed Amount, as applicable, shall be permanently reduced:(i) upon receipt by the Borrower of a refund or payment on account of taxes from any Governmental Authority, excluding refunds or payments on account of sales taxes, (ii) upon receipt by the Borrower of proceeds of any sale, assignment, transfer or other disposition of any property or asset (excluding dispositions of obsolete assets and product of hydrocarbons in the ordinary course of business) and (iii) on each Variance Testing Date following entry of the Initial Order, whereby the Credit Parties shall repay Interim Advances in an amount equal to all cash and cash equivalents held by or otherwise available to the Credit Parties on such date (net of any escrowed funds and the Shut-down Costs, as referred to below) in excess of the amount of cash which the Borrower is permitted to hold pursuant to the

Agreed Budget. For further certainty, the amount set forth in the row entitled "Shut-down Costs" in the Agreed Budget shall not be included in the calculation of the amount required to be repaid in connection with subsection (iii) above.

Notwithstanding any repayment made in connection with this Section 23 and any corresponding permanent reduction of the Initial Committed Amount and/or the Second Committed Amount, as applicable, and subject to the terms and conditions of the Credit Agreement (including satisfaction of the Funding Conditions), the Borrower shall be entitled to receive Interim Advances in the aggregate as provided for in the Agreed Budget up to the Initial Committed Amount and/or the Second Committed Amount, as applicable.

24. REPRESENTATIONS AND WARRANTIES:

Customary for a transaction of this nature, including without limitation, (i) those representations and warranties contained in the Pre-Filing Secured Credit Agreement (as modified by this Interim Financing Term Sheet and as otherwise not relevant or appropriate for a debtor in CCAA Proceedings) and (ii) that the Credit Parties represent and warrant to the Agent and Interim Lenders, the following:

(a) The transactions contemplated by the Credit Agreement and the other Interim Financing Credit Documentation:

(i) are within the powers of each of the Credit Parties;

(ii) have been duly authorized by all necessary corporate, partnership or trust, as the case may be, and, if required, shareholder, partner, trustee or administrator, as the case may be, approval of each of the Credit Parties;

(iii) have been duly executed and delivered by or on behalf of each of the Credit Parties;

(iv) constitute legal, valid and binding obligations of each of the Credit

Parties; and

(v) do not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority, other than filings which may be made to register or otherwise record the Interim Lender Charge.

(b) The activities of the Credit Parties have been conducted in material compliance with all applicable provincial, state and federal laws, subject to the provisions of the CCAA and any Restructuring Court Order, unless: (i) otherwise ordered by the Court or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.

(c) Each of the Credit Parties has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations (unless otherwise consented to by the Interim Lenders).

(d) The Agreed Budget and each Revised Budget are reasonable and prepared in good faith.

(e) No Default or Event of Default has occurred and is continuing.

25. AFFIRMATIVE COVENANTS:

Customary for a transaction of this nature, including without limitation, (i) the affirmative covenants contained in the Pre-Filing Secured Credit Agreement (as modified by this Interim Financing Term Sheet and as otherwise not relevant or appropriate for a debtor in CCAA Proceedings) and (ii) that the Credit Parties covenant and agree to perform and do each of the following until the Interim Financing Obligations are permanently and indefeasibly repaid in full and the Interim Facility is terminated:

(a) Allow the Agent, the Interim Lenders or their respective agents and advisors, on reasonable notice during regular business hours as often as reasonably requested, to enter on and inspect each of the Credit Parties' assets and properties, and provide the Agent, the Interim Lenders or their respective agents or advisors, on reasonable notice and during normal business hours, full access to the books and records of the Credit Parties' and cause management thereof to fully co-operate with the Agent, the Interim Lenders or their respective agents and advisors, as applicable.

(b) Use reasonable efforts to keep the Agent and Interim Lenders apprised on a timely basis (which, in any event shall be at least once weekly) of all material developments with respect to the business and affairs of the Credit Parties, including (without limitation) the development of a Plan or a Restructuring Option.

(c) Deliver to the Agent and the Interim Lenders periodic reporting packages and other information requested by the Agent or the Interim Lenders from time to time, acting reasonably, including (i) annual audited and quarterly unaudited financial statements for the Credit Parties, each together with officer compliance certificates and management reports, on a look-forward basis; (ii) Budget Variance reports as set forth above; (iii) a reasonable period of time prior to filing with the Court, copies of all pleadings, motions, applications, judicial or financial information and other documents filed by or on behalf of any Credit Party with the Court (save and except in respect of any matters arising on an emergency where the Borrower is unable to do so, acting reasonably); and (iv) notice of material events, including, without limitation, defaults, new litigation or changes in status of ongoing litigation, regulatory and other filings and any other event that could reasonably be expected to result in a Material Adverse Change.

(d) Use the proceeds of the Interim Facility only for the purposes described in Section 18, and in a manner consistent with the restrictions set out herein.

(e) Comply with the provisions of any Restructuring Court Order provided that if any such Restructuring Court Order contravenes the Credit Agreement or any of the Interim Financing Credit Documentation so as to materially adversely impact the rights or interests of the Agent or the Interim Lenders, as determined by the Agent (solely with respect to the rights and interest of the Agent) or the Interim Lenders, acting reasonably, the same shall be an Event of Default hereunder.

(f) Preserve, renew and keep in full force its respective corporate, partnership or trust existence and its respective material licenses, permits, approvals, and other authorizations required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Interim Lenders.

(g) Conduct all activities in a manner consistent with the Agreed Budget (subject, for certainty, to permitted expenditure variances referenced in Section 16(1), Section 16(2) and if applicable, Section 16(4)).

(h) Forthwith notify the Agent and Interim Lenders of the occurrence of any Default or Event of Default, including an Updated Budget Default.

(i) Provide to the Agent and Interim Lenders regular updates regarding the status of the CCAA Proceedings including, without limitation, reports on the progress of any Plan, Restructuring Option, SISP or Bankruptcy Sale and any information which may otherwise be confidential subject to same being maintained as confidential by the Interim Lenders.

26. NEGATIVE COVENANTS:

Customary for a transaction of this nature, including without limitation, (i) the negative covenants contained in the Pre-Filing Secured Credit Agreement (as modified by this Interim Financing Term Sheet and as otherwise not relevant or appropriate for a debtor in CCAA Proceedings) and (ii) that the Credit Parties covenant and agree not to do the following, other than with the prior written consent of the Interim Lenders:

(a) Transfer, lease, farm-out or otherwise dispose of all or any part of its property, assets or undertaking at any one time, or through a series of related transactions after the date hereof (excluding dispositions of obsolete assets and product of hydrocarbons in the ordinary course of business), without the prior written consent of the Interim Lenders and the Court.

(b) Make any payment in respect of existing (pre-filing) debt or obligation, or any other obligation incurred after the Filing Date, other than as may be permitted by a Restructuring Court Order and that does not result in an Event of Default, and is provided for in the Agreed Budget.

(c) Create or permit to exist indebtedness (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than existing (pre-filing) debt, debt contemplated by the Credit Agreement and post-filing trade payables.

(d) Make any Restricted Payments (as such term is defined in the Pre-Filing Secured

Credit Agreement).

(e) Make any payments not consistent with the Agreed Budget (subject, for certainty, to permitted expenditure variances referenced in Section 16(1) and 16(2)).

(f) Agree to, or effectuate any sale-leaseback.

(g) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person (including, without limitation, any Governmental Authority), but, for certainty, excluding any financial assurance that is a prepayment in respect of existing (pre-filing) obligation or any other obligation incurred after the Filing Date, that may be permitted by a Restructuring Court Order, that does not result in an Event of Default and that is provided for in the Agreed Budget.

(h) Create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral which is senior to or *pari passu* with the Interim Lender Charge, other than the Permitted Priority Liens.

(i) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.

(j) Make any payment in respect of post-employment benefit payments (excluding the Proposed KERP in accordance with the Agreed Budget).

27. INDEMNITY AND RELEASE:

Customary indemnification provisions will apply, consistent with the applicable provisions in the Pre-Filing Secured Credit Agreement, whether or not the transactions contemplated hereby are consummated.

The indemnities granted under Credit Agreement shall survive any termination of the Interim Facility to the extent and in a manner consistent with the Pre-Filing Secured Credit Agreement.

28. EVENTS OF DEFAULT:

Customary for a transaction of this nature, including without limitation, (i) the events of default contained in the Pre-Filing Secured Credit Agreement (as modified by this Interim Financing Term Sheet and as otherwise not relevant or appropriate for a debtor in CCAA Proceedings) and (ii) the occurrence of any one or more of the following events without the Interim Lenders' written consent shall constitute an event of default ("**Event of Default**"):

(a) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction:

(i) dismissing the CCAA Proceedings or lifting the stay in the CCAA to permit (A) the enforcement of any Lien against a material portion of a Credit Party's property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against a Credit Party;

(ii) granting any Lien which is senior to or *pari passu* with the Interim Lender Charge, other than the Administration Charge;

(iii) staying, reversing, vacating or otherwise modifying the Interim Financing Credit Documentation or any Restructuring Court Order in a manner materially adverse to the interests of the Interim Lenders, as determined by the Interim Lenders, acting reasonably;

(iv) materially adversely impacting the rights and interests of the Agent or the Interim Lenders, as determined by the Agent (solely with respect to the rights and interest of the Agent) and the Interim Lenders, as applicable, acting reasonably, without the prior written consent of the Agent (solely with respect to the rights and interest of the Agent) or Interim Lenders, as applicable; or

(v) directing any Credit Party to pay any post-employment benefits (excluding the Proposed KERP);

(b) the filing of any pleading by any Credit Party seeking any of the matters set forth in clause (a) above or failure of the Credit Parties to diligently oppose any party that brings an application or motion for the relief set out in paragraph (a) above and/or fails to secure the dismissal of such motion or application;

(c) failure of any of the Credit Parties to comply with any negative covenants in the Credit Agreement or in any other Interim Financing Credit Documentation;

(d) any update in the Revised Budget or Budget Variance Report contemplates or forecasts an adverse change or changes from the then existing Agreed Budget and such change(s) constitute a Material Adverse Change, or any update in the Revised Budget or any Budget Variance Report forecasts that borrowings under the Interim Facility will exceed the Maximum Amount at any time (unless and until the Interim Lenders consent to increase the Maximum Amount, which shall be in the Interim Lenders' sole and absolute discretion) (each, an "**Updated Budget Default**"), or the Credit Parties do not meet the Cash Flow Test at any time;

(e) the occurrence of a Material Adverse

Change;

(f) any representation or warranty by a Credit Party in the Credit Agreement or in any other Interim Financing Credit Documentation shall be incorrect or misleading in any material respect when made;

(g) borrowings under the Interim Facility exceed the Initial Committed Amount or the Initial Committed Amount plus the Second Committed Amount, as applicable, at any time without the prior consent of the Interim Lenders;

(h) any material violation or breach of any Restructuring Court Order upon receipt by a Credit Party of notice from the Interim Lenders of such violation or breach;

(i) an event of default under and as defined in any of the Interim Financing Credit Documentation (other than the Credit Agreement) has occurred;

(j) any proceeding, motion or application is commenced or filed by any of the Credit Parties, or if commenced by another party, supported or otherwise consented to by any Credit Party, seeking the invalidation, subordination or other challenging of the terms of the Interim Facility, the Interim Lender Charge, the Credit Agreement, or any of the other Interim Financing Credit Documentation or, unless the Plan or Restructuring Option provides for repayment in full of the Interim Facility, the approval of any Plan or Restructuring Option which does not have the prior written consent of the Interim Lenders;

(k) any Plan is sanctioned or any Restructuring Option is consummated by any of the Credit Parties that is not consistent with or contravenes any provision of the Credit Agreement or other Interim Financing Credit Documentation in a manner that is materially adverse to the interests of the Interim Lenders, as determined by the Interim Lenders acting reasonably, or would reasonably be expected to materially adversely affect the interests of the Interim Lenders, as determined by the Interim Lenders acting reasonably, unless the Interim Lenders have consented thereto;

(l) except as set out in the Agreed Budget, or as otherwise agreed to in writing by the Interim Lenders, any Credit Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any Environmental Liabilities, and such requirement is not stayed by a Restructuring Court Order;

(m) failure of the Borrower to:

(i) on or before June 30, 2016, receive initial expressions of interest from potential purchasers and/or investors that are satisfactory to the Interim Lenders;

(ii) on or before July 27, 2016, receive final, binding offers of purchase and/or investment from potential purchasers and/or investors that are satisfactory to the Interim Lenders;

(iii) on or before August 8, 2016, receive approval of the Court to enter into a purchase and sale agreement or other agreement related to a purchase and sale and/or investment transaction (which agreement(s) for certainty shall be in form and substance satisfactory to the Interim Lenders, the "**Transaction Agreements**"); and

(iv) on or before August 31, 2016, complete the sale and/or investment transactions contemplated by the Transaction Agreements.

(n) if any Credit Party pays or agrees to pay any of the legal, consulting or other professional fees and/or disbursements not otherwise listed on the Agreed Budget without the prior consent of the Interim Lenders;

(o) failure of the Borrower to pay any principal amount owing under the Credit Agreement when due;

(p) failure of the Borrower to pay any interest or fees or any portion thereof owing under the Credit Agreement or any other Interim Financing Credit Documentation when due and such default shall remain unremedied for a period of three (3) Business Days;

(q) failure of any Credit Party to perform or comply with any other term or covenant under in the Credit Agreement or any other Interim Financing Credit Documentation and such default shall continue unremedied for a period of three (3) Business Days; and

(r) if any Credit Party commences an action or takes any other proceeding to obtain any form of relief against the Agent, the Interim Lenders, or the Pre-Filing Creditors or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the Agent, the Interim Lenders, or the Pre-Filing Creditors or any affiliate thereof to any Credit Party or any affiliate thereof if the Agent, any Interim Lender, any Pre-Filing Creditor or such affiliate disputes any of the same.

29. REMEDIES:

Customary for a transaction of this nature, including without limitation, that upon the occurrence of an Event of Default, and subject to the Restructuring Court Orders, the Interim Lenders may, in their sole and absolute discretion, elect to terminate the Interim Lenders' commitments to make Interim Advances to the Borrower hereunder and declare the obligations in respect of the Interim Financing Credit Documentation to be immediately due and payable and cease making any further Interim Advances. Without limiting the foregoing remedies, upon the occurrence of an Event of Default, the Interim Lenders may, in their sole and absolute discretion, elect to permanently reduce the Initial Committed Amount and/or the Second Committed Amount, as applicable. In addition, upon the occurrence of an Event of Default, the Agent (acting solely at the direction of the Interim Lenders) and the Interim Lenders may, in their sole and absolute discretion, subject to any Restructuring Court Order:

(a) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager over the Collateral, or for the appointment of a trustee in bankruptcy of the Credit Parties;

(b) set-off or combine any amounts then owing by the Agent or the Interim Lenders to any of the Credit Parties against the obligations of any of the Credit Parties to the Agent or the Interim Lenders hereunder or under any other Interim Financing Credit Documentation;

(c) apply to the Court for an order or orders, on terms satisfactory to the Monitor and the Interim Lenders, providing the Monitor with the power, in the name of and on behalf of the Credit Parties, to take all necessary steps in the CCAA Proceedings;

(d) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Alberta) or any legislation of similar effect; and

(e) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under the Interim Financing Credit Documentation, the Restructuring

Court Orders and applicable law.

Any proceeds of enforcement shall be applied firstly to pay in full all fees, expenses and any other amounts due and payable to the Agent, if any.

30. INTERIM LENDERS' APPROVALS:

Any consent, approval, instruction or other expression of the Agent (acting solely at the direction of the Interim Lenders) and the Interim Lenders shall be in the Interim Lenders sole and absolute discretion, unless otherwise provided in the Credit Agreement (and for certainty, if a matter is stated in this Interim Financing Term Sheet to be made by the Interim Lenders acting reasonably, the same standard of reasonableness shall apply to the corollary provision in the Credit Agreement), and shall be delivered in writing, including by way of electronic mail, by the Agent (acting solely at the direction of the Interim Lenders) and the Interim Lenders, or their counsel, pursuant to the terms of the Credit Agreement. Where any consent, approval, instruction or other expression of the Interim Lenders is contemplated by the Credit Agreement (and apart from provisions requiring all Interim Lender approval and the decision to provide Interim Advances in an aggregate amount exceeding the Initial Committed Amount, further to Section 10), such consent, approval, instruction or other expression may be given by Interim Lenders holding in excess of 50% of the amounts owing by the Borrower under the Interim Facility (the "**Required Lenders**").

31. TERMINATION BY THE CREDIT PARTIES:

At any time following the indefeasible payment in full in immediately available funds of all of the outstanding Interim Financing Obligations, the Credit Parties shall be entitled to terminate the Credit Agreement and the other Interim Financing Credit Documentation upon notice to the Agent and the Interim Lenders.

32. AGENCY PROVISIONS:

Customary for a transaction of this nature, it being understood that the Agent shall have the ability to include operational and other agency provisions reasonably required by it in such capacity consistent with other financing transactions of this type.

33.	**DEFAULTING LENDER PROVISIONS:**	Customary for a transaction of this nature.
34.	**AMENDMENTS, WAIVERS, ETC.:**	No waiver or delay on the part of the Agent or Interim Lenders in exercising any right or privilege under any Interim Financing Credit Documentation will operate as a waiver thereof unless made in writing by the Agent or Interim Lenders and delivered in accordance with the terms thereof, and then such waiver shall be effective only in the specific instance and for the specific purpose given.
35.	**ASSIGNMENT:**	Consistent with the Pre-Filing Secured Credit Agreement.
36.	**NOTICES:**	Any notice, request or other communication delivered in connection herewith to any of the parties shall be in writing and be well and sufficiently given if delivered in accordance with the notice provisions set out in the Pre-Filing Secured Credit Agreement in addition to the notice provisions set forth below: **In the case of the Credit Parties:** Cassels Brock & Blackwell LLP 2100- 40 King Street West Toronto, Ontario M5H 3C2 Attention: Ryan Jacobs Email: rjacobs@casselsbrock.com **In the case of the Interim Lenders:** Bennett Jones LLP 3400 One First Canadian Place P.O. Box 130 Toronto, Ontario M5X 1A4 Canada Attention: Kevin Zych and Sean Zweig Email: Zychk@bennettjones.com; ZweigS@bennettjones.com

In the case of the Monitor:

Ernst & Young Inc.
1000, 440 2nd Avenue SW
Calgary, Alberta
T2P 5E9

Attention: Neil Narfason
Email: neil.narfason@ca.ey.com

In the case of the Agent:

Jones Day
222 East 41st Street
New York, NY 10017-6702

Attention: I. Lewis Grimm and Pedro Jimenez
Email: lgrimm@jonesday.com; Pjimenez@jonesday.com

37. GOVERNING LAW: The Interim Financing Credit Documentation shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

This commitment may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this commitment by email or facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof. This commitment shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

Agreed and accepted this 16 day of May, 2016

CONNACHER OIL AND GAS LIMITED

By: ____________________________
Name: MERLE JOHNSON
Title: CEO

By: ____________________________
Name:
Title:

Agreed and accepted this 16th day of May, 2016

CREDIT SUISSE LOAN FUNDING LLC

By:_____________________________
Name: Robert Healey
Title: Authorized Signatory

By:_____________________________
Name:
Title:

Agreed and accepted this 16th day of May, 2016

TRILOGY PORTFOLIO COMPANY, LLC

By: Jonathan Rosenstein
Name: JONATHAN ROSENSTEIN
Title: MANAGING PARTNER

By:________________________
Name:
Title:

Signature page to Interim Financing Term Sheet

Agreed and accepted this 16th day of May, 2016

RIMROCK HIGH INCOME PLUS (MASTER) FUND
RIMROCK LOW VOLATILITY (MASTER) FUND
RIMROCK GLOBAL CREDIT (MASTER) FUND, LTD
By Rimrock Capital, as its investment manager

By:______________________________
Name: Santino Blumetti
Title: Managing Director

Agreed and accepted this 16 day of May, 2016

VR GLOBAL PARTNERS, L.P.

By:______________________________
Name: Emile du Toit
Title: Director of VR Advisory Services Ltd in its capacity as General Partner

By:______________________________
Name:
Title:

Agreed and accepted this 16th day of May, 2016

AVENUE CAPITAL MANAGEMENT II, L.P., on behalf of the investment funds that it manages

By: Avenue Capital Management II GenPar, LLC, its General Partner

By:________________________________
Name: Sonia Gardner
Title: Member

By:________________________________
Name:
Title:

Signature page to Interim Financing Term Sheet

Acknowledged and Agreed to By:

WILMINGTON TRUST, NATIONAL ASSOCIATION

By: J. Anderson
Name: Jennifer Anderson
Title: Assistant Vice President

By:________________________
Name:
Title:

SCHEDULE "A"

DEFINED TERMS

"**Administration Charge**" means the administration charge on the Collateral in an aggregate amount not to exceed CDN$1,500,000 and as provided for in the Initial Order.

"**Additional Upfront Fees**" has the meaning given thereto in Section 7.

"**Agent**" has the meaning given thereto in Section 4.

"**Agency Fee**" has the meaning given thereto in Section 7.

"**Agreed Budget**" has the meaning given thereto in Section 16.

"**Backstop Pro-Rata Share**" means the amount of each Non Pro-Rata Interim Lender's commitment under the Pre-Filing Secured Credit Agreement, divided by the aggregate amount of all of the Non Pro-Rata Interim Lenders' commitments under the Pre-Filing Secured Credit Agreement.

"**Bankruptcy Sale**" means the sale of (i) all or substantially all of the equity or the assets of the Borrower or (ii) tax attributes of the Borrower, in each case pursuant to a sale approved by the Court.

"**Budget Variance Report**" has the meaning given thereto in Section 16.

"**Business Day**" means a day, excluding Saturday and Sunday, on which banking institutions are open for the transaction of commercial business in Calgary, Alberta, and New York, New York.

"**Borrower**" has the meaning given thereto in Section 2.

"**Cash Flow Test**" has the meaning given thereto in Section 16.

"**CCAA**" has the meaning given thereto in Section 6.

"**CCAA Proceedings**" has the meaning given thereto in Section 6.

"**Collateral**" means all present and future assets and property of the Credit Parties, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of a Credit Party.

"**Commitment**" means the commitment by each Interim Lender under the Interim Facility to provide the amount of U.S. Dollars set forth opposite its name in the applicable schedule of the Credit Agreement.

"**Court**" has the meaning given thereto in Section 6.

"**Credit Agreement**" has the meaning given thereto in Section 8.

"**Credit Parties**" has the meaning given thereto in Section 3.

"**Default**" means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

"**Directors' Charge**" means a charge on the Collateral for the benefit of any former current or future directors or officers of the Credit Parties, in an amount provided for in the Initial Order.

"**Environmental Liabilities**" means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of or related to any claim, investigation, proceeding or demand of any Governmental Authority against any of the Credit Parties including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by any of the Credit Parties.

"**Equivalent Amount**" means, with respect to an amount in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the noon rate of exchange for Canadian interbank transactions established by the Bank of Canada for converting the first currency to the other currency at the time of determination, or, if such rate is for any reason unavailable, at the spot rate quoted for wholesale transactions by Credit Suisse AG at approximately noon (Eastern time) on that date in accordance with its normal practice.

"**Event of Default**" has the meaning given thereto in Section 28.

"**Filing Date**" has the meaning given thereto in Section 9(a).

"**Forbearance Agreements**" means (i) that certain forbearance agreement dated as of March 31, 2016 by and among the Borrower, Credit Suisse AG, Cayman Islands Branch, as administrative agent and the lenders (as defined therein) and (ii) that certain second forbearance agreement dated as of April 30, 2016 by and among the Borrower, Wilmington Trust, National Association, as administrative agent, and the lenders (as defined therein).

"**Funding Conditions**" has the meaning given thereto in Section 10.

"**Governmental Authority**" means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof.

"**Initial Committed Amount**" has the meaning given thereto in Section 7.

"**Initial Order**" means the initial order of the Court dated May 16, 2016 pursuant to which the Borrower became subject to the CCAA Proceedings.

"**Interim Advance**" and "**Interim Advances**" have the meanings given thereto in Section 7.

"**Interim Facility**" has the meaning given thereto in Section 7

"**Interim Financing Credit Documentation**" has the meaning given thereto in Section 8.

"**Interim Financing Fees and Expenses**" has the meaning given thereto in Section 11.

"**Interim Financing Obligations**" has the meaning given thereto in Section 9(a).

"**Interim Lender Charge**" has the meaning given thereto in Section 9(a).

"**Interim Lenders**" and "**Interim Lender**" have the meaning given thereto in Section 5.

"**KERP Charge**" means the key employee retention plan charge on the Collateral in an aggregate amount provided for in the Initial Order.

"**Liens**" means all mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retention arrangements, security created under the *Bank Act* (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:

(a) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;

(b) (i) rights of set-off or (ii) any other right of or arrangement of any kind with any creditor, which in any case are made, created or entered into, as the case may be, for the purpose of or having the effect (directly or indirectly) of (A) securing indebtedness, (B) preferring some holders of indebtedness over other holders of indebtedness or (C) having the claims of any creditor be satisfied prior to the claims of other creditors with or from the proceeds of any properties, assets or revenues of any kind now owned or later acquired (other than, with respect to (C) only, rights of set-off granted or arising in the ordinary course of business); and

(c) absolute assignments of accounts receivable,

in each of the foregoing cases, granted by the Credit Parties or against the Collateral.

"**Material Adverse Change**" means any event, circumstance, occurrence or change which results, or which would reasonably be expected to result, in a material adverse change in:

(a) the ability of any Credit Party to perform any material obligation under the Credit Agreement, any other Interim Financing Credit Documentation or any Restructuring Court Order, or the ability of any Credit Party to carry out a Plan or Restructuring Option;

(b) the validity or enforceability of any of the Interim Lender Charge or the ranking of any of the Liens granted thereby or the rights or remedies intended or purported to be granted to the Agent and the Interim Lenders under or pursuant to such Interim Lender Charge or under any Interim Financing Credit Documentation; or

(c) the business, operations, assets, liabilities, condition (financial or otherwise) or results of operations of the Credit Parties on a consolidated basis.

"**Maturity Date**" has the meaning given thereto in Section 15.

"**Maximum Amount**" has the meaning attributed thereto in Section 7.

"**Minimum Production Volume**" means the minimum average daily barrel of oil equivalent produced by the Borrower.

"**Monitor**" has the meaning given thereto in Section 14.

"**Non Pro-Rata Interim Lender**" means any Interim Lender whose pro-rata share of the Commitments under the Interim Facility is in excess of such Interim Lender's pro-rata share of the commitments under the Pre-Filing Secured Credit Agreement.

"**Permitted Liens**" means (i) the Interim Lender Charge; (ii) any charges created under the Initial Order or other order of the Court in the CCAA Proceedings subsequent in priority to the Interim Lender Charge (including, for certainty, the KERP Charge and the Directors' Charge), the limit and priority of each of which shall be acceptable to the Interim Lenders in their discretion; (iii) valid and perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising after the Filing Date in respect of any amounts payable arising after the Filing Date in the ordinary course of business, provided all such amounts are paid as and when due; and (v) the Permitted Priority Liens.

"**Permitted Priority Liens**" means: (a) the Administration Charge; (b) statutory super-priority Liens for unpaid employee source deductions; (c) Liens for unpaid municipal or county property taxes or utilities to the extent that are given first priority over other Liens by statute; and (d) such other Liens as may be agreed to in writing by the Interim Lenders. For greater certainty, except as expressly set forth in the Credit Agreement, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, shall not be "**Permitted Priority Liens**".

"**Plan**" has the meaning given thereto in Section 15.

"**Pre-Filing Agent**" means Wilmington Trust, National Association, in its capacity as administrative agent for the lenders under the Pre-Filing Secured Credit Agreement.

"**Pre-Filing Creditors**" means, collectively, each of the lenders under the Pre-Filing Secured Credit Agreement, and the Pre-Filing Agent.

"**Pre-Filing Secured Credit Agreement**" means the first lien credit agreement dated as of May 23, 2014 among Connacher Oil and Gas Limited., as borrower, the lenders party thereto, and Wilmington Trust, National Association as administrative agent for the lenders, as amended by amendment no. 1 dated as of May 8, 2015.

"**Proposed KERP**" means, collectively, (a) the proposed key employee retention plan and (b) the Borrower's long-term employee incentive plan;

"**Pro Rata Interim Lender**" means any Interim Lender whose pro-rata share of the Commitments under the Interim Facility is equal to such Interim Lender's pro-rata share of the commitments under the Pre-Filing Secured Credit Agreement.

"**Required Lenders**" has the meaning given thereto in Section 30.

"**Restructuring Court Order**" and "**Restructuring Court Orders**" have the meanings given thereto in Section 11(6).

"**Restructuring Option**" means any transaction involving the refinancing of a Credit Party, the sale of all or substantially all of the assets of any Credit Party or any other restructuring of the Credit Parties' businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of any of Credit Party.

"**Revised Budget**" has the meaning given thereto in Section 16.

"**Second Committed Amount**" has the meaning given thereto in Section 7.

"**SISP**" has the meaning given thereto in Section 9(a).

"**Transaction Agreement**" has the meaning given thereto in Section 28(m)(iii).

"**Updated Budget Default**" has the meaning given thereto in Section 28(d).

"**Upfront Fees**" has the meaning given thereto in Section 7.

"**U.S. Dollars**" and the symbol "**U.S. $**" and the symbol "**$**" each mean lawful money of the United States of America.

"**Variance Testing Date**" means, collectively, the second Friday occurring after the Filing Date and each Friday thereafter.

This is **Exhibit "G"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

[Connacher Letterhead]

STRICTLY PRIVATE AND CONFIDENTIAL **May ●, 2016**

[INSERT KERP BENEFICIARY]

Dear ●:

RE: Retention Incentive Payment

As you may be aware, Connacher Oil and Gas Limited ("**Connacher**") has commenced proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Connacher would like to assure you that your contributions to Connacher continue to be valued.

In consideration of your anticipated ongoing hard work and contributions to Connacher during its CCAA proceedings, Connacher is offering you, in addition to your regular salary and benefits, a retention incentive payment (the "**Retention Incentive Payment**"), subject to the terms contained herein, of $● (less required statutory withholdings) payable upon the earliest of the following events:

1. Closing of a "Successful Bid" under the sale and investment solicitation process approved by the CCAA Court;
2. Termination of Connacher's CCAA proceedings;
3. Termination of your employment by Connacher without cause; and
4. September 30, 2016.

This proposal has been approved by the Board of Directors of Connacher. In addition, Connacher sought and obtained an initial order (the "**Initial Order**") of the CCAA Court approving this proposal on a confidential basis and approving a Court-ordered charge over the property of Connacher as security for the obligation of Connacher to make the Retention Incentive Payment when due and payable. A copy of the Initial Order, along with other information concerning Connacher's CCAA proceedings, may be found at www.ey.com/ca/connacheroilandgas.com.

In order to be entitled to receive the Retention Incentive Payment:

1. You must not have disclosed these arrangements to any person other than your immediate family members and your personal accounting, tax and legal advisors (other than any disclosure required by law); and
2. Prior to the time that the Retention Incentive Payment becomes payable, you have not:
    a. resigned;
    b. been terminated with cause; or

c. failed to perform your duties and responsibilities diligently, faithfully and honestly in the reasonable opinion of your direct supervisor and the Special Committee of the Board of Directors of Connacher.

In order to receive the Retention Incentive Payment you must accept the terms of this letter by signing below and returning one executed original to Tracy Norris on or before 4:00 p.m. on May 30, 2016. It is important to note that, by signing below, you accept the terms above and fully waive and release any entitlement or claims .you may have in respect of payments under the terms of Connacher's existing long term cash incentive plan.

We truly appreciate your continued hard work and contribution to Connacher.

Sincerely,

Connacher Oil and Gas Limited

Per: ________________________
Merle Johnson,
Chief Executive Officer

Agreed and accepted by:

____
Name:
Date:

This is **Exhibit "H"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

[Connacher Letterhead]

STRICTLY PRIVATE AND CONFIDENTIAL **May ●, 2016**

[INSERT LTIP BENEFICIARY]

Dear ●:

RE: Retention Incentive Payment

The Board of Directors of Connacher Oil and Gas Limited ("**Connacher**") previously granted an incentive award to employees under Connacher's long term cash incentive plan (the "**LTIP**"), which would become payable on or after July 1, 2016 for only those employees that remain employed with Connacher on that date. Your anticipated incentive payment under that LTIP grant is $● (the "**Incentive Payment**"), less required statutory withholdings.

As you may be aware, Connacher has commenced proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Connacher would like to assure you that your contributions to Connacher continue to be valued.

In consideration of your anticipated ongoing continued hard work and contributions to Connacher during its CCAA proceedings, Connacher sought and obtained an initial order of the Court in the CCAA proceedings (the "**Initial Order**") which, subject to the terms thereof, preserves and protects payment to you of the Incentive Payment by authorizing and directing Connacher to pay you, in addition to your regular salary, the Incentive Payment and granting a Court-ordered charge over Connacher's property to secure Connacher's obligation to make the Incentive Payment, provided that Connacher shall only be obligated to make such payment to you upon the earliest of one of the following events:

1. Closing of a "Successful Bid" under the sale and investment solicitation process approved by the CCAA Court;
2. Termination of Connacher's CCAA proceedings;
3. Termination of your employment by Connacher without cause; and
4. September 30, 2016.

The Incentive Payment authorized under the Initial Order will be made as soon as one of the events described above occurs as long as:

1. You have not disclosed these arrangements to any person other than your immediate family members and your personal accounting, tax and legal advisors (other than any disclosure required by law); and
2. You have not:
    a. resigned;
    b. been terminated with cause; or

c. failed to perform your duties and responsibilities diligently, faithfully and honestly in the opinion of your direct supervisor and the Special Committee of the Board of Directors of Connacher.

A copy of the Initial Order, along with other information concerning Connacher's CCAA proceedings, may be found at www.ey.com/ca/connacheroilandgas.com.

In order to receive the Incentive Payment authorized and protected by the Initial Order you must accept the terms of this letter by signing below and returning one executed original to Tracy Norris on or before 4:00 p.m. on May 30, 2016. It is important to note that, by signing below, you accept the terms above and fully waive and release any entitlement you may have to receive payment from Connacher as per the original terms of the LTIP.

By signing this letter Connacher's obligation to pay your Incentive Payment will be secured by a Court-ordered charge over Connacher's property. Entitlements under the original terms of the LTIP will not benefit from this protection. In addition by signing this letter Connacher will be obligated to pay your Incentive Payment in the event you are terminated without cause; whereas under the original terms of the LTIP your Incentive Payment would not be paid in these circumstances.

We truly appreciate your continued hard work and contribution to Connacher, particularly at this time.

Sincerely,

Connacher Oil and Gas Limited

Per: ____________________________
Merle Johnson,
Chief Executive Officer

Agreed and accepted by:

____
Name:
Date:

This is **Exhibit "I"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16 day of May, 2016.

....

A Commissioner For Oaths/Notary Public For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

Connacher Oil and Gas Limited
Cash flow forecast for the period of May 13, 2016 to August 12, 2016
$000's CAD

	NOTES	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	TOTAL
WEEK ENDED		20-May-16	27-May-16	03-Jun-16	10-Jun-16	17-Jun-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16	12-Aug-16	13 Weeks
Receipts															
Crude Sales		-	5,262	-	-	-	7,206	-	-	-	-	7,679	-		20,147
Other															
Total Receipts	-	-	5,262	-	-	-	7,206	-	-	-	-	7,679	-	-	20,147
Disbursements															
Royalties		-	10	-	-	-	43	-	-	-	-	58	-	-	110
Oilsands operating expenses		1,131	1,131	1,222	1,222	1,222	1,222	945	945	945	945	945	1,243	1,243	14,362
Diluent/Transportation expenses		403	2,798	375	375	375	2,893	291	291	291	291	2,813	364	364	11,922
General and administrative costs	Note 2	111	458	291	458	211	458	189	89	436	89	436	161	458	3,847
Office Relocation Costs	Note 2												200		200
Capital Expenditures		23	23	62	62	62	62	-	28	28	28	28	30	30	467
AER Admin Fees	Note 3		1,000												1,000
Interim Financing - Financing Fees	Note 4		527												527
Interim Financing - Interest	Note 4							86							86
Supplier Prepayments/Deposits		1,897	1,935												3,833
Long-term Incentive Plan								809							809
Total Disbursements		3,565	7,882	1,950	2,117	1,870	4,678	2,321	1,354	1,700	1,354	4,280	1,998	2,095	37,163
CASH FLOW FROM OPERATIONS		(3,565)	(2,620)	(1,950)	(2,117)	(1,870)	2,528	(2,321)	(1,354)	(1,700)	(1,354)	3,400	(1,998)	(2,095)	(17,016)
															-
Restructuring costs		-	350	550	225	430	230	380	175	330	175	330	150	330	3,655
Funding of Reserves															-
Shut-down Costs		7,100													7,100
Employee Liabilities		1,000	(1,000)												-
NET CHANGE IN CASH		(11,665)	(1,970)	(2,500)	(2,342)	(2,300)	2,298	(2,701)	(1,529)	(2,030)	(1,529)	3,070	(2,148)	(2,425)	(27,771)
Opening cash		15,044	3,378	8,408	5,908	3,566	1,266	9,564	6,863	5,335	3,305	1,776	4,846	2,698	15,044
DIP Borrowings		-	7,000	-	-	-	6,000	-	-	-	-	-	-	2,000	15,000
Ending Cash		3,378	8,408	5,908	3,566	1,266	9,564	6,863	5,335	3,305	1,776	4,846	2,698	2,273	2,273
DIP FINANCING															
Opening borrowings		-	-	(7,000)	(7,000)	(7,000)	(7,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	-
Borrowings		-	(7,000)	-	-	-	(6,000)	-	-	-	-	-	-	(2,000)	(15,000)
Ending borrowings		-	(7,000)	(7,000)	(7,000)	(7,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	(15,000)	(15,000)
RESTRICTED CASH															
Shut-down Costs		7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Employee Liabilities		1,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Restricted Cash		8,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100

Connacher Oil and Gas Limited
Cash flow forecast for the period of May 13, 2016 to August 12, 2016
$000's CAD

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

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

Note 1	USD to CAD foreign exchange rate of 1.30
Note 2	Office relocation forecast to occur on August 1, 2016; $200k of office relocation costs the week ended August 5, 2016 and office rent reduced from $180,000 per month to $50,000 per month commencing August 2016.
Note 3	AER Administrative Fees , estimated at $1.0 million and forecast to be paid in May 2016.
Note 4	Interim financing fees and interest in accordance with interim financing agreement.

This is **Exhibit "J"** referred to in the affidavit of **Merle Johnson** sworn before me in the City of Calgary, in the Province of Alberta, Canada this 16th day of May, 2016.

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A Commissioner For Taking Affidavits

Danielle S. Maréchal
Barrister and Solicitor

COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**
DOCUMENT	**<u>MONITOR'S CONSENT</u>**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Neil Narfason Telephone: 403-206-5067 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com **<u>COUNSEL</u>** McCarthy Tétrault LLP Suite 4000, 431 7th Avenue SW Calgary, Alberta M5H 3C2 Attn: Sean Collins / Walker MacLeod Telephone: 403-260-3531 / 403-460-3710 Email:scollins@mccarthy.ca / wmacleod@mccarthy.ca

Ernst & Young Inc. hereby consents to act as monitor pursuant to the provisions of the draft Initial Order appended as Schedule A to the Applicant's Originating Application in respect of the above captioned proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, if so appointed by this Honourable Court.

Dated at Calgary, Alberta this 16th day of May, 2016

ERNST AND YOUNG INC.

Per : ______________________

Name : Neil Narfason
Title : Senior Vice President

Legal*24446399.3