COURT FILE NUMBER	25-2645392 25-2645473
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF GLENOGLE ENERGY INC. AND GLENOGLE ENERGY LP
DOCUMENT	**FIRST REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS THE MONITOR OF GLENOGLE ENERGY INC., GLENOGLE ENERGY LIMITED PARTNERSHIP, AND 1651558 ALBERTA INC.** **March 15, 2021**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Neil Narfason / Gord Boersma Telephone: 403-206-5067 / 403-206-5027 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com gord.boersma@ca.ey.com **MONITOR'S COUNSEL** Fasken Martineau DuMoulin LLP 350 7th Avenue SW, Suite 3400 Calgary, Alberta T2P 3N9 Attn: Travis Lysak Telephone: 403-261-5501 Email: tlysak@fasken.com

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INTRODUCTION

1. On May 14, 2020 (the "**Date of Filing**"), Glenogle Energy Inc. ("**GEI**") and Glenogle Energy Limited Partnership ("**GELP**") obtained protection from their creditors through the filing of a Notice of Intention to Make a Proposal (the "**NOI**") under Section 50.4(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c.B-3, as amended (the "**BIA**").

2. Ernst & Young Inc. was named as Proposal Trustee under the NOI. On July 23, 2020, GEI and GELP were granted a further stay extension for 45 days to September 10, 2020.

3. On September 8, 2020, GEI along with a wholly owned subsidiary 1651558 Alberta Ltd. ("**165**") were granted protection and permission to commence proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "**CCAA**"), which converted the existing NOI proceedings into the CCAA Proceedings. GELP's NOI Proceedings were continued and taken up under the CCAA. GEI, GELP and 165 are collectively referred to as "**Glenogle**", the "**Company**" or "**Applicants**".

4. Also, on September 8, 2020, the Court approved a stay extension as outlined in paragraph 15 of the Amended and Restated Initial Order (the "**ARIO**") until and including March 31, 2021 (the "**Stay Period**").

5. Additional background information concerning these CCAA Proceedings, the Company and its NOI proceedings is available on the Monitor's website at www.ey.com/ca/glenogleenergy.

PURPOSE

6. The purpose of this First Report is to provide this Honourable Court with comments on the following:

    a) the Applicants' business operations since the pre-filing report of the Proposed Monitor dated September 4, 2020 and the Supplement to the Pre-filing report of the Proposed Monitor dated September 8, 2020 (collectively the "**Pre-filing Reports**");

    b) the Company's actual cash flow results for the period August 24, 2020 to February 28, 2021 as compared to budget in CFS#4 which was discussed in the Pre-Filing Reports. CFS#1 to CFS#3 were discussed in the NOI Proceedings;

    c) the Company's cash flow statement for the ten-month period March 1, 2021 to December 31, 2021 (the "**Forecast Period**") and the assumptions on which the cash flow statement is based;

    d) an update on the expected timing of the SISP;

    e) proposed modification to the incentive payments portion of KERP, and payment of the retention payments portion of the KERP;

    f) proposed authorization for the Company to recommence making monthly payments to HSBC pursuant to a capital lease facility with HSBC;

g) proposed authorization for the Company to repay the Interim Loan (defined as the Interim Facility in the ARIO);

h) The Company's request for a stay extension to and including November 30, 2021 (the "**Stay Extension**"); and

i) the Monitor's recommendations.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information from the Company's books and records and financial information prepared by Glenogle as well as discussions with its management ("**Management**") (collectively, the "**Information**"). Except as described herein, in the Company's cash flows:

   a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided; however, it has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such Information contained in this First Report; and

   b) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

8. Future oriented information referred to in this First Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable; the actual results will vary from the projections and the variances could be significant.

9. All references to dollars are in Canadian currency unless otherwise noted.

10. Capitalized terms not defined herein are as defined in the Initial Order, the ARIO, and the Pre-filing Reports of the Monitor.

UPDATE ON AFFAIRS OF THE COMPANY

11. The Company has continued to operate and to perform activities which will enable it to optimize realizations in a future SISP. Specifically:

   a) completed a second well under the farm-out agreement with Woodrush Royalty Corporation ("**Woodrush**"), which is anticipated to result in increased production volumes and related cash flows over the Stay Extension period and enhance the value of the assets prior to sale by increasing cash flows and by proving out the production potential of the undeveloped area subject to the Woodrush Farm-out Agreement;

   b) continued discussions with Woodrush to complete a third well under the Farm-out Agreement during the third quarter of 2021;

c) upon the expiry of a gas pipeline transportation agreement with relatively high tariffs, accessed lower cost pipeline capacity for approximately 90% of the Company's production on an interruptible basis and the remaining 10% on a firm service basis, with backup alternative pipeline capacity on an interruptible basis, resulting in significantly higher net realizations on its gas production on a monthly basis;

d) advanced the Doe East Enhanced Recovery Project ("**DEER Project**"), which included completing repairs to the Company's water injection system, obtaining approval from the Alberta Energy Regulator to complete a well conversion to an injector well, and contracting with vendors to complete the conversion process. The completion of the DEER Project work is expected to add significant value to the assets by reducing decline rates and extending the life of the Doe East production area;

e) consolidated operators of the Doe East and Doe West producing areas;

f) in consultation with the Monitor, updated the Cash Flow Statement #5 for the Forecast Period;

g) worked with the Monitor to revise the KERP given the additional stay extension requested is longer than the outside date of the initial KERP; and

h) prepared monthly updates to HSBC, the Company's first secured lender.

ACTIVITIES OF THE MONITOR

12. Up to and including the date of this First Report, the activities of the Monitor have included, but have not been limited to, the following:

a) held ongoing discussions with Management regarding various creditor communications;

b) performed weekly reviews of the Company's forecast to actual cash flows;

c) reviewed and commented on Management's periodic updates to the Company's weekly and monthly 2021 cash flow forecast;

d) reviewed and commented on Management's monthly updates to HSBC and attended meetings with the Company and HSBC;

e) attended monthly market update meetings with the Selling Agent;

f) provided updates on the status of the Company's restructuring efforts as requested by the Alberta Energy Regulator; and

g) with the assistance of the Monitor's legal counsel, completed a review of the enforceability of the Company's Gross Overriding Royalty ("**GORR**") agreements. The Monitor's review of the GORR agreements will be provided in a subsequent report.

CASH FLOW STATEMENT #4 TO ACTUAL RESULTS

13. The forecast to actual comparison presented below in Table 1 provides the actual cash receipts and disbursements during the period of August 24, 2020 to February 28, 2021 (the "**Reporting Period**") as compared to CFS#4:

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd. **Table 1**

Cash Flow Statement #4 to Actual Cash Flow Results

For the period of August 24, 2020 to February 28, 2021

$000's	Forecast	Actual	Variance
Operating receipts			
Production receipts	10,542	7,315	(3,227)
Crown royalties	(843)	(659)	184
Net operating receipts	**9,699**	**6,655**	**(3,043)**
Operating disbursements			
Capital expenditures	894	2	(892)
Operating expenses	2,813	3,743	929
Gas processing	1,328	859	(468)
General & administrative	821	1,068	247
HSBC interest	74	90	15
Selling Agent fees	150	26	(124)
Restructuring fees	415	418	3
Total operating disbursements	**6,495**	**6,206**	**(289)**
Net change in cash from operations	**3,203**	**449**	**(2,755)**
Credit Facility and Interim Loan - Credit Limits			
Credit facility limit	52,000	52,000	-
Interim Loan limit	2,600	2,500	(100)
Letters of credit	(80)	(95)	(15)
Total credit limit	**54,520**	**54,405**	**(115)**
Credit Facility and Interim Loan - Draws			
Credit facility	48,069	50,815	2,745
Interim Loan	2,600	2,500	(100)
Total financing drawn	**50,669**	**53,315**	**2,645**
Remaining credit available	**3,851**	**1,090**	**(2,760)**

14. Variances in forecast to actual results over the Reporting Period are the result of the following:

a) Production receipts and crown royalties were below the forecast amounts primarily due to the delay in the second Woodrush farm-out well, which was forecasted to be completed by November 2020 but was delayed until March 2021. In addition, actual production excluding the second Woodrush well was lower due to equipment failures and other unplanned downtime, and actual prices were lower than forecast during the second half of 2020.

b) Capital expenditures were lower than forecast due to the deferral of a portion of costs related to the DEER Project which will be incurred in March 2021, the mitigation of a major cost also related to the DEER Project that was avoided through repairs and maintenance rather than full replacement, and the mitigation of workovers with repair and maintenance alternatives.

c) Operating expenses were higher than forecast due to:

i. repairs and maintenance costs were $160,000 higher than forecast, which also reduced capital expenditures as described above;

ii. pipeline fees and carbon taxes higher than forecast by $54,000;

iii. lower cost recoveries than forecast by $102,000;

iv. transportation costs and carbon tax that were reported net of revenue in the forecast after December 31, but disbursed as cash and reported as operating expense totalling $217,000; and

v. prepayments to vendors that were not included in the forecast as the forecast for January and February was prepared on an incurred cost basis, plus other unanticipated operating expenses, totalling $436,000.

d) Gas processing costs reflect the lower volumes produced as described above.

e) The forecast of general and administrative costs reflects $138,000 that are capitalized for accounting purposes in the forecast after December 31, 2020 but are actual cash disbursements. The balance of the variance reflects a timing difference between February and March.

f) Selling Agent Fees were lower than forecast due to the deferral of the SISP and related monthly retainer fees that the Selling Agent has agreed not to charge until the SISP resumes.

CASH FLOW FORECAST

15. Attached as Exhibit 1 to the affidavit of Mr. Jamie Blair dated March 12, 2021 (the "**Blair Affidavit #2**") is a cash flow statement for the ten-month period from March 1, 2021 to December 31, 2021. The Monitor attaches the same cash flow statement as **Appendix A** which is referred to as "**CFS#5**".

16. CFS#5 is summarized in Table 2 below:

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd. **Table 2**

Combined Cash Flow Statement #5

For the Forecast Period of March 1, 2021 to December 31, 2021

$000's	*Notes*	Forecast Period Total
Operating receipts		
Production receipts	*a*	17,117
Crown royalties	*a*	(2,239)
Net operating receipts		14,878
Operating disbursements		
Capital expenditures	*b*	379
Operating expenses	*c*	6,001
Gas processing	*c*	1,621
Property taxes	*d*	470
General & administrative	*e*	1,839
HSBC interest		104
Capital leases	*f*	361
Selling Agent fees	*g*	75
Restructuring fees	*h*	223
Total operating disbursements		**11,074**
Net change in cash from operations		**3,804**

17. The Company is projecting total net operating cash receipts of approximately $14.9 million over the Forecast Period. These receipts are offset by cash disbursements of $11.0 million, resulting in a net increase in cash from operations of $3.8 million during the Forecast Period.

18. As shown in the monthly detail in **Appendix A**, the Company's cash flow is expected to improve throughout the Forecast Period, and the Company is planning to make arrangements with HSBC to repay the $2.5 million Interim Loan from the credit facility as funds are available and with the confirmation of the Monitor and HSBC throughout the Forecast Period. In addition, the Company intends to resume monthly payments of capital leases financed by HSBC.

19. The Company continues to experience improving cash flows through its ongoing efforts to increase production with the development of the Woodrush Farm-out Agreement and the DEER Project, and with cost reduction efforts such as the consolidation of field service providers.

20. While the third Woodrush farm-out well is still in planning stages, the second Woodrush farm-out well began producing shortly before the date of this report and actual production results will be better understood over the next full month of production. Similarly, the DEER Project completed a milestone shortly before the date of this report and the results of these efforts, which have

been ongoing for several months, will continue to be better understood over the next several weeks.

21. The Monitor has reviewed the notes and underlying assumptions. CFS#5 is based on the following key assumptions, corresponding to the note references in Table 2:

a) Production receipts improve from month to month over the Forecast Period, and this reflects improved oil and gas strip pricing and the forthcoming production results of the second farm-out well. Glenogle intends to commence arrangements with Woodrush for the third farm-out well, anticipated to be completed in the third quarter of 2021, and this third well is forecast to increase monthly cash receipts by approximately 20% during the months of September through November 2021;

b) Capital expenditures over the Forecast Period consists of $379,375 incurred during the month of March 2021 to convert a producing well to an injector well for the DEER Project. This expenditure was originally planned during CFS#4 in December 2020;

c) Operating expenses and gas processing costs increase compared to the monthly costs in CFS#4, and reflect the increased production expected over the Forecast Period, as well as completing periodic well maintenance workovers;

d) Property taxes are due during the Forecast Period;

e) General and administrative includes the KERP retention payment in the amount of $269,673 in June 2021;

f) Capital lease payments relate to production assets financed by HSBC under a capital lease facility, and the Company is planning to restart monthly lease payments under this facility in July 2021;

g) Selling Agent Fees are not forecast to be incurred while the Company awaits better market conditions to conduct a SISP. The Company is forecasting that a SISP may commence in the third quarter of 2021; and

h) Restructuring fees totalling $223,000 relate to the fees of the Monitor and its legal counsel incurred but not yet billed or paid, and the estimated fees of the Monitor, its legal counsel, and the Company's legal counsel over the Forecast Period.

22. CSF#5 is based on assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur and the variation may be material. Accordingly, we express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or relied upon by us in preparing this report.

23. CFS#5 has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

UPDATE ON SISP

24. The Selling Agent was engaged during the NOI Proceedings and commenced initial work preparing market research and comparative transaction analysis and a marketing plan and sale materials.

25. The Selling Agent regularly consults with the Company, HSBC, and the Monitor on various SISP planning matters. The SISP terms are detailed the Monitor's Pre-Filing Report.

26. The Court previously approved a process where the Company can launch the SISP at a time when it considers market conditions to be conducive to a sale and with the specific SISP steps and timing to be agreed by the Monitor.

27. Since the date of the Pre-Filing Report, the Monitor, with input from the Selling Agent and the Company, continues to be of the view that, under the current challenging and rapidly changing market conditions for oil and gas assets and given the Company's forecast positive cash flow over the Forecast Period, there is unlikely to be any adverse effects on other stakeholders and creditors if a SISP is launched in the third or early fourth quarter of 2021.

KERP

28. A KERP Charge was granted under the ARIO securing two components of a KERP, specific details of which were provided in a Confidential Exhibit that was sealed on the Court file during the NOI proceedings in the Blair Affidavit dated June 10, 2020.

29. Given the expected SISP timing to be in the second half of 2021, a transaction is not expected to occur by June 30, 2021 and the Retention Payments (as defined in the KERP) will become earned and payable on that date.

30. As a result of the longer than expected timing to undertake the SISP and close a transaction, the Company is proposing an increase in the Incentive Payments to 1.25% of the restructuring transaction value vs. 1% in order to include two additional employees that will receive Retention Payments but that were not included in the Incentive Payments portion of the KERP (the "**Revised KERP**"). The original KERP terms and the Revised KERP terms are summarized in the Blair Affidavit #2.

31. The Revised KERP's Incentive Payments amounts for the original four employees are calculated on substantially the same percentage basis as the original KERP, with most of the increase allocated to the additional two employees into the plan.

32. The employee specific amounts to be paid under the Revised KERP are set out in Confidential Exhibit #3 of the Blair Affidavit #2, for which the Company is requesting a sealing order (the "**Sealing Order**"). Glenogle is requesting that the details of the Revised KERP are sealed due to the confidential nature of the employee information contained within, including employee annual salaries and bonus details.

33. It is the Monitor's view that the Revised KERP is reasonable in cost, will allow for the continued support and service of the employees of the Applicants during the CCAA Proceedings and will be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings.

34. The Monitor supports the Company's application for the Sealing Order and believes that its disclosure of Confidential Exhibit #2 and Confidential Exhibit #3 would be detrimental to Glenogle and its ability to successfully restructure, as well as to the interests of its employees.

REINSTATEMENT OF CAPITAL LEASE PAYMENTS

35. The Company has been deferring monthly payments of a capital lease facility with HSBC (the "**Capital Lease Facility**"). It is now seeking authorization to reinstate these monthly lease payments commencing in July 2021.

36. The CFS#5 indicates that the Company has sufficient cash flow to reinstate the capital lease payments.

REPAYMENT OF THE INTERIM LOAN

37. The Company is seeking authorization to repay the Interim Loan as cash becomes available to do so and subject to confirmation by HSBC and the Monitor.

38. The CFS#5 indicates that the Company has sufficient cash flow throughout the Forecast Period to repay the Interim Loan. The monitor will reassess this prior to any repayments proposed by the Company.

STAY EXTENSION

39. Pursuant to the ARIO, the Stay Period expires on March 31, 2021. The Applicants are seeking an extension of the Stay Period up to and including November 30, 2021.

40. It is the Monitor's view that the Stay Extension is necessary to allow the Applicants time to fully explore the possible restructuring alternatives and conduct a sales process.

41. In the Monitor's view, the Applicants are acting in good faith and with due diligence, are operating in the ordinary course of business and complying with their other obligations set out in the ARIO.

42. The Monitor does not believe that any creditor will be materially prejudiced if the Stay Extension is granted.

HSBC SUPPORT

43. The Monitor notes that HSBC, which holds a first secured interest in all of the Company's assets, is supportive of the relief being sought by the Company in this application. The Monitor will continue to consult with HSBC as to the specific components and timing of the SISP.

RECOMMENDATIONS

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

a) a stay extension to November 30, 2021;

b) a Sealing Order;

c) authorization for the Company to recommence monthly payments under the Capital Lease Facility;

d) authorization for the Company to repay the Interim Loan; and

e) the Revised KERP.

Dated at Calgary, this 15th day of March 2021.

ERNST & YOUNG INC.
in its capacity as the
Monitor of Glenogle Energy Inc.,
Glenogle Energy LP, and 1651558 Alberta Inc.

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

Gord Boersma, CPA, CMA, CIRP, LIT
Vice President

APPENDIX A

CASH FLOW STATEMENT #5 FOR THE PERIOD OF MARCH 1, 2021 TO DECEMBER 31, 2021

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd.
Combined Cash Flow Statement #5
Notes to the Combined Cash Flow Statement #5
For the Forecast Period of March 1, 2021 to December 31, 2021

$000's		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Forecast
Month of:	*Notes*	March	April	May	June	July	August	September	October	November	December	Period Total
Operating receipts												
Production receipts	*A, B*	1,386	1,690	1,717	1,285	1,608	1,562	2,108	1,989	1,970	1,801	17,117
Crown royalties	*B*	(136)	(202)	(215)	(174)	(207)	(181)	(244)	(268)	(307)	(304)	(2,239)
Net operating receipts		**1,249**	**1,489**	**1,502**	**1,110**	**1,401**	**1,381**	**1,864**	**1,721**	**1,663**	**1,497**	14,878
Operating disbursements												
Capital expenditures	*C*	379	-	-	-	-	-	-	-	-	-	379
Operating expenses	*D*	532	669	534	721	396	702	368	1,021	498	560	6,001
Gas processing	*E*	175	149	92	140	136	215	196	182	172	164	1,621
Property taxes	*F*	-	-	-	130	340	-	-	-	-	-	470
General & administrative	*F*	150	177	149	440	110	167	116	195	118	216	1,839
HSBC interest	*G*	14	15	15	15	15	12	9	6	3	-	104
Capital leases	*G*	-	-	-	-	60	60	22	98	60	60	361
Selling Agent fees	*H*	-	-	-	-	-	-	-	25	25	25	75
Restructuring fees		15	26	26	26	26	26	26	26	26	-	223
Total operating disbursements		**1,265**	**1,036**	**816**	**1,473**	**1,083**	**1,182**	**737**	**1,553**	**903**	**1,025**	**11,074**
Net change in cash from operations		**(16)**	**453**	**686**	**(362)**	**318**	**199**	**1,126**	**168**	**760**	**472**	**3,804**
Cumulative change in cash during Forecast Period		**(16)**	**437**	**1,123**	**761**	**1,079**	**1,278**	**2,404**	**2,572**	**3,332**	**3,804**	**3,804**
Credit Facility and Interim Loan - Credit Limits												
Credit facility limit		52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	
Interim Loan advanced	*I*	2,500	2,500	2,500	2,500	2,000	1,500	1,000	500	-	-	
Reduction of Interim Loan	*I*	-	-	-	(500)	(500)	(500)	(500)	(500)	-	-	
Letters of credit	*J*	(222)	(222)	(222)	(222)	(95)	(95)	(95)	(95)	(95)	(95)	
Total credit limit		54,278	54,278	54,278	53,778	53,405	52,905	52,405	51,905	51,905	51,905	
Credit Facility and Interim Loan - Draws												
Credit facility		50,815	50,831	50,378	49,691	50,053	49,735	49,537	48,411	48,243	47,483	
Interim Loan advanced		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	
Cash required for / (generated from) operations		16	(453)	(686)	362	(318)	(199)	(1,126)	(168)	(760)	(472)	
Total credit drawn		53,331	52,878	52,191	52,553	52,235	52,037	50,911	50,743	49,983	49,511	
Remaining credit available		947	1,400	2,086	1,224	1,170	868	1,494	1,162	1,922	2,394	
Letters of Credit	*J*											
Province of BC - seasonal road bans		127	127	127	127	-	-	-	-	-	-	
Natural gas transportation		15	15	15	15	15	15	15	15	15	15	
National Energy Board - pipeline		80	80	80	80	80	80	80	80	80	80	
Letters of credit, total outstanding		**222**	**222**	**222**	**222**	**95**	**95**	**95**	**95**	**95**	**95**	

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd.
Notes to the Combined Cash Flow Statement #5
For the Forecast Period April 1 to December 31, 2021

Note A - Production receipts: Production receipts relates to revenues associated with the sale of oil, gas and natural gas liquids and GST ITC refunds. The improvements to Glenogle's production receipts over the Forecast Period reflect current oil and gas strip pricing, and production results of the first and second farm-out wells. Glenogle intends to commence arrangements with Woodrush for the third Farm-out well, anticipated to be completed in the third quarter of 2021.

Production receipts reflect commodity price forward curves and foreign exchange rates at February 28, 2021.

Note B - Royalties: Crown and freehold royalties are a function of production prices, volumes and mix. Gross overriding royalties in connection with Glenogle's current and planned Farm-out wells are netted from production receipts.

Note C - Capital expenditures: capital spending over the Forecast Period consists of $379,375 incurred during the month of March, 2021 to convert a producing well to an injector well at the Doe East Enhanced Recovery project.

Note D - Operating expenses: consists of vendor payments and prepayments for operations personnel, hauling and transportation, parts, consumables (glycol, methanol and lubricants), chemicals, repairs, hot oiling, power and utilities, regulatory costs and licenses, rentals and leases, carbon taxes, and other similar operating expenses. The average monthly disbursements for operating expenses is approximately $600,000, with some monthly expense forecasts significantly higher or lower that the average due to the timing of certain periodic expenses and due to the underlying forecast methodology which is completed on a weekly basis and results in some months reflecting 5 weeks of expenses and others reflecting 4 weeks of expenses.

Note E - Gas processing: Consists of monthly prepayments of gas processing fees to NorthRiver Marketing during the Forecast Period.

Note F - Property taxes: consists of linear and non-linear municipal property taxes, and **general & administrative:** which consist of insurance, rent, payroll and benefits premiums, consultants and other miscellaneous items. KERP retention payments totalling $269,673 are payable on June 30, 2021, otherwise the monthly disbursements are consistent with prior periods.

Note G - HSBC interest: Interest on the pre-filing debt will accrue over the Forecast Period at prime + 2.75% per annum, however no cash disbursement is anticipated until the conclusion of the NOI proceeding. Interest on the Interim Financing drawings is paid monthly at an interest rate of prime + 4.75% per annum. The Company is forecasting to repay the entire Interim Financing facility during the second half of 2021. In addition, the Company is planning to restart capital lease payments to HSBC, which have been suspended since the NOI Date, and relate to production equipment.

Note H - Selling agent fees: the monthly work fees of the Selling Agent will re-commence when a SISP is commenced.

Note I - Interim Loan: the Interim Financing Charge in the amount of $2.6 million was granted by the Court pursuant to the ARIO on September 8, 2020, and funded by the Interim Loan provided by HSBC. To date, $2.5 million has been advanced to the Company by HSBC from the non-revolving Interim Loan to the main credit facility which the Company uses to fund day to day operations. During the Forecast Period, the Company is planning an arrangement where funds are withdrawn from the credit facility to repay the Interim Loan as funds become available to do so.

Note J - Letters of Credit: the Province of British Columbia's seasonal road ban LOC for $127,200 will be issued during March and is expected to be released in July. In addition, there are LOCs with the National Energy Board in the amount of $80,156 related to cross-border pipeline future suspension, as well as a LOC in the amount of $15,000 related to natural gas transportation arrangements.