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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	SECOND REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS THE MONITOR OF GLENOGLE ENERGY INC., GLENOGLE ENERGY LIMITED PARTNERSHIP, AND 1651558 ALBERTA INC. November 22, 2021
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>MONITOR</u> ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Neil Narfason / Carolyn Parker Telephone: 403-206-5067 / 403-206-5122 Fax: 403-206-5075 Email: neil.narfason@parthenon.ey.com carolyn.parker@parthenon.ey.com <u>MONITOR'S COUNSEL</u> 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 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, this Honourable 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. The most recent stay extension was granted by this Honourable Court on March 15, 2021, wherein the Company's request for a stay through November 30, 2021 was approved.

6. 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

7. The purpose of this second report of the Monitor (the "Second Report") is to provide this Honourable Court with comments on the following:

   a) the Applicants' business operations since the first report of the Monitor dated March 15, 2021 (the "First Report");

   b) the Company's actual cash flow results for the period of March 1, 2021 through October 31, 2021 as compared to the forecast presented in Cash Flow Statement #5 ("CFS#5"), which was discussed in the First Report. CFS#1 to CFS#3 were discussed in the NOI Proceedings and CFS#4 was discussed in the pre-filing report of the Monitor dated September 4, 2020;

   c) the Company's Cash Flow Statement ("CFS#6") for the four-month period of November 1, 2021 through February 28, 2022 (the "Forecast Period") and the assumptions on which the cash flow statement is based;

   d) an update on the SISP;

   e) the Company's request for a stay extension to and including February 28, 2022 (the "Stay Extension"); and

   f) the Monitor's recommendations.

TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this Second 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 Second Report; and

   b) some of the information referred to in this Second 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.

9. Future oriented information referred to in this Second 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.

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

11. Capitalized terms not defined herein are as defined in the Initial Order, the ARIO, the Pre-filing Report of the Proposed Monitor, the Supplement to the Pre-filing Report of the Proposed Monitor (together, the "Pre-filing Reports"), and the First Report.

UPDATE ON AFFAIRS OF THE COMPANY

12. Since the First Report, the Company has continued to operate its business and assets and has undertaken the following activities with the objective of optimizing restructuring results through these CCAA proceedings:

   a) disclaimed its interest in two agreements with Woodrush Royalty ULC with respect to participation in future wells:

      i. on July 20, 2021, Woodrush Royalty Corporation ("Woodrush") was given drilling notice of the third farm-in well under the Woodrush Farm-out Agreement. Woodrush exercised its rights under the Woodrush Farm-out Agreement, electing to not participate in the third well;

      ii. given the perceived negative effect that certain agreements could pose on prospective purchasers' bids under the planned SISP, on September 23, 2021, with the support of HSBC and in consultation with the Selling Agent and the Monitor, Glenogle sent a disclaimer notice (the "Woodrush Disclaimer") to Woodrush, terminating its rights and obligations under the Funding and Participation Agreement, dated December 20, 2019, and the Amending and Ratification Agreement, dated January 13, 2021;

iii. the two royalty agreements underlying the first two joint-venture wells drilled and the related Account Trust Agreement with Woodrush, dated May 22, 2020 remain in place; and

iv. Glenogle did not receive a notice of objection to the Woodrush Disclaimer from Woodrush;

b) continued work on the Doe East Enhanced Recovery Project ("DEER Project"), which has yielded positive results through the most recent phase involving the repressurizing of the reservoir through water and gas injection. These efforts have added significant value to the Doe East assets by arresting natural production decline and extending the life of the pool;

c) in consultation with the Monitor, updated CFS#6 for the Forecast Period;

d) prepared monthly updates to HSBC, the Company's first secured lender;

e) filed an application for judicial review with the Court concerning an assessment by Canada Revenue Agency (the "CRA"), denying Glenogle's request to amend elections in respect of the conveyance of oil and gas properties into GELP:

i. in May 2021, the CRA issued a letter to GEI denying its request to transfer the related tax pools in the amount of approximately $32 million into GELP; and

ii. in consultation with its tax advisors and the Monitor, GEI filed an application for judicial review of the matter on October 22, 2021;

f) as discussed in the First Report, the Company had been deferring monthly payments of a capital lease facility with HSBC. Glenogle obtained approval of this Honourable Court on March 26, 2021 to reinstate these monthly lease payments, which it did starting in the week ending July 11, 2021. Glenogle has had, and is expected to have, sufficient cash flows to make all ongoing capital lease payments prospectively;

g) obtained certification on October 19, 2021 under the Technology Innovation and Emissions Reduction Regulation, resulting a reduction to Gleongle's carbon taxes payable by approximately $40,000 per month, applied retroactively to June 2021;

h) made three repayments of $500,000 on September 24, October 1, and November 2 on its Interim Loan, which was authorized by this Honourable Court on March 26, 2021. The remaining balance outstanding on the Interim Loan is $1.0 million, with the balance projected to be repaid prior to the end of 2021; and

i) as described in the First Report of the Monitor and approved by this Honourable Court, Glenogle issued the Retention Payment component of the KERP to key employees, which was earned and paid on June 30, 2021. The Revised KERP's Incentive Payments will be paid out upon the close of a transaction under the SISP, which is anticipated to be in early 2022.

ACTIVITIES OF THE MONITOR

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

    a) held ongoing discussions with Management regarding operations, various creditor communications and cash flows;

    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 and reviewed market updates provided by the Selling Agent;

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

    g) with the assistance of the Monitor's legal counsel, completed a review of the enforceability of the Company's nine Gross Overriding Royalty ("GORR") agreements, two of which related to Woodrush which were subsequently disclaimed. Based solely on the written GORR agreements in place, and save for any pertinent facts relating to the surrounding circumstances giving rise to each of the GORR agreements, it appears that:

        i. four of the seven remaining GORR agreements clearly and unequivocally express the parties' intentions to create an interest in land;

        ii. one GORR agreement would likely be construed as creating a contractual right to payment as opposed to an interest in land;

        iii. one GORR agreement would possibly be construed as creating an interest in land; and

        iv. one GORR agreement does not create a GORR, rather a working interest in lands to which the agreement applies.

    The Monitor is working with the Company to define next steps with regards to the GORRs which may not create an interest in land.

CASH FLOW STATEMENT #5 TO ACTUAL RESULTS

14. The forecast to actual comparison presented below in Table 1 provides the actual cash receipts and disbursements during the period of March 1, 2021 to October 31, 2021 (the "Reporting Period") as compared to CFS#5:

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd. — Table 1
Cash Flow Statement #5 to Actual Cash Flow Results
For the period of March 1, 2021 to October 31, 2021

$000's	Forecast	Actual	Variance
Operating receipts			
Production receipts	13,345	12,051	(1,294)
Crown royalties	(1,628)	(1,365)	262
Miscellaneous receipts (disbursements)	-	(43)	(43)
Net operating receipts	11,718	10,643	(1,075)
Operating disbursements			
Capital expenditures	379	555	176
Operating expenses	4,943	4,945	2
Gas processing	1,286	1,035	(251)
Property taxes	470	416	(54)
General & administrative	1,504	1,571	67
HSBC interest	101	116	15
Capital leases	241	241	0
Selling Agent fees	25	26	1
Restructuring fees	197	89	(108)
Total operating disbursements	9,146	8,994	(152)
Net change in cash from operations	2,572	1,649	(923)
Credit Facility and Interim Loan - Credit Limits			
Credit facility limit	52,000	52,000	-
Interim Loan limit	-	2,600	2,600
Letters of credit	(95)	(95)	-
Total credit limit	51,905	54,505	2,600
Credit Facility and Interim Loan - Draws			
Credit facility	50,743	50,665	(77)
Interim Loan	-	1,000	1,000
Total credit drawn	50,743	51,665	923
Remaining credit available	1,162	2,839	1,677

15. The Monitor notes that the majority of cash flow activity occurs end-of-month, which is standard in this industry given that production revenues are received on the twenty-fifth day of each month following the month of production, with substantially all operating expenses also paid around that time. Accordingly, typically only nominal cash flows relating to general and administrative expenses are paid over the remainder of the month. To simplify the presentation in this Second Report, illustrating cash flows on a monthly basis, only actuals up to October 31, 2021 have been presented, with the exception of a $500,000 repayment on the Interim Loan discussed below, and November 2021 actuals to-date have been reflected in CFS#6.

16. 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 deferral of the third Woodrush farm-out well and lower than anticipated production achieved from the second farm-out well, which resulted in a 23% reduction in total volumes over those forecast. Unfavourable volume variances were partially offset by higher realized commodity prices;

b) capital expenditures were higher than forecast due to the replacement of the source water well pump at Doe East;

c) operating expenses were in line overall with forecast amounts, however variances within operating expenses over the Historical Period consisted primarily of:

   i. compressor overhaul work required at Doe West, resulting in an additional $131,000 of maintenance costs over forecast;

   ii. lower pipeline fees paid to Pembina Pipelines by $154,000 as compared to forecast due to lower crude volumes;

   iii. lower cost recoveries than forecast by $134,000, due to third party shut-ins in July 2021 as a result of return of a rental compressor; and

   iv. lower overall prepayments to vendors largely due to the return of the rental compressor in July 2021 resulting in $222,000 favorable variance over forecast, slightly offset by increased pumpjack repair costs totaling $113,000;

d) gas processing costs reflect the lower volumes produced as described above;

e) the forecast of general and administrative costs did not reflect the application for judicial review of the CRA's assessment totaling $21,000, described previously. Further, the forecast did not factor in the timing associated with insurance installment payments, which has led to increased front-end payments of $42,000 at October 31, 2021. Slightly offsetting these unfavourable variances are negotiated rent reductions starting in September 2021, having a $13,000 favourable impact;

f) restructuring fees were lower than forecast due to invoice timing; and

g) the $2.6 million Interim Loan limit variance is due to a change in presentation as compared to the First Report; HSBC has provided Glenogle with access to the full amount of the Interim Loan, even after repayment, for continued flexibility through these proceedings. Due to lower cash flows being realized over the Historical Period as compared to CFS#5, $1.5 million was repaid over the Historical Period, including a $500,000 repayment on November 2, 2021, leaving $1.0 million outstanding on the Interim Loan. The Company is scheduled to fully repay the remaining balance prior to the end of 2021, which is presented in CF#6.

CASH FLOW FORECAST

17. As referenced in the affidavit of Mr. Jamie Blair dated November 22, 2021 (the "Blair Affidavit #3"), the Monitor attaches a cash flow statement for the four-month period from November 1, 2021 to February 28, 2022, also referred to as CFS#6, as Appendix A to this Second Report.

18. CFS#6 is summarized in Table 2 below:

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

Combined Cash Flow Statement #6

For the Forecast Period of November 1, 2021 to February 28, 2022

$000's	Notes	Forecast Period
Operating receipts		
Production receipts	a	8,819
Crown royalties	a	(1,164)
Miscellaneous receipts (disbursements)		(27)
Net operating receipts		7,629
Operating disbursements		
Capital expenditures	b	522
Operating expenses	c	2,161
Gas processing	c	490
General & administrative	d	608
HSBC interest		17
Capital leases	e	203
Selling Agent fees	f	118
Restructuring fees	g	93
Total operating disbursements		4,212
Net change in cash from operations		3,417

19. The Company is projecting total net operating cash receipts of approximately $7.6 million over the Forecast Period. These receipts are offset by cash disbursements of $4.2 million, resulting in a net increase in cash from operations of $3.4 million during the Forecast Period.

20. As shown in the monthly detail in Appendix A, Glenogle's cash flow is expected to improve throughout the Forecast Period, and the Company is planning to repay the remaining $1.0 million balance on the Interim Loan over the Forecast Period, with $500,000 scheduled to be repaid in November 2021 and the residual $500,000 repaid in December 2021.

21. The Monitor has reviewed the notes and underlying assumptions. CFS#6 is based on the following key assumptions, corresponding to the note references in Table 2:

a) production receipts improve month-over-month in November through January, which is primarily attributed to improved oil and gas forward strip pricing, the installation of plunger lifts on three wells and the installation of a second compressor at Doe West. Improved strip pricing has allowed Glenogle to undertake repairs and reactivate suspended and inactive wells, which were previously uneconomical. These repairs are projected to have favorable impacts to production volumes over the Forecast Period. The impact of favorable pricing and volumes is slightly offset by natural production declines;

b) capital expenditures projected over the Forecast Period total $522,000, consisting of $210,000 in February relating to the installation of a compressor at the 16-33 well, and $110,000 in January relating to a new office trailer required at the 16-33 well due to the poor condition of the existing trailer. The remainder of the capital expenses relate to repairs, pump changes and other production optimization capital expenditures throughout the Forecast Period;

c) operating expenses and gas processing costs are relatively flat on a per-day basis over the Forecast Period, and consist primarily of supplier prepayments, gas processing with NorthRiver Midstream, oil transportation with Pembina Pipelines, fluids, regulatory, maintenance and land lease rentals. November and December costs are expected to be slightly higher as compared to other months due to delayed invoicing from suppliers relating to work performed over the Historical Period, and costs relating to the return of the rental compressor at Doe West, which was released to the supplier in July 2021;

d) general and administrative expenses vary on a monthly basis over the Forecast Period due to timing of when payroll funds are withdrawn from Glenogle's bank account. Monthly payroll is projected to increase by $8,000 per month starting again in January due Canadian Pension Plan and Employment Insurance contributions recommencing for 2022;

e) capital lease payments relate to production assets financed by HSBC under a capital lease facility;

f) selling Agent Fees of $118,000 for the Forecast Period relate to the Selling Agent's monthly work fee, which was temporarily decreased over the period leading up to the recommencement of the SISP; and

g) restructuring fees totalling $93,000 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. CFS#6 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#6 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 initially engaged in June 2020 during the NOI Proceedings and commenced initial work preparing market research, comparative transaction analyses, a marketing plan and sales materials. Due to unfavourable macroeconomic conditions and company-specific factors, Glenogle, in consultation with the Selling Agent, HSBC and the Monitor, decided to postpone sales efforts until conditions improved.

25. With small, micro and mid-cap oil and gas producer equities outperforming commodities and the broader equity index over the past month, Glenogle, in consultation with the Selling Agent, HSBC and the Monitor, recommenced marketing activities under the SISP on September 29, 2021.

26. Activities of the Selling Agent have included the following:

    a) Initial activities: Introductory letters were sent by the Selling Agent to approximately 300 distinct companies, and over 800 individual contacts;

    b) September 29: The Selling Agent and Glenogle signed an amended engagement contract to resume the sales process;

    c) September 30: Counterparties on the mail-out list developed by the Selling Agent and Glenogle, with input from the Monitor, were contacted about the investment opportunity;

    d) September 30 – October 4: The Selling Agent worked with Glenogle management to prepare marketing materials and the virtual data room, with input from the Monitor;

    e) October 7: Selling Agent, in consultation with Glenogle, formally reached out to a select group of identified counterparties believed to have serious interest and acquisition capacity to set up management presentations. 37 confidentiality agreements were executed by counterparties;

    f) October 13: Management presentations begin;

    g) October 27: Proposal instructions are circulated to counterparties;

    h) November 4: Proposal deadline date, with 11 proposals received; and

    i) November 4 – present: Review of proposals and ongoing negotiations with counterparties.

27. The AER expressed interest to the Monitor in receiving information on counterparties participating in the SISP and the AER is expected to sign a non-disclosure agreement regarding any Glenogle information provided to the AER.

28. The Monitor is of the view that the scope of the above activities undertaken by the Selling Agent and the Company is aligned with the process outlined in the First Report of the Proposed Monitor,

dated September 4, 2020 and approved by this Honourable Court. Further, it is the Monitor's view that the activities performed by the Selling Agent, including the quality of marketing materials circulated, criteria used to compile the list of counterparties, the identified list of counterparties, the timeline to receive proposals and the go-to-market results obtained by the Selling Agent and the on-going process to evaluate the submitted proposals, are appropriate.

29. Proposals received under the SISP are open for acceptance until November 25, 2021. The Company has been consulting with HSBC in advance of this deadline to discuss next steps.

30. The Monitor will provide additional details to the Court on the selected approach, including details on any selected unconditional offer, and our comments thereon, in a future report.

STAY EXTENSION

31. Pursuant to the stay extension and ancillary relief order granted by this Honourable Court on March 26, 2021, the Stay Period expires on November 30, 2021. The Applicants are seeking an extension of the Stay Period up to and including February 28, 2022.

32. It is the Monitor's view that the Stay Extension is necessary to allow the Applicants time to fully evaluate the best course of action in consultation with HSBC.

33. 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.

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

HSBC SUPPORT

35. The Monitor notes that HSBC, which holds a valid and enforceable first secured interest in all of the Company's assets, is supportive of the relief being sought by the Company in this application.

RECOMMENDATIONS

36. The Monitor respectfully recommends that this Honourable Court approve a stay extension to February 28, 2022.

Dated at Calgary, this 22 day of November, 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

Carolyn Parker, CPA
Manager

APPENDIX A

CASH FLOW STATEMENT #6 FOR THE PERIOD OF NOVEMBER 1, 2021 TO FEBRUARY 28, 2022

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd.
Combined Cash Flow Statement #6
For the Forecast Period of November 1, 2021 to February 28, 2022

$000's Month of:	Notes	Month 1 November	Month 2 December	Month 3 January	Month 4 February	Forecast Period Total
Operating receipts						
Production receipts	A, B	1,970	2,171	2,377	2,301	8,819
Crown royalties	B	(247)	(311)	(332)	(274)	(1,164)
Miscellaneous receipts (disbursements)		(27)	-	-	-	(27)
Net operating receipts		1,697	1,860	2,045	2,027	7,629
Operating disbursements						
Capital expenditures	C	24	77	169	252	522
Operating expenses	D	600	603	531	427	2,161
Gas processing	E	125	125	125	115	490
General & administrative	F	132	203	125	148	608
HSBC interest	G	8	9	-	-	17
Capital leases	G	60	60	60	22	203
Selling Agent fees	H	43	25	25	25	118
Restructuring fees	I	28	36	27	1	93
Total operating disbursements		1,020	1,138	1,063	991	4,212
Net change in cash from operations		676	722	982	1,036	3,417
Cumulative change in cash during Forecast Period		676	1,398	2,381	3,417	3,417
Credit Facility and Interim Loan - Credit Limits						
Credit facility limit		52,000	52,000	52,000	52,000	
Interim Loan capacity	J	2,600	2,600	2,600	2,600	
Letters of credit	K	(95)	(95)	(95)	(95)	
Total credit limit		54,505	54,505	54,505	54,505	
Credit Facility and Interim Loan - Draws						
Credit facility		49,989	49,767	49,285	48,249	
Interim Loan advanced		1,000	500	-	-	
Total credit drawn		50,989	50,267	49,285	48,249	
Remaining credit available		3,516	4,238	5,220	6,256	
Letters of Credit	K					
Natural gas transportation		15	15	15	15	
National Energy Board - pipeline		80	80	80	80	
Letters of credit, total outstanding		95	95	95	95	

Glenogle Energy Inc., Glenogle Energy LP and 1651558 Alberta Ltd.
Notes to the Combined Cash Flow Statement #6
For the Forecast Period of November 1, 2021 to February 28, 2022

Note A - Production receipts: Production receipts relate to revenues associated with the sale of oil, gas and natural gas liquids and GST ITC refunds. The improvements to Glenogle's production receipts month-over-month over the Forecast Period is primarily attributed to improved oil and gas forward strip pricing, the installation of plunger lifts on three wells and the installation of a second compressor at Doe West. Improved strip pricing has allowed Glenogle to undertake repairs and reactivate suspended and inactive wells, which were previously uneconomical. These repairs are projected to have favorable impacts to production volumes over the Forecast Period. The impact of favorable pricing and volumes is slightly offset by natural production declines.

Production receipts reflect commodity price forward curves and foreign exchange rates at November 8, 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 wells are net from production receipts.

Note C - Capital expenditures: Capital spending over the Forecast Period totals $522,000, consisting of $210,000 in February relating to the installation of a compressor at the 16-33 well, and $110,000 in January relating to a new office trailer required at the 16-33 well due to the poor condition of the existing trailer. The remainder of the capital expenses relate to repairs, pump changes and other production optimization capital expenditures throughout the Forecast Period.

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 $540,000, with some monthly expense forecasts 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 five weeks of expenses and others reflecting four weeks of expenses.

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

Note F - General and administrative: General and administrative expenses vary on a monthly basis over the Forecast Period due to timing of when payroll funds are withdrawn from Glenogle's bank account. Monthly payroll is projected to increase by $8,000 per month starting again in January due Canadian Pension Plan and Employment Insurance contributions recommencing for 2022.

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 these proceedings. Interest on the Interim Financing drawings is paid monthly at an interest rate of prime + 4.75% per annum. The Company is forecast to repay the $1.0 million balance on the Interim Financing facility during the remainder of 2021.

The Company restarted capital lease payments to HSBC relating to production equipment in July 2021, which had been suspended since Glenogle filed its Notice of Intention to file a Proposal in June 2020.

Note H - Selling agent fees: relates to the monthly work fee of the Selling Agent, which was temporarily decreased over the period leading up to the recommencement of the SISP.

Note I - Restructuring fees: 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.

Note J - 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, $2.6 million has been advanced to the Company by HSBC from the Interim Loan to the main credit facility which the Company uses to fund day to day operations, and $1.6 million has been repaid. During the Forecast Period, the Company is planning to repay the remaining $1.0 million prior to the end of 2021.

Note K - Letters of Credit: Outstanding letters of credit include one 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.