

COURT FILE NUMBER 2101-00814

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 CALGARY OIL & GAS  
SYNDICATE GROUP LTD., CALGARY OIL AND GAS  
INTERCONTINENTAL GROUP LTD. (IN ITS OWN  
CAPACITY AND IN ITS CAPACITY AS GENERAL  
PARTNER OF T5 SC OIL AND GAS LIMITED  
PARTNERSHIP), CALGARY OIL AND SYNDICATE  
PARTNERS LTD., and PETROWORLD ENERGY LTD.

DOCUMENT **FOURTH REPORT OF BDO CANADA LIMITED,  
IN ITS CAPACITY AS MONITOR OF CALGARY OIL &  
GAS SYNDICATE GROUP LTD., CALGARY OIL AND  
GAS INTERCONTINENTAL GROUP LTD., CALGARY  
OIL AND SYNDICATE PARTNERS LTD.,  
PETROWORLD ENERGY LTD. and  
T5 SC OIL AND GAS LIMITED PARTNERSHIP**

**MAY 20, 2021**

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AND CONTACT  
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**FOURTH REPORT OF THE  
MONITOR BDO CANADA LIMITED  
MAY 20, 2021**

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## **INTRODUCTION**

1. On February 10 and February 11, 2021 (the “**Initial Application**”) , Calgary Oil & Gas Syndicate Group Ltd. (“**Syndicate Group**”), Calgary Oil & Gas Intercontinental Group Ltd. (“**COGL**”) (in its own capacity and in its capacity as General Partner of T5 SC Oil and Gas Limited Partnership (the “**Limited Partnership**”), Calgary Oil and Syndicate Partners Ltd. (“**COSP**”), and Petroworld Energy Ltd (“**Petroworld**”) (collectively referred to as the “**Applicants**”) made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for an initial order (the “**Initial Order**”) pursuant to the *Companies Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”).
2. On February 11, 2021 (the “**Filing Date**”), the Initial Order was granted by the Honourable Mr. Justice D. B. Nixon of the Court providing certain relief to the Applicants as well as the Limited Partnership (collectively referred to as the “**Companies**”), including, but not limited to, an initial stay of proceedings (the “**Stay**”) against the Companies and their assets.
3. The Court appointed BDO Canada Limited (“**BDO**”) as monitor (the “**Monitor**”) of the Companies within the CCAA proceedings (the “**Proceedings**”).
4. On February 8, 2021, BDO prepared a report (the “**Pre-Filing Report**”) with the Court in contemplation of the initial application held on February 10, 2021.
5. On February 18, 2021, the Monitor prepared a report (the “**First Report**”) in advance of the Companies’ application to amend and restate the Initial Order.
6. On February 19, 2021, the Court granted the following two Orders:
  - a. an Amended and Restated Initial Order (the “**ARIO**”) providing for a brief extension of the Stay through to March 4, 2021; and
  - b. an order sealing the non-binding Letter of Intent entered into with a third party (the “**Third Party**”) in respect of a potential transaction that was attached as Confidential Exhibit “A” to the Affidavit of Mr. Ryan Martin of the Companies, sworn February 17, 2021 and filed in the Proceedings.

7. On March 2, 2021, the Monitor prepared a report (the “**Second Report**”) in advance of the hearing scheduled for March 4, 2021 (the “**Comeback Application**”) to address the following applications:
  - a. the application by Crown Capital Partnership Funding LP, by its general partner, Crown Capital LP Partner Funding Inc. (“**Crown Capital**”), the Companies’ principal secured lender, for an Order (the “**SA Process Order**”):
    - i. approving a strategic alternative process (the “**SA Process**”) and associated procedures (the “**SAP Procedures**”);
    - ii. approving the engagement of Peters & Co. Limited (“**Peters**”) as the financial advisor (the “**Financial Advisor**”) to administer the SA Process, under the supervision of the Monitor;
    - iii. approving a Court-ordered charge in favour of the Financial Advisor; and
    - iv. enhancing the powers of the Monitor as it relates to the SA Process.
  - b. the Companies’ application for a second amended and restated initial order (the “**Second ARIO**”) seeking the following:
    - i. an increase in the amount of the Administration Charge from \$117,000 to \$350,000; and
    - ii. an extension of the Stay through to April 15, 2021.
8. At the Comeback Application, the Court granted the following Orders:
  - a. the Second ARIO providing for:
    - i. an increase in the amount of the Administration Charge to \$350,000; and
    - ii. an extension of the Stay through to April 15, 2021.

- b. an order sealing:
  - i. Confidential Exhibits “1” to “4” to the Second Supplemental Affidavit of Ryan Martin sworn on March 3, 2021 filed in the Proceedings; and
  - ii. Confidential Exhibits “C” to “F” to the Supplemental Affidavit of Adam Jenkins of Crown, sworn on March 3, 2021, filed in the Proceedings.
- 9. On April 8, 2021, the Monitor prepared a report (the “**Third Report**”) in advance of the hearing scheduled for April 13, 2021 (the “**April Application**”), to address the Companies’ application seeking:
  - a. an extension of the Stay through to May 25, 2021;
  - b. the approval to pay certain pre-filing amounts to Sunchild First Nation (“**SFN**”); and
  - c. the approval of a creditor claims procedure to verify and identify creditor claims in the Proceedings for voting and distribution purposes (“**Claims Procedure**”).
- 10. Following the issuance of the Third Report, Westbrick Energy Ltd. (“**Westbrick**”) filed an application (the “**Westbrick Application**”) for an Order seeking, *inter alia*:
  - a. acceptance of a plan of compromise and arrangement (the “**Westbrick Plan**”), a copy of which was attached as Schedule “B” to the Westbrick Application, providing for, *inter alia*:
    - i. an updated Purchase Agreement, a copy of which is included as Exhibit “A” to the April 8, 2021 Affidavit of Maninder (Moe) Mangat, contemplating the acquisition of substantially all of the Company’s oil and gas interests for a cash purchase price of \$34,100,000. Westbrick subsequently advanced a revised offer that is attached as Confidential Exhibit “3” to the April 12, 2021 Supplemental Affidavit of Mr. Mangat;

- ii. repayment of the Companies' obligations owed to Crown Capital;  
and
    - iii. a partial recovery for the Companies' unsecured creditors.
  - b. the convening, holding and conducting of a creditors' meeting to vote on the Westbrick Plan.
- 11. On April 13, 2021, the Monitor prepared a supplemental report (the "**Supplemental Third Report**") to address the Westbrick Application, and provide its updated assessment and comments relative to the Companies' proposed restructuring path, which contemplated proceeding with the letter of intent executed with Spartan Delta Corp. ("**Spartan**") in relation to an equity transaction (the "**Spartan Transaction**").
- 12. On April 13, 2021, the Court granted the following Orders:
  - a. an order approving the Claims Procedure (the "**Claims Procedure Order**");
  - b. an order approving the extension of the Stay through to May 25, 2021, approving the pre-filing payment to SFN and dismissing the Westbrick Application (the "**Stay Extension Order**");
  - c. orders sealing:
    - i. Confidential Appendix "A" to the Third Report; and
    - ii. Confidential Exhibits "1", "2" to "3" to the Affidavit of Ryan Martin sworn April 6, 2021 (the "**April 6<sup>th</sup> Martin Affidavit**"), and Confidential Exhibit "1" to the Supplemental Martin Affidavit sworn on April 12, 2021, as filed in the Proceedings.

13. The purpose of this report (the “**Fourth Report**”) is to provide information to this Honourable Court with respect to:
- a. the Companies’ restructuring activities since the date of the Third Report and Supplemental Third Report, which ultimately led to the execution of a definitive Investment Agreement between Spartan, COGL, the Limited Partnership and COSP effective April 21, 2021 (the “**Definitive Agreement**”);
  - b. the Companies’ upcoming application to seek approval of the filing of its *Plan of Compromise or Arrangement* (the “**Plan**”), and the convening of a meeting of creditors to consider and vote on the Plan;
  - c. the Companies’ request for the establishment of a Late Claims Procedure (defined and described herein);
  - d. the Companies’ request for an Order to modify the effective date of the Disclaimed Agreements (defined and described herein);
  - e. background regarding the Companies’ application to seek a declaration confirming the termination of its previous engagement with Peters & Co. Limited (“**Peters**”);
  - f. an update as to the Companies’ financial performance since the Third Report;
  - g. the Companies’ updated cash flow forecast;
  - h. the details in respect of a sealing order being sought by the Companies;
  - i. the Companies’ request for a further extension of the Stay through to July 31, 2021; and
  - j. the Monitor’s conclusions and recommendations in respect of the above, as applicable.

## **TERMS OF REFERENCE AND DISCLAIMER**

14. In preparing this Fourth Report, the Monitor has been provided with, and has relied upon unaudited financial information, certain books and records of the Companies, financial information prepared by the Companies and discussions with the Companies' management ("**Management**") and the Companies' legal counsel and information provided by Sayer Energy Services Inc. ("**Sayer**") (collectively the "**Information**")
15. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided as necessary; however, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such Information in such a manner that would wholly or partially comply with standards as set out in the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**"). Consequently, the Monitor expresses no opinion or other form of assurance in respect of any such Information contained in this Fourth Report.
16. Some of the Information referred to in this Fourth Report consists of forecasts and projections prepared by Management based on its estimates and assumptions. An examination or review of any financial forecast and projections as outlined in the CPA Handbook has not been performed. Readers are cautioned that actual results will vary from projections and such variances could be significant.
17. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

## **RESTRUCTURING ACTIVITIES**

18. Since the date of the Third Report, Management has:
  - a. continued to operate and manage the business and operations in the ordinary course;
  - b. implemented the Claims Procedure, with the assistance of the Monitor, in accordance with the Claims Procedure Order;



- c. continued negotiations with Spartan, leading to the execution of the Definitive Agreement;
- d. evaluated and considered disclaimers of agreements required pursuant to the Definitive Agreement, its impact on creditor claims in the Proceedings and a process for dealing with such creditor claims;
- e. prepared the Plan and other restructuring materials, in consultation with the Monitor;
- f. communicated with certain creditors in order to attempt to obtain support of the Plan; and
- g. communicated with the Companies' primary secured creditor, Crown Capital, respecting its secured claim and the status of the Proceedings.

### **SPARTAN TRANSACTION**

19. Since the April Application, the Companies and the Limited Partnership have entered into the Definitive Agreement with Spartan, which is included as a Confidential Exhibit to the Affidavit of Ryan Martin sworn on May 17, 2021 filed in the Proceedings (the "**May 17<sup>th</sup> Martin Affidavit**"). The salient terms of the Definitive Agreement and the Spartan Transaction are as follows:
- a. \$37,500,000 purchase price (the "**Purchase Price Funds**") in exchange for limited partnership units from the treasury of the Limited partnership; and
  - b. is conditional upon, among other things:
    - i. the approval of the Plan by the statutory majority of creditors and the Court; and
    - ii. the exclusion of the Disclaimed Agreements.

## PLAN OF ARRANGEMENT

20. The Companies and Spartan, in consultation with the Monitor, have developed the Plan, a copy of which is attached as Schedule “E” to the Companies’ Notice of Application served on May 17, 2021. A summary of the key attributes of the Plan are, *inter alia*:
- a. the Purchase Price Funds contemplated by the Spartan Transaction form the basis of the Plan;
  - b. the Plan will allow the Companies to continue as a going concern;
  - c. the proven unsecured creditors (the “**Affected Creditors**”) will constitute a single class for the purposes of considering and voting on the Plan, and their proven unsecured claims (“**Affected Claims**”) will be compromised and settled pursuant to the Plan;
  - d. the Companies’ secured creditors, which include Crown Capital and any creditors with valid Lien Claims (will be unaffected by the Plan, in that their proven secured claims (“**Unaffected Claims**”) will not be compromised or settled and will be paid in full under the Plan;
  - e. the Purchase Price Funds and any funds in the Companies’ accounts, less funds utilized to satisfy accounts payable in the ordinary course of business, including outstanding cheques, amounts necessary to pay Post-Filing obligations, CCAA Charges, Priority Claims and the payment of Unaffected Claims (the “**Distribution Funds**”), are intended to fund the Plan and the distributions to Affected Creditors. The Monitor is not aware of any Priority Claims; and
  - f. the Distribution Funds will be distributed to the Affected Creditors on account of Affected Claims on a pro rata basis.

## MONITOR'S ASSESSMENT

21. As both the Claims Procedure and the proposed Late Claims Procedure are not yet complete, such that the full quantum of Affected Creditors intended to be compromised under the Plan is not yet known, it would be premature for the Monitor to provide its fulsome assessment of the Plan's impact on the Affected Creditors.
22. The Monitor anticipates preparing a comprehensive report on the Plan ("**Monitor's Report on Plan**") by no later than June 28, 2021, which will provide details of the results of the Claims Procedure and the Late Claims Procedure, along with the Monitor's detailed comments on the Plan.
23. Notwithstanding the foregoing, the Monitor is supportive of the Spartan Transaction and the Plan for the following reasons:
  - a. the Purchase Price Funds:
    - i. are supported by the independent evaluation report the Monitor obtained from Sayer on the Companies' oil and gas assets which is attached as Confidential Appendix "A" to the Third Report of the Monitor; and
    - ii. are anticipated to result in a better recovery than a forced liquidation of the Companies' assets under the *Bankruptcy and Insolvency Act* or other formal liquidation proceeding, particularly when factoring in the costs of any such proceeding.
  - b. they provide for a restructuring that will allow the Companies to continue as a going concern; and
  - c. they provide for the full recovery of Crown Capital's secured claim, full recovery in respect of any valid Lien Claims and provide a distribution to the Affected Creditors.

## **CREDITORS' MEETING ORDER**

24. The Companies are seeking the Court's approval of an order authorizing the convening of a creditors' meeting to vote on the Plan (the "**Creditors' Meeting Order**").
25. The Creditors' Meeting Order, if approved by the Court, authorizes the Monitor to convene a virtual meeting of creditors (the "**Creditors' Meeting**") on July 19, 2021, to allow the Affected Creditors to vote on the Plan. The proposed timing of the Creditors' Meeting has been established in contemplation of the furthering of the Claims Procedure and the establishment of the Late Claims Procedure.
26. The Creditors' Meeting will be chaired by the Monitor, and subject to any further order of the Court, the Monitor shall decide all matters relating to the conduct of the Creditors' Meeting.
27. A majority in number and 2/3 in value of Affected Creditors voting on the Plan is required to approve the Plan.
28. The Monitor will be required to post notice of the Creditors' Meeting on the on the webpage established for the Proceedings (the "**Monitor's Website**") and send to the Service List and to all known creditors, by no later than June 28, 2021:
  - a. a copy of the Creditors' Meeting Order;
  - b. a copy of the Plan;
  - c. a copy of a Voting Proxy; and
  - d. the Monitor's Report on Plan.
29. If the Plan is approved by the requisite number of Affected Creditors, the Companies will, subject to availability of the Court, make an application to the Court no later than July 31, 2021, to seek an order approving and sanctioning the Plan.
30. The Monitor is supportive of the Companies' application for approval of the Creditors' Meeting Order.

## UPDATE ON CLAIMS PROCEDURE

31. The Companies, with the assistance of the Monitor, implemented the Claims Procedure in accordance with the Claims Procedure Order, which included, *inter alia*:
- a. sending a notice to every known creditor as identified by Management (“**Claims Notice**”) advising of:
    - i. the Claims Procedure Order and the Claims Procedure outlined therein;
    - ii. the amount and categorization (secured or unsecured) of the respective creditor’s claim as recognized by the Companies; and
    - iii. clarification that in light of the Claims Procedure being a “reverse claims process”, no further action was required on the part of the creditor unless the creditor disputed the amount and/or categorization of its claim as recognized by the Companies, in which case a proof of claim form (“**Proof of Claim**”) was to be filed with the Monitor by 5:00 p.m. on May 7, 2021 (the “**Claims Bar Date**”), absent which the creditor’s claim will be deemed to be as set out in the Claims Notice, unless otherwise ordered by the Court; and
  - b. publishing a notice of the Claims Procedure in the Daily Oil Bulletin on April 16, 2021, and in the Calgary Herald and the Edmonton Journal on April 22, 2021.
32. As a result of the Claims Procedure, 22 Proofs of Claim were submitted by the Claims Bar Date.
33. As of the date of this Fourth Report, 13 of the Proofs of Claim have been accepted as filed, three have been formally revised or disallowed pursuant to the Claims Procedure and six are still in the process of being reviewed and considered.

34. The Monitor's legal counsel has reviewed Crown Capital's security and has confirmed it to be valid and enforceable. The quantum of Crown Capital's secured claim submitted is still under review; however, Crown Capital's secured claim will approximate \$29 - \$30 million.
35. In addition to Crown Capital, six creditors filed secured claims in relation to lien registrations ("**Lien Claims**") filed pursuant to the *Builders' Lien Act*. The Monitor's legal counsel has conducted a review of the Lien Claims and has confirmed the security to be valid and enforceable.
36. The Monitor anticipates setting out the results of the Claims Procedure and the Late Claims Procedure in the Monitor's Report on Plan.

#### **NOTICES OF DISCLAIMER AND LATE CLAIMS PROCEDURE**

37. In order to effect the Spartan Transaction, the Companies intend on issuing several notices of disclaimer ("**Notices of Disclaimer**") pursuant to section 32 of the CCAA, disclaiming certain agreements to which the Companies are party to (the "**Disclaimed Agreements**").
38. Although the Notices of Disclaimer have not yet been issued as at the date of this Fourth Report, the Monitor, with the assistance of its legal counsel, has undertaken a review of the Disclaimed Agreements, and has considered the business rationale for the Notices of Disclaimer. The Monitor understands that the Disclaimed Agreements relate to the provision of services or equipment to the Companies and that Spartan has the ability to provide generally equivalent services and equipment to the Companies, such that the Disclaimed Agreements will become duplicative and uneconomic.

39. Notwithstanding the above, it is also necessary that the Companies ensure that the Disclaimed Agreements remain in force pending creditor approval and Court sanction of the Plan. Further, in the event that the Plan is not approved by the creditors or not sanctioned by the Court, it is important that the Disclaimed Agreements remain in force in order to avoid the potential disruption to the Companies' operations while further restructuring options for the Companies are explored. Consequently, the Companies will be seeking an Order to modify the 30-day effective date provided by section 32 of the CCAA such that the deemed effective date of the Notices of Disclaimer (the "**Effective Date**") shall be the date on which the Court approves the Plan (the "**Court Approval Date**").
40. The Monitor is supportive of the Notices of Disclaimer and of the Companies' application to establish the Court Approval Date as the effective date as it relates to Notices of Disclaimer.
41. Given that the relevant Notices of Disclaimer will be issued following the Claims Bar Date, it is appropriate to establish a late claims process ("**Late Claims Procedure**") to identify and allow for additional claims that may arise as a result of the issuance of the Notices of Disclaimer. The Late Claims Procedure contemplates the following, *inter alia*:
- a. any party ("**Post-Filing Restructuring Claimant**") to whom a Notice of Disclaimer has been issued will be entitled to file a proof of claim form ("**Late Filed Claim**") in the Proceedings for review and consideration;
  - b. the Companies, with the assistance of the Monitor, shall send notice to each Post-Restructuring Claimant, which will include:
    - i. a notice of the Late Claims Procedure;
    - ii. a blank proof of claim form and related instruction letter; and
    - iii. a copy of the subject order granted by the Court ("**Late Filed Claims Order**");
  - c. the Monitor shall post notice of the Late Claims Procedure on the Monitor's Website;

- d. any Post-Restructuring Claimant will be required to submit its Late Filed Claim within 21 days from the later of: a) the date of the Late Filed Claims Order; or b) the date of the Notice of Disclaimer;
  - e. upon receipt and review of each Late Filed Claim, the Monitor, in conjunction with the Companies, will either accept, revise or disallow the Late Filed Claim;
  - f. in the event that a Late Filed Claim has been revised or disallowed pursuant to the Late Claim Procedure, the Monitor, in conjunction with the Companies, shall:
    - i. attempt to consensually resolve such dispute; or
    - ii. send a notice of revision or disallowance (the “**Notice of Revision or Disallowance of Late Claim**”) to the Post-Restructuring Claimant confirming the Companies’ and the Monitor’s decision with respect to the Late Filed Claim.
  - g. if the Post-Restructuring Claimant intends to dispute a Notice of Revision or Disallowance of Late Claim, the creditor must deliver a dispute notice (the “**Notice of Dispute of Late Claim**”) to the Monitor no later than 14 days from the date the Notice of Revision or Disallowance of Late Claim was received, or such later date as the Monitor may agree to in writing or as otherwise may be ordered by the Court; and
  - h. if the Notice of Dispute of Late Claim cannot be resolved consensually between the parties, the Post-Restructuring Claimant must file an application with the Court returnable within 15 days from the date of the Notice of Dispute of Late Claim, for the Court’s determination.
42. The Monitor has reviewed the proposed Late Claims Procedure and is supportive of the Companies application for the Late Filed Claims Order for the following reasons:
- a. it will allow the Companies to proceed with the Spartan Transaction pursuant to the terms of the Definitive Agreement;



- b. it will provide Post-Restructuring Claimants with an opportunity to rightfully participate in the Proceedings; and
- c. it will expedite the overall timing of the Companies proposed restructuring process.

**PETERS & CO. LIMITED**

- 43. As was set out in the Pre-Filing Report, several events of default pursuant to the Companies' obligations to Crown Capital occurred in or around March 2020. This led to the parties entering into a forbearance and amending agreement dated October 16, 2020 (the "**Forbearance Agreement**"), pursuant to which Crown Capital agreed to forbear from enforcement proceedings.
- 44. The terms of the Forbearance Agreement contemplated that a strategic alternative process with the Companies' oil and gas assets be undertaken (the "**FA Process**"). Consequently, on January 14, 2021, the Companies entered into an engagement agreement (the "**Engagement Agreement**") with Peters to act as financial advisor to administer such a process. A copy of the Engagement Agreement is attached as Confidential Exhibit "C" to the Second Report.
- 45. In response to the Companies' application for the Initial Order, Crown Capital terminated the Forbearance Agreement, and the FA Process was halted.
- 46. The Companies' position, as set out in detail in the Affidavit of Ryan Martin sworn on May 19, 2021 and filed in the Proceedings, is that the Engagement Agreement terminated upon the termination of the Forbearance Agreement and the FA Process (the "**Peters Termination**"). The Monitor has been of a similar understanding and the Monitor has not had any communications from Peters that would suggest otherwise. However, in order to ensure completeness, transparency and finality in the Proceedings, the Companies, in consultation with the Monitor and Spartan, have determined that it is prudent to obtain a declaration from the Court confirming the Peters Termination and that there are no obligations owing to Peters pursuant to the Engagement Agreement.

## FINANCIAL PERFORMANCE

47. In advance of the April Application, Management prepared an updated 13-week cash flow forecast (the “**April Forecast**”) and accompanying assumptions for the period April 5 – July 4, 2021, a copy of which was attached as Exhibit “A” to the April 6<sup>th</sup> Martin Affidavit.
48. A variance analysis of the Companies’ actual receipts and disbursements from April 5, 2021, to May 9, 2021 (the “**Reporting Period**”) versus the corresponding period in the April Forecast is set out in the following table:

<b>April 5 - May 9, 2021</b>				
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Notes</b>
<b>Receipts</b>				
Production Revenue	\$ 2,259,712	\$ 2,420,781	\$ (161,069)	1
	2,259,712	2,420,781	(161,069)	
<b>Operating Disbursements</b>				
Royalty Expense	(510,728)	(489,400)	(21,328)	
Production Royalty payment to CC	(275,206)	(281,331)	6,125	
Operating Expense	(308,558)	(201,792)	(106,766)	2
Transportation Expense	(116,545)	(93,872)	(22,673)	
G&A Contractors	(119,656)	(106,068)	(13,588)	
G&A - Head Office Rent	(46,435)	(30,957)	(15,478)	
G&A - SFN Comm. & Dev.	(333,064)	(256,552)	(76,512)	3
Gas processing fees	(599,306)	(639,748)	40,442	
GST Remittance	(99,785)	(115,365)	15,580	
Professional Fees	(322,720)	(259,582)	(63,138)	4
	(2,732,003)	(2,474,667)	(257,336)	
<b>Non-Operating Disbursements</b>				
Finance Leases	(166,522)	(166,522)	-	
Interest Expense	(715,326)	(714,681)	(645)	
Capital costs	-	(174,400)	174,400	5
	(881,848)	(1,055,603)	173,755	
Net cash flow	(1,354,139)	(1,109,489)	(244,650)	
Cash - beginning	1,728,007	1,728,007	-	
Cash - closing	<u>\$ 373,868</u>	<u>\$ 618,518</u>	<u>\$ (244,650)</u>	

49. The Company experienced negative cash flow of approximately \$1.35 million over the Reporting Period, resulting in a negative variance of approximately \$245,000 in net ending cash at May 9, 2021; attributed primarily to the following key variances:
- a. the negative variance of approximately \$161,000 in revenues due to lower than projected production rates experienced during the month of March (affecting April receipts), offset by a better than anticipated sale prices;
  - b. a negative variance of approximately \$107,000 in operating expenses due to payment timing differences of certain lease rental expenses; higher than projected expenses in relation to compressor lubricant and maintenance costs; and higher than projected payments to the Alberta Energy Regulator and Orphan Well Association;
  - c. a negative variance of approximately \$77,000 in relation to “Education and Community Development” payments to SFN. Such variance is due to a payment made to the West Edmonton Mall, in respect of the SFN relationship, in the amount of approximately \$89,000 that was not forecasted, offset by an approximate \$12,000 positive variance in regular payments made directly to SFN. The payment is principally a pre-filing amount and was not part of the Companies’ pre-filing payment request included as part of the April Application and approved pursuant to the Stay Extension Order. Management advises that steps are being taken to rectify the matter;
  - d. the negative variance of approximately \$63,000 in relation to “restructuring” expenses due to higher than projected professional fees of the restructuring professionals; and
  - e. the positive variance of approximately \$174,000 in capital costs is due to the cancellation of certain capital expenditures deemed not necessary or economical at this time given the contemplated Spartan Transaction.

## **UPDATED CASH FLOW FORECAST**

50. Attached as Exhibit “A” to the May 17<sup>th</sup> Martin Affidavit is an updated cash flow forecast (the “**May Forecast**”) prepared by Management for the period May 10, 2021 to August 8, 2021 (the “**Updated Forecast Period**”). A summary of the May Forecast is as follows:

	<b>May 10 - August 8, 2021</b>
<b>Receipts</b>	
Production Revenue	\$ 4,543,350
	4,543,350
<b>Operating Disbursements</b>	
Royalty Expense	599,290
Production Royalty payment to CC	172,647
Operating Expense	292,463
Transportation Expense	210,000
G&A Contractors	157,094
G&A - Head Office Rent	46,434
Gas processing fees	985,000
GST Remittance	98,003
Professional Fees	750,000
	3,310,931
<b>Non-Operating Disbursements</b>	
Finance Leases	249,782
Interest Expense	721,720
	971,502
Net cash flow	260,917
Cash - beginning	373,869
Cash - closing	<u>\$ 634,786</u>

51. The Monitor has reviewed the reasonableness of the May Forecast in accordance with section 23(1)(b) of the CCAA and wishes to highlight the following significant points:
- a. the Companies are projecting positive cash flow over the Updated Forecast Period of approximately \$261,000, resulting in an anticipated ending cash of approximately \$635,000;

- b. all projected payments relate to post-filing amounts due, and there is nothing out of the ordinary course being projected in the May Forecast; and
  - c. based on the May Forecast and accompanying assumptions, the Monitor considers that the Companies' liquidity position appears sufficient over the Updated Forecast Period.
- 52. Our review consisted of inquiries, analytical procedures and discussions related to information, and assumptions provided to us by Management. Since hypothetical assumptions need not be supported, our analysis thereof was limited to evaluating whether they were consistent with the purpose of the May Forecast. We have also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the May Forecast.
- 53. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
  - a. the hypothetical assumptions are not consistent with the purpose of the May Forecast;
  - b. as of the date of this Fourth Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of the Companies or do not provide a reasonable basis for the May Forecast, given the hypothetical assumptions; or
  - c. the May Forecast does not reflect the probable and hypothetical assumptions.

54. Since the May Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and such variations may be material. Accordingly, we express no assurance or representations as to whether the May Forecast will be met. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Fourth Report. The May Forecast has been prepared solely for the purpose of demonstrating the Companies' ability to fund operations during the Updated Forecast Period and readers are cautioned that it might not be appropriate for other uses.

#### **EXTENSION OF STAY OF PROCEEDINGS**

55. The Companies are seeking a further extension of the Stay through to July 31, 2021.
56. The Monitor is of the view that the length of the requested Stay is an appropriate length of time in which to allow the Companies to attempt to conclude the Claims Procedure, conduct the Late Claims Procedure and allow for the convening of the Creditors' Meeting for the purposes of considering and voting on the Plan.

#### **SEALING ORDER**


57. Notwithstanding the fact that the Purchase Price Funds have been disclosed publicly, the Definitive Agreement contains other confidential and commercially sensitive information. On that basis, the Companies are seeking an order ("**Sealing Order**") sealing the Confidential Exhibit to the May 17<sup>th</sup> Martin Affidavit.
58. The Monitor believes the Sealing Order is appropriate in order not to prejudice any alternative process or party in the event the Spartan Transaction does not close.


## CONCLUSIONS AND RECOMMENDATIONS

59. The Monitor is satisfied that Management continues to act in good faith and with due diligence in its efforts to advance the Proceedings.
60. For the reasons set out in this Fourth Report, the Monitor is supportive of and recommends:
- a. the approval of the Plan for filing and the convening of the Creditors' Meeting as contemplated by the Creditors' Meeting Order;
  - b. the approval of the Late Claims Procedure and Late Filed Claims Order;
  - c. the establishment of the Effective Date in respect of the Notices of Disclaimer to be the Court Approval Date;
  - d. confirmation of the Peters Termination;
  - e. an extension of the Stay through to July 31, 2021; and
  - f. the approval of the Sealing Order.

All of which is respectfully submitted this 20<sup>th</sup> day of May, 2021.

BDO Canada Limited, in its capacity as the Monitor of Calgary Oil & Gas Syndicate Group Ltd., Calgary Oil & Gas Intercontinental Group Ltd., Calgary Oil and Syndicate Partners Ltd., Petroworld Energy Ltd. and T5 SC Oil and Gas Limited Partnership and not in its personal or corporate capacity

  
Per: Marc Kelly  
Senior Vice President

  
Breanne Barker  
Vice President