

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 **SUPPLEMENT TO THE THIRD 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**

APRIL 13, 2021

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**SUPPLEMENT TO THE THIRD REPORT OF THE MONITOR
BDO CANADA LIMITED
APRIL 13 2021**

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PURPOSE

1. On April 8, 2021, the Monitor prepared the Third Report in contemplation of the Company's application seeking, *inter alia*:
 - a. the Companies' request for the establishment of the Claims Procedure; and
 - b. the Companies' request for a further extension of the Stay through to May 25, 2021.

2. Subsequent to the date of the Third Report, Westbrick filed an application (the "**Westbrick Application**") for an Order (the "**Creditors' Meeting Order**") seeking, *inter alia*:
 - a. acceptance of a plan of compromise and arrangement (the "**Westbrick Plan**"), a copy of which is attached as Schedule "B" to the Westbrick Application, providing for, *inter alia*:
 - i. an updated Purchase Agreement (the "**Updated Westbrick Purchase Agreement**" or "**Offer**"), a copy of which is included as Exhibit "A" to the April 8, 2021 Affidavit of Maninder (Moe) Mangat (the "**April 8th Mangat Affidavit**"), contemplating the acquisition of substantially all of the Company's oil and gas interests for a purchase price of \$34,100,000 (the "**Westbrick Purchase Price**");
 - ii. repayment of the Company's obligations owed to Crown Capital; and
 - iii. a partial recovery for the Company's unsecured creditors.
 - b. the convening, holding and conducting of a creditors' meeting to vote on the Westbrick Plan.

3. As set out in the Third Report, as of the date thereof, the Monitor was of the view that the Companies' pursuit of the contemplated Spartan Transaction was reasonable in the circumstances as the preliminary indications were that the unsecured creditors would yield a greater benefit from the Spartan Transaction based on the terms contemplated by each of Spartan and Westbrick as at that time.
4. The Purpose of this Supplement to the Third Report (the "**Supplemental Report**") is to provide this Honourable Court with an update as to the Monitor's position in respect of the relief being sought by the Companies and Westbrick in light of the Westbrick Application.
5. Unless otherwise indicated, capitalized terms used herein have the meanings given to them in the Third Report.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this Supplemental 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 Management and the Companies' legal counsel, discussions and communications with counsel for Westbrick, discussions and communications with counsel for Spartan, discussions with counsel for Sunchild First Nation ("**SFN**") and communications with counsel for Crown Capital (collectively the "**Information**").

MONITOR'S UPDATE

7. Since the service of the Westbrick Application, the Monitor has:
 - a. attended the April 9, 2021 questioning of Mr. Martin by counsel for Westbrick in respect of the April 6th Martin Affidavit and the questioning of Mr. Mangat by counsel for the Companies in respect of the April 8th Mangat Affidavit (the "**Questionings**");

- b. had discussions with counsel for Spartan and communications from Spartan as to its intention and ability to complete the Spartan Transaction on a timely basis. Spartan has advised the Companies and the Monitor that in light of the uncertainty created for Spartan as a result of the Westbrick Application, Spartan will not proceed with the Spartan Transaction absent a brief exclusivity period or direction from the Court;
 - c. had discussions and communications with counsel for Westbrick in respect of the Westbrick Application and the Monitor's position in relation thereto;
 - d. had a discussion with counsel for SFN who advised that SFN remains supportive of the Westbrick Application as detailed in a letter from SFN to Westbrick dated April 8, 2021, a copy of which is attached as Exhibit "D" to the April 8th Mangat Affidavit;
 - e. had a discussion with Crown Capital's legal counsel who advised that Crown Capital is supportive of the Westbrick Application and any form of competitive process that would see the Company's obligations to Crown Capital satisfied in full in an expedited manner; and
 - f. held numerous discussions with the Companies and their legal counsel.
8. On April 12, 2021, Mr. Martin filed an Affidavit (the "**April 12th Martin Affidavit**") setting out the Companies position in relation to the Westbrick Application including, *inter alia*;
- a. that the Companies position has not changed in respect of its intent to continue to pursue the Spartan Transaction on the basis that it represents the superior opportunity; and

- b. that the Companies have entered into a 10-day exclusivity agreement (the “**Exclusivity Agreement**”) with Spartan in response to the uncertainty created by the Westbrick application and Spartan’s desire to negotiate definitive agreements on a timely basis. A copy of the Exclusivity Agreement is included as Exhibit “1” of the April 12th Martin Affidavit (“**Confidential Exhibit “1”**”). The Companies will be seeking to have Confidential Exhibit “1” sealed on the basis that it contains a confidentiality clause. The Monitor has reviewed the Exclusivity Agreement and is supportive of the Companies’ request to seal Confidential Exhibit “1”.
9. On April 12, 2021, Mr. Mangat swore a Supplemental Affidavit (the “**Mangat Supplemental Affidavit**”), received by the Monitor early in the morning on April 13, 2021, including *inter alia*:
 - a. details of further communications between Westbrick and the Companies;
 - b. Westbrick’s position in respect of the responses to undertakings given during the Questionings;
 - c. confirmation that Westbrick has advanced a deposit to its legal counsel in respect of its Offer; and
 - d. notice that it has submitted a revised confidential Offer on April 12, 2021 (the “**Revised Offer**”).
10. As set out in the April 8th Mangat Affidavit, Westbrick has advised that it has secured the support of several unsecured creditors; however, the Monitor would note the following in this regard:
 - a. the Monitor understands that it is unlikely that at the time these creditors advanced their support of the Westbrick Plan, they would have been aware of the existence of the Spartan Transaction;
 - b. the Monitor is not aware whether the support of these creditors is subject to a legally enforceable support agreement;

- c. it is the Monitor's experience that it is not uncommon for unsecured creditors to hold a negative view of a debtor company in a restructuring proceeding in light of obligations owed to such creditors.
- 11. While none of the Spartan Transaction, the Updated Westbrick Purchase Agreement or the Revised Offer are final and binding offers, at this time, the Monitor remains of the view that the Companies' intended pursuit of the contemplated Spartan Transaction is reasonable in the circumstances for the following reasons:
 - a. the Spartan Transaction allows the Companies the opportunity to restructure as it is contemplated to be an equity transaction versus an asset sale; and
 - b. although the Monitor has had very little time to review the Revised Offer, on a preliminarily basis, it appears there is not a material difference in the quantum of funds that would be available for creditors based on the Monitor's understanding of the terms currently contemplated by the Revised Offer and the Spartan Transaction.
- 12. While the Monitor acknowledges the positions of Crown Capital and SFN in relation to the Westbrick Application, the Monitor is concerned that in the event the Court is inclined to grant the Westbrick Application, or some form of alternative "competitive process" at this time, this may have the opposite desired effect if Spartan were to withdraw its interest, thereby simply replacing one interested party with another. This is of particular concern in light of the Revised Offer not being fully executed, accepted by the Companies and binding.
- 13. The Monitor suggests that if the Companies and Spartan do not confirm to the Monitor that a definitive agreement has been executed within the exclusivity period, that the Monitor serve notice of the same upon the service list. At such time, interested parties (including the Monitor) may then reconsider their respective positions and make any applications to the Court as deemed appropriate.

14. The Monitor is of the view that the granting of the Creditors' Meeting Order contemplated by the Westbrick Application is premature and will lead to a level of overall uncertainty and increased costs. It is the Monitor's view that a Creditors' Meeting Order would be more appropriate upon a fully executed binding offer being before the Court.
15. The Monitor remains of the view that the Claims Procedure is appropriate and a determination of the various claims against the Companies is necessary regardless of the transaction ultimately presented for consideration.

All of which is respectfully submitted this 13th day of April, 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