

COURT FILE NUMBER BK NO: 25-2681862

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*

AND IN THE MATTER OF THE PROPOSAL OF  
NEWSCO INTERNATIONAL ENERGY  
SERVICES INC.

DOCUMENT **FIRST REPORT OF THE PROPOSAL  
TRUSTEE, BDO CANADA LIMITED  
NOVEMBER 10, 2020**

ADDRESS FOR SERVICE  
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CONTACT INFORMATION  
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Attention: Randal Van de Mosselaer

**FIRST REPORT OF THE PROPOSAL TRUSTEE  
BDO CANADA LIMITED  
NOVEMBER 10, 2020**

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## **INTRODUCTION**

1. On October 20, 2020 (the “**Filing Date**”), Newsco International Energy Services Inc. (“**Newsco**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**BIA**”). BDO Canada Limited consented to act as trustee (the “**Proposal Trustee**”).
2. The purpose of this report (the “**First Report**”) is to provide an update to the Court with respect to the following:
  - a. background information with respect to Company;
  - b. the notices issued by the Proposal Trustee to the Company’s creditors;
  - c. the Company’s financial performance since the commencement of the restructuring proceedings (the “**Proceedings**”);
  - d. the Company’s updated cash flow forecast;
  - e. the Company’s request to have suppliers to its Indian division declared as critical suppliers (the “**Critical Suppliers**”) and have all payments that may be made to the Critical Suppliers subsequent to the date of the NOI ratified and approved;
  - f. the Company’s request for the establishment of an Administration Charge;
  - g. the Company’s restructuring activities;
  - h. the Company’s request for an extension of the stay of proceedings (the “**Stay**”) through to December 23, 2020; and
  - i. the Proposal Trustee’s recommendations in respect of the foregoing where appropriate.

### **TERMS OF REFERENCE**

3. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("**Management**") and the Company's legal counsel. The Proposal Trustee has not performed an audit, review or other verification of such information. An examination of the cash flow information as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this report is based on Management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be significant. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of such information.

### **COMPANY BACKGROUND**

4. Newsco is an international directional drilling and measurement-while-drilling ("**MWD**") service company with operations in North America, India, and Peru. Newsco's customers are upstream oil and gas producers.
5. Given the sustained long-term pressure on oil and gas commodity prices in recent years, Newsco's revenues have been affected by lower drilling activity by its customers. This challenge has been severely exacerbated by the COVID-19 pandemic and further decreases in commodity prices. More specifically:
  - a. lower demand for directional drilling and MWD services has resulted in increased competition and downward pressure on the prices that Newsco can obtain for its services. Newsco has been required to provide its services to ongoing customers at discounted prices, shrinking Newsco's margins;
  - b. a number of Newsco's customers themselves have been unable to carry on in business and have become insolvent or been liquidated;

- c. other customers have cancelled planned projects with Newsco;
  - d. certain of Newsco's long-term fixed costs, such as its premises rental costs, had been incurred at a time when Newsco's business levels and revenues were more robust, and could not be reduced to correspond with Newsco's reduced business levels; and
  - e. under Newsco's previous ownership, Newsco was party to major litigation relating to an asset purchase agreement. Newsco was ultimately unsuccessful in this litigation that proved to be a drain on Newsco's resources.
6. In light of the above, Newsco currently has no active jobs in Canada and has reduced its local staffing levels to a skeleton administrative staff.
7. Notwithstanding its struggles in North America, Newsco continues to generate income from ongoing projects from its operation in India (the "**Indian Operations**"). The Indian Operations are conducted as a division of Newsco rather than by way of a separate legal entity.
8. Newsco's operations in the United States and Peru are carried out through subsidiaries. The US subsidiary, Newsco International Energy Services USA Inc., has no active jobs and filed for restructuring under Chapter 11 of the US Bankruptcy Code in December 2019. The Peru subsidiary, Newsco Directional Drilling (Peru) S.A.C., also has no active jobs, and Management does not expect to receive any return from the Peru subsidiary in the near future.

### **NOTICE TO CREDITORS**

9. Pursuant to S. 50.4(1) of the BIA, the Proposal Trustee mailed copies of the NOI, the Proposal Trustee's executed consent and the listing of creditors (the "**Initial Filing Documents**") to all known creditors as represented to the Proposal Trustee by Management. Copies of the Initial Filing Documents have also been posted on the Proposal Trustee's website established for the Proceedings at <https://www.bdo.ca/en-ca/extranets/newsco/>.

## FINANCIAL PERFORMANCE

10. On October 28, 2020, the Proposal Trustee filed the following required documents with the Office of the Superintendent of Bankruptcy:
- the Cash Flow Statement prescribed by S.50.4(2)(a) of the BIA covering the period beginning October 19, 2020 through to January 17, 2021 (the “**Initial Cash Flow Forecast**”), a copy of which is attached as **Appendix “A”** to this First Report;
  - the *Trustee’s Report on Cash Flow Statement* as prescribed by S.50.4(2)(b) of the BIA, a copy of which is attached as **Appendix “B”** to this First Report; and
  - the *Report on Cash Flow Statement by the Person Making the Proposal* as prescribed by S.50.4(2)(c) of the BIA, a copy of which is attached as **Appendix “C”** to this First Report.
11. A variance analysis of the Company’s actual receipts and disbursements over the period October 19 – November 1, 2020, versus the corresponding period in the Initial Cash Flow Forecast is set out in the following table:

<b>October 19 - November 1, 2020</b>			
CAD	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Receipts</b>			
Intercompany shared services	1,000	1,000	-
Intercompany advance	26,690	19,700	6,990
Miscellaneous/Wage Subsidy	578	-	578
	<u>28,268</u>	<u>20,700</u>	<u>7,568</u>
<b>Disbursements</b>			
Wages	(25,116)	(19,700)	(5,416)
Operating & Admin.	(9,394)	(10,200)	806
	<u>(34,510)</u>	<u>(29,900)</u>	<u>(4,610)</u>
Net cash flow	(6,242)	(9,200)	2,958
Cash - beginning	18,810	18,800	10
Cash - closing	<u>12,568</u>	<u>9,600</u>	<u>2,968</u>

12. There have been minimal transactions since the Filing Date. Newsco experienced a negative cash flow of approximately \$6,000 over the period October 19 – November 2, 2020 versus an anticipated deficit of approximately \$9,000.
13. The Company maintained a cash balance of approximately \$13,000 as at November 1, 2020.

### **UPDATED CASH FLOW FORECAST**

14. Management, with the assistance of the Proposal Trustee, has prepared an updated cash flow forecast for the period November 2, 2020 – January 31, 2021 (the “**Updated Forecast**”) a copy of which is attached as Exhibit “1” to Affidavit of William Melville, sworn on November 9, 2020 and filed in these Proceedings.
15. The Updated Forecast is summarized in the table below:

<b>Receipts</b>	
Intercompany shared services	\$6,500
Accounts receivable	517,100
Miscellaneous/Wage Subsidy	34,800
	<u>558,400</u>
<b>Disbursements</b>	
Wages (gross)	(278,500)
Benefits	(20,600)
Rent	(55,400)
Operating and Admin.	(180,600)
Intercompany loan - repayment	(26,600)
	<u>(561,700)</u>
Net cash flow	(3,300)
Cash - beginning	<u>12,600</u>
Cash - ending	<u><u>\$9,300</u></u>

16. The Updated Forecast reflects negative cash flow of approximately \$3,000 over the forecast period, leaving an anticipated ending cash balance of approximately \$9,000 as at January 31, 2021. Cash receipts are forecasted to continue to be derived primarily from the Indian Operations.

## AUTHORIZED PAYMENTS

17. Newsco will be making application to this Honourable Court seeking to have 35 creditors, owed a total of approximately \$641,000, who supply goods and services directly to its Indian Operations designated as critical suppliers (the “**Critical Suppliers**”).
18. As mentioned earlier in this First Report, the Indian Operations operate as a division of Newsco and the only revenue currently being generated by Newsco arises from the Indian Operations. Management is concerned that the Stay arising by virtue of the NOI may fail to protect Newsco from enforcement actions being initiated by creditors in India, thereby potentially threatening ongoing operations and jeopardizing the Company’s opportunity to attempt to restructure. Accordingly, Newsco will be seeking the authority to pay the Critical Suppliers as may be required, including for amounts owed that pre-date the NOI, if consented to by the Proposal Trustee.
19. The Proposal Trustee is supportive of the relief Management is seeking as it relates to the Critical Suppliers for the following reasons:
  - a. The Monitor concurs that the Stay may prove to be practically difficult for Management to enforce in India, thereby jeopardizing ongoing operations and the opportunity to successfully restructure; and
  - b. The Monitor is of the view that the quantum of the total indebtedness owed to the Critical Suppliers does not merit the costs of otherwise attempting to initiate concurrent foreign proceedings in India.
20. Newsco is also indebted to certain employees for outstanding wages in Canada and India. Management is concerned that without the ongoing assistance and cooperation of its employees, the Company will be unable to formulate a viable proposal to its creditors (“**Proposal**”). Consequently, Newsco will be seeking authority to pay all outstanding and future wages, salaries, benefits, vacation pay and expenses in accordance with existing compensation policies.



21. The Proposal Trustee is supportive of the relief the Company will be seeking as it relates to its employees for the purposes of maintaining their ongoing cooperation and support.

#### **ADMINISTRATION CHARGE**

22. Newsco requires the assistance of its legal counsel, the Proposal Trustee and the Proposal Trustee's legal counsel, to prepare and implement a Proposal. Without these professionals, the Company will unlikely be able to successfully restructure its affairs. Consequently, the Company is making an application to this Honourable Court seeking a priority charge to a maximum of \$150,000 (the "**Administration Charge**") pursuant to S.64.2 of the BIA in respect of the fees and disbursements of the Company's legal counsel, the Proposal Trustee and the Proposal Trustee's legal counsel, ranking ahead of all other creditors.
23. In light of the limited cash flow the Company currently has as reflected in the Updated Forecast, the Proposal Trustee submits that such relief is appropriate in the circumstances. The Company will be serving its application on all parties known to potentially have a security interest in the Company's assets.

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

24. The Proposal Trustee is satisfied that Management has been acting with due diligence and in good faith and has been working towards ultimately presenting a Proposal to its creditors. Since the filing of the NOI, Management has:
- a. responded to inquiries from various creditors and customers regarding the status of the Proceedings;
  - b. provided its cooperation to the Monitor as required;
  - c. held discussions with legal counsel and the Proposal Trustee in regard to the basis of and structure of a Proposal; and
  - d. cooperated with its legal counsel and the Monitor as necessary in contemplation of the Company's upcoming Court application.

25. In light of the above, the Proposal Trustee is supportive of the Company's application for an extension of the Stay to December 23, 2020 in order to allow the Company the opportunity to continue to work towards developing the framework of a viable Proposal.

**RECOMMENDATIONS**

24. For the reasons set out in this First Report, the Proposal Trustee recommends the following to this Honourable Court:
- a. an extension of the Stay through to December 23, 2020;
  - b. authorization of the establishment and treatment of the Critical Suppliers as proposed by the Company;
  - c. authorization to pay pre and post-filing amounts due to employees; and
  - d. the establishment of Administration Charge as proposed by the Company.

All of which is respectfully submitted this 10<sup>th</sup> day of November 2020.

BDO Canada Limited, in its capacity as  
Trustee of the Proposal of Newsco International Energy Services Inc.  
and not in its personal capacity



Per: \_\_\_\_\_  
Marc Kelly  
Senior Vice President

# **APPENDIX “A”**

**NEWSCO CANADA**  
**Cash Flow forecast**  
**For the 13 week period Oct 19, 2020 - Jan 15, 2021**  
**(Unaudited - prepared by management)**

	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
	Week of Oct 19 - Oct 23	Week of Oct 26 - Oct 30	Week of Nov 2 - Nov 6	Week of Nov 9 - Nov 13	Week of Nov 16 - Nov 20	Week of Nov 23 - Nov 27	Week of Nov 30 - Dec 4	Week of Dec 7 - Dec 11	Week of Dec 14 - Dec 18	Week of Dec 21 - Dec 25	Week of Dec 28 - Jan 1	Week of Jan 4 - Jan 8	Week of Jan 11 - Jan 15	
<b>Receipts</b>														
Intercompany shared services	-	1,000	-	1,500	-	-	-	2,500	-	-	-	2,500	-	7,500
Accounts receivable	-	-	82,300	109,900	64,500	28,300	-	-	98,700	-	-	85,500	48,000	517,200
Interco interim loan	-	19,700	-	-	-	-	-	-	-	-	-	-	-	19,700
Miscellaneous/ Wage Subsidy	-	-	8,700	-	-	8,700	-	-	-	-	8,700	-	-	28,100
	-	20,700	91,000	111,400	64,500	37,000	2,500	2,500	98,700	-	8,700	88,000	48,000	570,500
<b>Disbursements</b>														
Wages (gross)	-	19,700	49,200	60,500	41,100	-	36,000	-	68,700	-	8,700	-	8,700	292,600
Benefits RWAM	-	-	2,600	2,600	3,100	-	2,600	-	5,700	-	-	2,600	3,100	22,300
Rent	-	-	15,100	10,100	-	-	5,000	-	10,100	-	5,000	10,100	-	55,400
Operating and Admin	3,900	6,300	6,900	26,600	13,600	6,300	300	300	12,300	8,900	300	59,500	33,400	178,600
Repayment of Interco interim loan	-	-	19,700	-	-	-	-	-	-	-	-	-	-	19,700
Restructuring fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,900	26,000	93,500	99,800	57,800	6,300	43,900	300	96,800	8,900	14,000	72,200	45,200	568,600
Net cash flow for period	(3,900)	(5,300)	(2,500)	11,600	6,700	(6,300)	(6,900)	2,200	1,900	(8,900)	(5,300)	15,800	2,800	1,900
Cash/Operating line - beginning	18,800	14,900	9,600	7,100	18,700	25,400	19,100	12,200	14,400	16,300	7,400	2,100	17,900	18,800
Cash/Operating line - closing	14,900	9,600	7,100	18,700	25,400	19,100	12,200	14,400	16,300	7,400	2,100	17,900	20,700	20,700

NEWSCO INTERNATIONAL SERVICES ENERGY INC.



Per: BISWAJIT MISHRA  
 PRESIDENT & CFO

October 28, 2020  
 CALGARY, ALBERTA

**ASSUMPTIONS AND NOTES**

- Explanatory note in respect of each financial line item utilized above should be set out on a separate word document attachment.

**Notes**

1. Intercompany- Some costs like IT Services, Insurance are shared between entities and there is reimbursement expected from those entities
2. India division has active jobs with long term contracts from where collection is expected
3. Wage subsidy- assumed at the applicable rates for the Canada division. We are already receiving it
4. Wages include Canada and India
5. Benefits- Existing employee benefits will continue to be paid for both divisions
6. Rent- Rent included for Canada office, yard, India office and workshop
7. General & Administrative services include IT services provided by external service provider, insurance, utilities etc
8. It is assumed that 70% of available cash will be transferred from India division to Canada to fund operating expenses

# **APPENDIX “B”**

District of: Alberta  
Division No. 02 - Calgary  
Court No.  
Estate No.

-- FORM 29 --

Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Newsco International Energy Services Inc.  
of the City of Calgary, in the Province of Alberta

The attached statement of projected cash flow of Newsco International Energy Services Inc., as of the 28th day of October 2020, consisting of Weekly operating cash flows for the period October 19, 2020 to January 15, 2021, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:  management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

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 projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vernon in the Province of British Columbia, this 28th day of October 2020.

BDO Canada Limited / BDO Canada Limitée - Licensed Insolvency Trustee



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110, 5800 2 St SW  
Calgary AB T2H 0H2  
Phone: (403) 777-9999

District of: Alberta  
Division No. 02 - Calgary  
Court No.  
Estate No.

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Newsco International Energy Services Inc.  
of the City of Calgary, in the Province of Alberta

Purpose:

The projection has been prepared solely to assist the reader in understanding the projected operating cash flow of the company, using a set of hypothetical and probable assumptions as set out in the Assumptions. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Projection Notes:

The hypothetical assumptions are reasonable and consistent with the purposes of the projection as described, and the probable assumptions are suitably supported and consistent with the plans of the company and provide a reasonable basis for the projection. All such assumptions are disclosed in the Assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

Assumptions:

- 1) Revenue is based on Management's understanding of the current industry conditions and based on historical figures. Revenue primarily relates to Accounts Receivable on oil and gas service contracts serviced by the Company's Indian division.
- 2) The Company has worked to lower operating expenses to a minimum needed to sustain current operations.
- 3) The Cash Flow relates to operations only and does not include professional fees of the Proposal Trustee or of legal counsel.
- 4) The Company operates in India and Canada, and estimates that 70% of available cash will be transferred from Indian to Canadian divisions to fund operating expenses

Dated at the City of Vernon in the Province of British Columbia, this 28th day of October 2020.

BDO Canada Limited / BDO Canada Limitée - Licensed Insolvency Trustee



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110, 5800 2 St SW  
Calgary AB T2H 0H2  
Phone: (403) 777-9999

# **APPENDIX “C”**



District of: Alberta  
Division No. 02 - Calgary  
Court No.  
Estate No.

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Newsco International Energy Services Inc.  
of the City of Calgary, in the Province of Alberta

The Management of Newsco International Energy Services Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 28th day of October 2020, consisting of Weekly operating cash flows for the period October 19, 2020 to January 15, 2021.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 28th day of October 2020.



Newsco International Energy Services Inc.  
Debtor

BISHAJIT MISHRA, PRESIDENT & CFO

Name and title of signing officer

Name and title of signing officer

District of: Alberta  
Division No. 02 - Calgary  
Court No.  
Estate No.

FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Newsco International Energy Services Inc.  
of the City of Calgary, in the Province of Alberta

Purpose:

The projection has been prepared solely to assist the reader in understanding the projected operating cash flow of the company, using a set of hypothetical and probable assumptions as set out in the Assumptions. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Projection Notes:

The hypothetical assumptions are reasonable and consistent with the purposes of the projection as described, and the probable assumptions are suitably supported and consistent with the plans of the company and provide a reasonable basis for the projection. All such assumptions are disclosed in the Assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

Assumptions:

- 1) Revenue is based on Management's understanding of the current industry conditions and based on historical figures. Revenue primarily relates to Accounts Receivable on oil and gas service contracts serviced by the Company's Indian division.
- 2) The Company has worked to lower operating expenses to a minimum needed to sustain current operations.
- 3) The Cash Flow relates to operations only and does not include professional fees of the Proposal Trustee or of legal counsel.
- 4) The Company operates in India and Canada, and estimates that 70% of available cash will be transferred from Indian to Canadian divisions to fund operating expenses

Dated at the City of Calgary in the Province of Alberta, this 28th day of October 2020.



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Newsco International Energy Services Inc.