Clerk's Stamp

COURT FILE NUMBER	1601-06131
COURT	COURT OF KING'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 CONNACHER OIL AND GAS LIMITED
DOCUMENT	**TWENTY-FIFTH REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS THE MONITOR OF CONNACHER OIL AND GAS LIMITED** **April 11, 2023**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Peter Chisholm / Ross Graham Telephone: 403-206-5061 / 403-206-5013 Fax: 403-206-5075 Email: peter.chisholm@parthenon.ey.com ross.graham@parthenon.ey.com **MONITOR'S COUNSEL** McCarthy Tetrault LLP Suite 4000, 421 7th Ave SW Calgary, Alberta, T2P 4K9 Attn: Walker MacLeod Telephone: 403-460-3710 Email: wmacleod@mccarthy.ca

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INTRODUCTION

1. On May 17, 2016 (the "**Filing Date**"), Connacher Oil and Gas Limited (the "**Company**" or "**Connacher**"), sought and obtained protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to an Order of this Honourable Court (the "**Initial Order**"), granted in in these proceedings (the "**CCAA Proceedings**").

2. Ernst & Young Inc. was appointed as Monitor (the "**Monitor**") of the Company pursuant to the terms of the Initial Order.

3. On the within application the Monitor is seeking the following relief:

   a) an order (the "**Discharge and Termination Order**"):

      (i) approving: (a) the Twenty-Fifth Report of the Monitor and the actions of the Monitor reported therein; (b) the Monitor's final statement of receipts and disbursements with respect to the 2019 CCAA Plan (as defined below); (c) the activities and conduct of the Monitor in relation to these CCAA Proceedings; and (d) declaring that the Monitor has satisfied its obligations as Monitor of the Company;

      (ii) approving the fees and disbursements of the Monitor and its legal counsel, McCarthy Tétrault LLP ("**MT**");

      (iii) authorizing and empowering the Monitor to make a distribution of the Remaining Administrative Reserve Balance (as defined below) to Connacher;

      (iv) terminating these CCAA Proceedings, upon the Monitor filing a certificate confirming that all remaining steps required to complete these CCAA Proceedings have been completed (the "**Monitor's Termination Certificate**");

      (v) discharging the Monitor upon filing of the Monitor's Termination Certificate; and,

      (vi) providing various releases in favour of the Monitor.

4. The purpose of this twenty-fifth report of the Monitor (the "**Twenty-Fifth Report**") is to provide this Honourable Court with the Monitor's comments with respect to:

   a) an update from the Monitor's twenty-fourth report dated September 24, 2019 (the "**Twenty-Fourth Report**");

   b) the request for the remaining administrative reserve funds held by the Monitor be returned to Connacher;

c) approval of the Monitor's final statement of receipts and disbursements from the Filing Date to April 7, 2023;

d) approval of the professional fees incurred by the Monitor and its legal counsel; and,

e) the request for discharge of the Monitor.

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

6. Capitalized terms not defined herein are as defined in the Initial Order, the Amended and Restated Support Agreement or the 2019 CCAA Plan (both defined below).

BACKGROUND

7. Additional background information on Connacher and these CCAA proceedings is available on the Monitor's website at www.ey.com/ca/connacheroilandgas.

TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this Twenty-Fifth Report, the Monitor has relied upon unaudited financial information, Company records, and discussions with management of the Company. The Monitor has not performed an audit, review, or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

UPDATE SINCE THE TWENTY-FOURTH REPORT OF THE MONITOR

9. On May 6, 2019, an amended and restated support agreement (the "**Amended and Restated Support Agreement**") was entered into between Connacher, the Consenting First Lien Lenders and the First Lien Agent. The Amended and Restated Support Agreement was approved pursuant to an order granted in the CCAA Proceedings by this Honourable Court on May 16, 2019.

10. Pursuant to the Amended and Restated Support Agreement, Connacher completed the transactions whereby the First Lien Lenders acquired Connacher through an exchange of a portion of the first lien debt for a new senior secured debt and equity of Connacher by way of a CCAA plan of compromise and arrangement (the "**2019 CCAA Plan**").

11. Subsequent to the Twenty-Fourth Report, Connacher and the Monitor worked to fulfill their obligations as defined under the 2019 CCAA Plan, as described in the following paragraphs.

Settlement of the Credit Bid Key Employee Retention Plan

12. Pursuant to the 2019 CCAA Plan, the Monitor was required to withhold funds from the Plan Implementation Fund to settle any secured claims related to the credit bid key employee retention plan ("**Credit Bid KERP**").

13. On September 30, 2019, the Monitor remitted the Credit Bid KERP funds to certain employees, satisfying the conditions of the 2019 CCAA Plan.

Monitor's certificate

14. On September 30, 2019, the Monitor filed a certificate in the prescribed form with this Honourable Court, certifying the conditions of the 2019 CCAA Plan were satisfied, and the plan was fully implemented (the "**2019 CCAA Plan Certificate**").

Unclaimed Distributions

15. As at March 30, 2021, the Monitor had unclaimed distributions of $440.54 owing to 8 creditors (the "**Unclaimed Distributions**"). The Unclaimed Distributions are distributions that have been issued by the Monitor in connection with the 2019 CCAA Plan, but not deposited by the claimants. Despite the Monitor's efforts to locate these creditors, the Unclaimed Distributions remained outstanding for more than six months.

16. In accordance with the 2019 CCAA Plan, any claim of any creditor with respect to Unclaimed Distributions outstanding for longer than six months shall be discharged and forever barred, and the Unclaimed Distributions should be returned by the Monitor to the Company. Accordingly, the Unclaimed Distributions were returned to the Company on March 30, 2021.

RETURN OF THE ADMINISTRATIVE RESERVE

17. In accordance with the 2019 CCAA Plan, the Monitor withheld funds, in the initial amount of $750,000, from the Plan Implementation Fund as an administrative reserve (the "**Administrative Reserve**").

18. Section 3.4 of the 2019 CCAA Plan, provides that the Administrative Reserve Fund is to be held in escrow until:

> payment by the Monitor out of the Administrative Reserve Fund of reasonable fees and disbursements (plus any applicable Taxes thereon) for any services rendered by

Cassels, other legal counsel and advisors to the Company, the Monitor, legal counsel to the Monitor, or other Persons from time to time retained by the Company or the Monitor and any other reasonable costs and expenses incurred by the Company or the Monitor in connection with the implementation of the Plan, the administration of the Plan Implementation Fund, the resolution of Disputed Claims (but, for greater certainty, not for any payments or distributions in respect thereof), and the wind up of the CCAA Proceeding (collectively, "**Administration Expenses**").

19. As of April 7, 2023, the Administrative Reserve balance was approximately $612,000.

20. The Monitor will settle the Administrative Expenses from the Administrative Reserve and remit the remaining balance to Connacher in accordance with the 2019 CCAA Plan (the "**Remaining Administrative Reserve Balance**").

APPROVAL OF PROFESSIONAL FEES & THE FINAL R&D

21. In accordance with the Initial Order, the Monitor did not take possession of the property of Connacher and Connacher maintained its own bank accounts to operate its business throughout these CCAA proceedings. Connacher's actual cash flow during the CCAA proceedings was reported on in the prior reports of the Monitor. The Monitor's control of cash was limited to the receipt and release of the East River Deposit and reserves established and distributions issued in accordance with the 2019 CCAA Plan.

22. The Monitor's statement of receipts and disbursements associated with these CCAA proceedings from the Filing date to April 7, 2023 are summarized below in Exhibit 1.0 – Monitor's Canadian dollar account and Exhibit 1.1 – Monitor's US dollar account.

Connacher Oil and Gas Limited Statement of receipts and disbursements Monitor's Canadian dollar account Filing Date to April 7, 2023		Exhibit 1.0
	Notes	
Receipts		
East River Deposits	*a*	13,500,000
2019 CCAA Plan Implementation Fund	*b*	1,558,178
Interest		166,069
		15,224,247
Disbursements		
Return of funds to Connacher	*c*	(13,639,251)
Transfer to Monitor's US dollar account	*d*	(604,770)
Restructuring fees	*e*	(156,078)
Credit Bid KERP	*f*	(104,313)
Distributions under 2019 CCAA Plan	*g*	(98,955)
GST remitted, bank charges and other expenses		(8,284)
		(14,611,649)
Cash on hand	*h*	**612,598**

23. Notes to the Monitor's statement of receipts and disbursements for its Canadian dollar bank account are as follows:

a) As a result of a sale and investment solicitation process approved by Order of this Court dated March 28, 2018 (the "**2018 SISP**"), Connacher and East River Oil and Gas Ltd. ("**East River**") entered into transaction agreements for East River to acquire the going concern business of East River. In connection with the SISP and proposed transaction, East River provided $13.5 million of deposits (the "**East River Deposits**") which were ultimately forfeited when East River did not close on the transaction;

b) Connacher delivered sufficient cash to the Monitor to fund the various creditor pools and reserves in accordance with the 2019 CCAA Plan (the "**Plan Implementation Fund**");

c) The Monitor released the East River Deposits and interest earned on cash balances held by the Monitor to Connacher in accordance with authorization from this Court;

d) The Monitor transferred a portion of the Plan Implementation Fund to its US dollar bank account to fund US denominated obligations under the 2019 CCAA Plan;

e) Restructuring fees of the Monitor, the Monitor's counsel and Connacher's counsel settled with the Administrative Reserve;

f) Settlement of the Credit Bid KERP as described above;

g) Distributions to creditors in Canadian dollars under the 2019 CCAA Plan; and

h) The remaining balance held by the Monitor in the Canadian dollar account represents the Remaining Administrative Reserve Balance.

Connacher Oil and Gas Limited **Statement of receipts and disbursements** **Monitor's US dollar account** **Filing Date to April 7, 2023**		**Exhibit 1.1**
	Notes	
Receipts		
2019 CCAA Plan Implementation Fund	*a*	965,177
		965,177
Disbursements		
Distributions under 2019 CCAA Plan	*b*	(455,472)
Selling Agent fees	*c*	(509,454)
Bank charges and other		(251)
		(965,177)
Cash on hand		**0**

24. Notes to the Monitor's statement of receipts and disbursements for its US dollar bank account are as follows:

a) The 2019 CCAA Plan Implementation Fund received in the Monitor's US dollar bank account represents cash received from Connacher to settle US dollar obligations under the 2019 CCAA Plan;

b) Distributions to creditors in US dollars under the 2019 CCAA Plan; and

c) Fees paid to Houlihan Lokey Capital Inc., the selling agent under the 2018 SISP.

Approval of Professional Fees

25. As Connacher was in possession of its cash throughout the CCAA proceedings in accordance with the Initial Order, all professional fees of the Monitor and the Monitor's counsel, were paid directly by Connacher with the exception of those paid using the Administrative Reserve and therefore, not reflected in the Final Statements of R&D above. Fees of the Monitor and its legal counsel, MT, incurred throughout these CCAA proceedings since the Filing Date (May 17, 2016), are as follows:

a) The Monitor's total fees and expenses are $1,497,230 (plus applicable taxes);

b) The Monitor has approximately $15,000 of unbilled time to date;

c) MT's total fees are $417,154 (plus applicable taxes and disbursements); and

d) MT has approximately $15,000 of unbilled time to date.

26. The Monitor believes the foregoing fees are appropriate and reasonable in the circumstances given the following:

a) the CCAA Proceedings were large, lengthy, and complex. Connacher commenced the CCAA Proceedings in May 2016 and had in excess of USD $260 million in indebtedness that had to be restructured. In the period between the commencement of the CCAA Proceedings (May 2016) and the implementation of the 2019 CCAA Plan (September 2019), the Monitor assisted the Company in administering two separate sale and investment solicitation processes, a claims process and a supplemental claims process in the lead up to the 2019 CCAA Plan; and

b) the 2019 CCAA Plan as approved by 100% of the First Lien Lenders and 100% of the Company's general unsecured creditors who were present and voted in person or by proxy on the Plan Resolution at the creditors' meetings held on June 19, 2019. Following the successful implementation of the 2019 CCAA Plan the Company was able to continue operations as a going-concern entity.

27. It is the Monitor's opinion that its counsel's services were necessarily incurred, duly authorized and rendered, and that the hours and rates charged are in the Monitor's opinion fair and reasonable in the circumstances.

28. Copies of the invoices of the Monitor and MT have not been appended to this Report, however, subject to redaction for privilege, the Monitor is prepared to make copies of such records available to the Court, if necessary.

29. The Monitor estimates that additional fees to be incurred by the Monitor and its counsel to complete the administration of the CCAA Proceedings will be less than $5,000.

30. The Monitor respectfully requests approval by the Court of the fees and disbursements incurred by the Monitor and its counsel.

RELEASES

31. The Monitor notes that the proposed form of Discharge and Termination Order includes releases in favour of EY and MT. Each of EY and MT were also granted releases as part of the 2019 CCAA Plan and the contemplated releases are an extension of this protection through to the conclusion

of the CCAA Proceedings. It is the Monitor's opinion that such releases are appropriate and reasonable in the circumstances.

DISCHARGE OF MONITOR

32. After returning the Remaining Administrative Reserve to Connacher, Connacher's CCAA proceedings will be completed in accordance with the 2019 CCAA Plan, and no further administrative matters remain for the Company or the Monitor.

33. Accordingly, the role of the Monitor is complete and as such, the Monitor is requesting its discharge ("**Discharge**").

RECCOMENDATIONS

34. The Monitor respectfully recommends and requests that this Honourable Court approve, the Discharge and Termination Order.

Dated at Calgary, this 11th day of April, 2023.

ERNST & YOUNG INC.
Licensed Insolvency Trustee
acting solely in its capacity as the Monitor of Connacher Oil and Gas Limited and not in its personal or corporate capacity

per:

Peter Chisholm, CPA, CA, CIRP, LIT
Senior Vice-President, Ernst & Young Inc.

Ross Graham, CPA
Director, Ernst & Young Inc.