

COURT FILE NUMBER 1601-12571

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

CCAA PARTIES 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  
LIGHTSTREAM RESOURCES LTD., 1863359 ALBERTA LTD., LTS  
RESOURCES PARTNERSHIP, 1863360 ALBERTA LTD. AND  
BAKKEN RESOURCES PARTNERSHIP

APPLICANTS LIGHTSTREAM RESOURCES LTD., 1863359 ALBERTA LTD. AND  
1863360 ALBERTA LTD.

PARTIES IN INTEREST LTS RESOURCES PARTNERSHIP LTD AND BAKKEN  
RESOURCES PARTNERSHIP

DOCUMENT FIRST REPORT OF FTI CONSULTING CANADA INC., IN ITS  
CAPACITY AS MONITOR

**October 7, 2016**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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## INTRODUCTION

1. On September 26, 2016 Lightstream Resources Inc. (“**LTS**”), 1863359 Alberta Ltd. (“**1863359**”), and 1863360 Alberta Ltd. (“**1863360**”), Lightstream Resources Partnership (“**LTS Partnership**”) and Bakken Resources Partnership (“**Bakken Partnership**”) (collectively, the “**Applicants**”, or the “**Lightstream Group**”) sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against the Lightstream Group until and including October 26, 2016, (the “**Initial Stay Period**”) and appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
3. In addition to the stay of proceedings, the Initial Order granted various relief including, among other things, (i) the Administration Charge, (ii) the Directors’ Charge, (iii) the KERP and the KEIP Charge, (iv) the Financial Advisor Charge and (v) approval of the Sale Procedures to solicit interest in the Lightstream Property (as such term is defined in the Sale Procedures);  
  
(collectively, the “**Other Relief**”).

4. Mudrick Capital Management, LP (“**Mudrick**”), FrontFour Capital Corp. and FrontFour Group LLC. (collectively, the “**Front Four Group**” and with Mudrick, the “**Oppression Claimants**”), in their capacity as unsecured noteholders and plaintiffs in an oppression action commenced in the Court of Queen’s Bench of Alberta raised certain objections to the Other Relief by and through counsel Bennett Jones LLP and Cassels Brock & Blackwell LLP (collectively, the “**Plaintiffs’ Counsel**”). As a result of the objections that were raised by the Plaintiffs’ Counsel, on behalf of their clients, the Court scheduled a comeback hearing (the “**Comeback Hearing**”) for October 11, 2016 where various stakeholders could provide additional comments and make further submissions in respect of the relief granted in the Initial Order.

#### **PURPOSE**

5. The purpose of this first report of the Monitor (the “**First Report**”) is to advise this Honourable Court and provide the Monitor’s summary and/or comments with respect to:
  - (a) the activities of the Monitor since granting of the Initial Order;
  - (b) the results of the review by the Monitor’s counsel of the validity of the security held by the Secured Noteholders;
  - (c) communications between the Monitor and the Plaintiffs’ Counsel since the Initial Order was granted;
  - (d) the current status of the request by the Oppression Claimants that the Plaintiffs’ Counsel’s fees be secured by the Administration Charge;
  - (e) the Monitor’s view on whether the Other Relief should be affirmed at the Comeback Hearing;

- (f) the Lightstream Group’s budget to actual results for the period of September 11, 2016 to September 30, 2016 (“**Reporting Period**”) as compared to the cash flow statement filed in connection with the initial CCAA application;
  - (g) the Lightstream Group’s revised cash flow statement, as described in further detail below; and
  - (h) the Lightstream Group’s application for an extension to the Initial Stay Period to and including December 16, 2016 (the “**Stay Period**”).
6. Further background and information regarding the Applicants and these CCAA proceedings can be found on the Monitor’s website at <http://cfcanda.fticonsulting.com/lightstream/>.

#### **TERMS OF REFERENCE**

7. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants’ books and records, certain financial information prepared by the Applicants and discussions with various parties, including senior management (“**Management**”) of the Applicants (collectively the “**Information**”) and TD Securities Inc. (the “**Sale Advisor**”).
8. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

9. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management's assumptions regarding future events and actual results may vary from forecast and such variations may be material.
10. The Monitor has prepared this report in connection with the application for an extension to the Initial Stay Period to be filed by the Applicants (the "**Stay Extension Application**") and should be read in conjunction with the materials filed by the Applicants with respect to their Stay Extension Application, including the affidavit of Peter Scott sworn October 5, 2016. This report should not be relied on for other purposes.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein have the meaning given to them in the Scott Initial Order Affidavit, the Initial Order and the Proposed Monitor's report dated September 23, 2016 (the "**Proposed Monitor's Report**").

## **ACTIVITIES OF THE MONITOR SINCE THE GRANTING OF THE INITIAL ORDER**

### **STATUTORY REQUIREMENTS**

12. In order to inform the general public and the Applicants' stakeholders, the Applicants issued a press release on September 26, 2016 describing the commencement of its CCAA Proceedings.

13. Pursuant to the Initial Order, the Monitor:
  - (a) arranged for a notice containing the information prescribed in the CCAA to be published in the Calgary Herald on October 11, 2016 and October 18, 2016, the Globe and Mail (National Edition) on October 6, 2016 and October 13, 2016, and the Daily Oil Bulletin on October 4, 2016 and October 11, 2016;
  - (b) made a copy of the Initial Order and the application materials available on the Monitor's website;
  - (c) sent, in prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000; and
  - (d) prepared a list of those creditors and the estimated amounts of those claims, and made such list publicly available on the Monitor's website.
14. The Monitor established a toll free number and dedicated e-mail address to address any questions from creditors or other stakeholders.
15. The Monitor posted marketing materials prepared by the Sale Advisor, a link to the Sale Advisor's website and a copy of the Sale Procedures on its website so that any party who accesses the Monitor's website and who is interested the Lightstream Group's assets or business will be directed to the Sale Advisor.

## SALE PROCESS

16. Immediately upon the granting of the Initial Order, the Monitor understands that the Sale Advisor commenced the implementation of the Sales Procedures pursuant to the Initial Order including the following:
  - (a) distributed a teaser, confidentiality agreement (“CA”) and notice of the Phase 1 Bid Deadline (as defined in the Sales Procedures) to approximately 600 parties;
  - (b) made targeted phone calls to strategic financial parties; and
  - (c) provided parties with notification of the CCAA Proceedings and a link to the Monitor’s website.
17. The Sale Advisor advised the Monitor that a number of counterparties have signed CAs since the Initial Order was granted and accessed the virtual data room in addition to requests for management presentations.
18. The Sale Advisor has advised the Monitor that the Sales Procedures have been implemented with no material issues to date. Furthermore, the Monitor understands that there have been no significant concerns expressed from potential bidders with respect to the timelines or process as set out in the Sales Procedures.
19. The Monitor understands that the Credit Bid APA is currently being negotiated with a view to being finalized as soon as possible before the Phase I Bid Deadline.

## SECURITY REVIEW

20. The Monitor has received a written opinion from McCarthy Tétrault LLP with respect to the validity and enforceability of the security held by the Secured Noteholders over the Lightstream Group's property and assets in Alberta and British Columbia. The opinion states that, subject to the assumptions and qualifications contained therein, the security held by the Secured Noteholders is valid and enforceable. Macpherson Leslie & Tyerman LLP ("MLT") is preparing an opinion with respect to the validity and enforceability of the security held by the Secured Noteholders over certain specific property and assets of the Lightstream Group in Saskatchewan. MLT is in the process of finalizing its opinion and has verbally advised McCarthy Tétrault LLP that in the course of preparing its opinion nothing has come to its attention that would indicate that it will not be able to deliver a clean opinion. MLT anticipates it will deliver its written opinion prior to the commencement of the Comeback Hearing. The Monitor will advise the Court of the status of the Saskatchewan opinion at the Comeback Hearing.
  
21. The Monitor understands that the Lightstream Group also owns some minor properties located in Manitoba and the North West Territories. The Monitor's counsel has not completed a security review on these properties, but will undertake to do so if required.



COMMUNICATION WITH THE OPPRESSION CLAIMANTS

22. On September 28, 2016, the Monitor and its counsel attended a conference call with the Plaintiffs' Counsel to discuss their concerns with respect to the Other Relief. The Plaintiffs' Counsel advised that it required additional information in order to assist in completing a more comprehensive review of the Other Relief. The Plaintiffs' Counsel advised that it had various concerns regarding the Other Relief, however, the largest concern was with respect to the Sale Procedures and the steps taken by the Lightstream Group to attempt to restructure, including a SISP prior to the commencement of these proceedings. The Monitor agreed to consider and discuss the Plaintiffs' Counsel's concerns and information requests with the Applicants and advised it would respond accordingly.
  
23. On September 30, 2016, while in the process of gathering additional information, the Monitor received a letter from the Plaintiffs' Counsel (the "**Plaintiffs' Counsel's September 30<sup>th</sup> Letter**") summarizing the information request and major points from the September 28, 2016 discussion. On October 1, 2016 and on October 3, 2016, the Monitor responded with a memorandum and a letter (collectively, the "**Monitor's Response**") which addressed the Plaintiffs' Counsel's requests and provided additional information (some of which the Applicants advised is confidential in nature) as the Monitor and the Applicants deemed appropriate.
  
24. In an attempt to address the concerns and questions related to the Sales Procedures, the Sale Advisor agreed to respond in writing to the Plaintiffs' Counsel.

25. On October 3, 2016, the Sale Advisor provided a written response (the “**Sale Advisors’ Response**”) to the Monitor which was forwarded to the Plaintiffs’ Counsel the same day. The Monitor has attached the Plaintiffs’ Counsel’s September 30<sup>th</sup> Letter, the Monitor’s Response and the Sale Advisors’ Response in confidential Appendix A. Appendix A has been kept confidential due to the confidential and commercially sensitive nature of the information contained therein.
26. The Monitor understands that the Applicants will apply for a sealing order over Appendix A and the Monitor supports the application for the sealing order.

**OTHER RELIEF**

27. After having given due consideration to the objections raised by the Plaintiffs’ Counsel, the Monitor reaffirms its recommendations as set out in the Proposed Monitor Report as it relates to the Other Relief.

**REQUEST BY THE OPPRESSION CLAIMANTS THAT COUNSEL FEES BE INCLUDED IN THE ADMINISTRATION CHARGE**

28. The Oppression Claimants have requested that the fees of Plaintiffs’ Counsel be included in the Administration Charge. The Monitor understands that the Applicants, the First Lien Lenders, and Secured Noteholders are opposed to the fees being included in the charge for various reasons including:
- (a) the Oppression Claimants are currently involved in litigation with the Applicants;
  - (b) the Oppression Claimants may be a potential bidder in the sale process;

- (c) the Plaintiffs' Counsel represent only two of the Unsecured Noteholders in the class (Mudrick and the Front Four Group) and are not representing the entire class; and
  - (d) the Oppression Claimants restructuring views do not necessarily align with the general unsecured noteholder class.
29. The Monitor nevertheless is of the view that there may be some merit in granting a charge to secure a defined quantum of fees for Plaintiffs' Counsel given the Oppression Claimants comprise approximately half of the Unsecured Noteholder class. However, the Monitor notes that the payment of counsel to an unsecured creditors group in a CCAA proceeding is unusual and should therefore be carefully considered.

30. Accordingly, the Monitor would consider supporting a charge securing payment of the fees of the Plaintiffs' Counsel if:
- (a) the charge is a distinct and separate charge from the Administration Charge;
  - (b) the ranking of the potential charge would be immediately behind that of the First Lien Lenders;
  - (c) the amount of the charge is limited to a reasonable and defined amount;
  - (d) the Plaintiffs' Counsel provided additional information with respect to its overall representation of the Unsecured Noteholder class or unsecured creditor pool (i.e. any parties that are being represented in addition to Mudrick and the Front Four Group); and
  - (e) the Plaintiffs' Counsel's fees are limited specifically to restructuring related matters and exclude any fees associated with submitting a bid or the oppression litigation, including the determination of the threshold issue.
31. The Monitor appreciates that additional consideration would also need to be given to whether the oppression litigation efforts and related costs of the Plaintiffs' Counsel can practically be separated from restructuring efforts (and costs).

## BUDGET TO ACTUAL RESULTS

32. The table below provides a summary of the Lightstream Group's budget to actual results for the Reporting Period as compared to the cash flow statement filed in the initial CCAA application materials and attached as Appendix A to Proposed Monitor's Report.

<b>Budget to Actual Results</b>	<b>Forecast</b>	<b>Actual</b>	<b>Variance</b>
<b>Three Week Period Ending September 30, 2016</b>			
<b>Cash Receipts</b>			
Product Revenue	25,443	25,443	-
Hedging and other	-	578	578
<b>Total - Operating Receipts</b>	<b>25,443</b>	<b>26,021</b>	<b>578</b>
<b>Cash Disbursements</b>			
Trade Payables	10,967	6,510	(4,457)
Royalties	2,633	2,413	(220)
Property Taxes	2,456	2,602	146
Capital/cash calls	-	-	-
Taxes/other	942	(313)	(1,255)
G&A (payroll and rent)	3,869	3,779	(90)
Professional fees - Retainer	1,439	1,573	134
Interest and bank charges	325	325	-
Other	-	-	-
<b>Total - Operating Disbursements</b>	<b>22,631</b>	<b>16,889</b>	<b>(5,742)</b>
<b>Net increase/(decrease) in cash from operating activities</b>	<b>2,812</b>	<b>9,132</b>	<b>6,320</b>
<b>Opening Cash before Collateralized L/C's</b>	<b>38,396</b>	<b>38,396</b>	<b>-</b>
<b>Ending Cash before Collateralized L/C's</b>	<b>41,208</b>	<b>47,528</b>	<b>6,320</b>
<b>Cummulative Cash Collateralized L/C's</b>	<b>8,225</b>	<b>8,225</b>	<b>-</b>
<b>Ending Cash after Collateralized L/C's</b>	<b>32,983</b>	<b>39,303</b>	<b>6,320</b>

- (f) Production Revenue – oil and gas production revenue for the Reporting Period is materially in line with budget;
- (g) Operating Receipts – operating receipts have been in line with forecast to date;

- (h) Trade Payables – timing variance expected to reverse in future periods, relates to the timing of the receipt and payment of invoices;
  - (i) Royalty Expense – timing variance expected to reverse in future periods; and
  - (j) Taxes / Other Expenses – timing variance expected to reverse in future periods, GST collected in September will be remitted at the end of October.
33. No variances that occurred during the Reporting Period are expected to have a material impact on the liquidity needs of the Applicants.

## REVISED CASH FLOW FORECAST

34. The Applicants, in consultation with the Monitor, have prepared a revised weekly cash flow statement (the “**Revised Forecast**”) for the period October 1, 2016 to December 30, 2016 (the “**Forecast Period**”). A copy of the Revised Forecast is attached as Appendix B.
35. The table below provides a summary of the Revised Forecast for the Stay Period.

(CAD 000's) October 1, 2016 to December 30, 2016	Forecast Period
<b>Cash Receipts</b>	
Product Revenue	77,693
Hedging and other	326
<b>Total - Operating Receipts</b>	<b>78,019</b>
<b>Cash Disbursements</b>	
Trade Payables	52,939
Royalties	8,261
Property Taxes	212
Capital/cash calls	1,650
Taxes/other	2,700
G&A (payroll and rent)	11,820
Professional Fees	7,137
Interest and bank charges	8,371
Other	-
<b>Total - Operating Disbursements</b>	<b>93,090</b>
<b>Net increase/(decrease) in cash from operating activities</b>	<b>(15,071)</b>
<b>Opening Cash before Collateralized L/C's</b>	<b>47,528</b>
<b>Ending Cash before Collateralized L/C's</b>	<b>32,457</b>
Cummulative Cash Collateralized L/C's	8,225
<b>Ending Cash after Collateralized L/C's</b>	<b>24,232</b>

36. The Revised Forecast indicates the following through the Forecast Period:
- (a) total cash receipts of \$78.0 million;

- (b) total cash disbursements of \$93.1 million; and
  - (c) total disbursements relating to the professional fees and restructuring costs of \$7.1 million.
37. A summary of the major assumptions made by Lightstream Group in preparing the Revised Forecast are as follows:
- (a) Product Revenue is calculated based on current production levels of approximately 22,900 barrels of oil equivalent per day which declines at a rate of approximately 18% per annum over the Forecast Period. Product pricing is based on September 30, 2015 futures strip pricing with a 5% discount;
  - (b) Trade Payables is based on historical run-rate, operating budget and payments in the normal course of business;
  - (c) Royalties includes royalties paid to the crown and freehold landowners and are based on historical royalty rates;
  - (d) Capital / cash calls are based on planned capital expenditures in the normal course of business;
  - (e) G&A relates to employee costs, rent and other miscellaneous office and general administration costs and is based on historical run rate;
  - (f) Bank debt interest payments relate to interest on the Lightstream Group's pre-filing credit facility; and



- (g) Professional/legal fees include estimates for the Applicants' counsel and financial advisors, the First Lien Lenders' counsel and financial advisor, the Secured Noteholders' counsel and financial advisor, the Monitor and the Monitor's counsel.

38. The Monitor has reviewed the major assumptions supporting the Revised Forecast and is of the view that the assumptions are reasonable in the circumstance.

### **THE APPLICANTS' REQUEST FOR AN EXTENSION TO THE STAY PERIOD**

39. The Initial Order provided for the Initial Stay Period to and including October 26, 2016. The Applicants are seeking an extension to the stay period (the "**Stay Extension**") to and including December 16, 2016 (the "**Stay Extension Period**").

40. The Revised Forecast demonstrates that the Applicants will have sufficient liquidity to operate its business through the Stay Extension Period. It is the Monitor's view that the Stay Extension is necessary to allow the Lightstream Group to continue its restructuring efforts and the Sale Procedures as approved by this Honourable Court in the Initial Order.

41. In the Monitor's view, the Applicants are continuing to act in good faith and with due diligence.

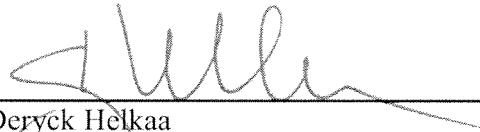
### **CONCLUSIONS AND RECOMMENDATIONS**

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

- (a) the Applicants' request for the Stay Extension;
- (b) granting a sealing Order over Appendix A; and
- (c) to reaffirm the Other Relief.

All of which is respectfully submitted this 7th day of October, 2016.

FTI Consulting Canada Inc.  
in its capacity as the Monitor of the Lightstream  
Group



Deryck Helkaa  
Senior Managing Director,



Dustin Olver  
Managing Director

# **APPENDIX B**

**Lightstream Resources Ltd. (the "Company")**  
**Consolidated Weekly Cash Flow Statement**  
CAD \$000

(CAD 000's)	Notes	Week 1	Week 2	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14
October 1, 2016 to December 30, 2016		7-Oct	14-Oct	21-Oct	28-Oct	4-Nov	11-Nov	18-Nov	25-Nov	2-Dec	9-Dec	16-Dec	23-Dec	30-Dec
<b>Cash Receipts</b>														
Product Revenue	1	-	-	-	24,965	-	-	-	26,725	-	-	-	-	26,003
Hedging and other	2	83	-	-	-	-	151	-	-	-	-	92	-	-
<b>Total - Operating Receipts</b>		<b>83</b>	<b>-</b>	<b>-</b>	<b>24,965</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>26,725</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>26,003</b>
<b>Cash Disbursements</b>														
Trade Payables	3	4,693	6,763	3,705	7,558	3,193	4,515	2,951	5,591	1,890	3,760	2,400	5,400	520
Royalties	4	220	1,700	-	884	-	-	1,700	-	1,066	-	1,700	-	991
Property Taxes	5	-	-	-	5	-	202	-	-	5	-	-	-	-
Capital/cash calls	6	-	550	-	-	-	550	-	-	-	-	550	-	-
Taxes/other	7	-	-	-	900	-	-	-	-	900	-	-	-	900
G&A (payroll and rent)	8	-	1,500	-	2,440	-	-	1,500	-	2,440	-	1,500	-	2,440
Professional Fees	9	830	528	518	463	683	445	445	445	638	485	490	503	664
Interest and bank charges	10	2,056	-	-	-	2,105	-	-	-	2,105	-	-	-	2,105
Other		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total - Operating Disbursements</b>		<b>7,799</b>	<b>11,041</b>	<b>4,223</b>	<b>12,250</b>	<b>5,981</b>	<b>5,712</b>	<b>6,596</b>	<b>6,036</b>	<b>9,044</b>	<b>4,245</b>	<b>6,640</b>	<b>5,903</b>	<b>7,620</b>
<b>Net increase/(decrease) in cash from operating activities</b>		<b>(7,716)</b>	<b>(11,041)</b>	<b>(4,223)</b>	<b>12,715</b>	<b>(5,981)</b>	<b>(5,561)</b>	<b>(6,596)</b>	<b>20,689</b>	<b>(9,044)</b>	<b>(4,245)</b>	<b>(6,548)</b>	<b>(5,903)</b>	<b>18,383</b>
<b>Opening Cash before Collateralized L/C's</b>		<b>47,528</b>	<b>39,812</b>	<b>28,771</b>	<b>24,548</b>	<b>37,263</b>	<b>31,282</b>	<b>25,721</b>	<b>19,125</b>	<b>39,814</b>	<b>30,770</b>	<b>26,525</b>	<b>19,977</b>	<b>14,074</b>
<b>Ending Cash before Collateralized L/C's</b>		<b>39,812</b>	<b>28,771</b>	<b>24,548</b>	<b>37,263</b>	<b>31,282</b>	<b>25,721</b>	<b>19,125</b>	<b>39,814</b>	<b>30,770</b>	<b>26,525</b>	<b>19,977</b>	<b>14,074</b>	<b>32,457</b>
Cummulative Cash Collateralized L/C's	11	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225
<b>Ending Cash after Collateralized L/C's</b>		<b>31,587</b>	<b>20,546</b>	<b>16,323</b>	<b>29,038</b>	<b>23,057</b>	<b>17,496</b>	<b>10,900</b>	<b>31,589</b>	<b>22,545</b>	<b>18,300</b>	<b>11,752</b>	<b>5,849</b>	<b>24,232</b>

**Global Assumptions:**

- Trade suppliers/JV partners assumed to remain unaffected consistent with current credit bid. Further analysis may be required if there is a change in the structure of the credit bid. However not expected to have a material affect on the filing CCAA cash flows as payables relatively current
- CCAA commence on September 26, 2016
- Interest on bank loan assumed to continue as cash flow permits
- Cash on hand sufficient to avoid requirement for interim loan

**Notes:**

Management has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings. The Projected Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- 1 - Product revenue relates to proceeds from the sale of the Company's oil & gas production. Production forecast based on current production adjusted for natural production decline throughout the Forecast Period.  
The forecast sales price is based on third party strip pricing at Septmeber 30, 2016, less 5%, and factoring in the company's typical quality discount to benchmark prices.
- 2 - Hedge gains included in forecast as detailed in forbearance agreement
- 3 - Trade payables is largely opex including, lease rentals, utilities, transportation, Alberta Energy Regulator ("AER")/BC Oil and Gas Commission ("BCOG") fees, other opex and includes some minor miscellaneous G&A
- 4 - Royalties include crown royalties in Alberta, Sask and B.C., Freehold/GORR royalties Indian Oil and Gas Royalties, Freehold Mineral taxes and Saskatchewan Resource surcharge. Assumed to be approximately 10.0% of revenue (when incorporating Alberta crude oil crown royalites that are actually Take-in-Kind ("TIK") by the Alberta Petroleum Marketing Commission ("APMC")).
- 5 - Property taxes based on prior assessments received.
- 6 - Capital/Cash calls are based on our historical records of Independent Operation Notices (ION's) received
- 7 - Taxes and Other relates to GST remittances
- 8 - G&A includes payroll and rent, other miscellaneous G&A is included in trade payables.
- 9 - Professional fees includes advisor/legal fees for Company, Monitor, Monitor's counsel, Syndicate advisors/legal and Secured Noteholder advisor/legal. Finacial advisor/selling agent success fees are not included in the cash flow.
- 10 - Interest and bank fees includes interest on the Syndicated bank loan and the Agent default fee. Assumed to be paid in a CCAA scenario as cash flow permits.
- 11 - Letters of Credit issued while an event of default exists are required to be cash collateralized as per section 10.12 of the May 29, 2015 Credit Agreement: Effective Sept 30, 2016 all remaining 2016 L/C auto renewals are cash collateralized