

District of Alberta
Division No. Calgary
Estate No. 25-2071993

**IN THE MATTER OF THE BANKRUPTCY OF
CONSERVE OIL GROUP INC.**

TRUSTEE'S PRELIMINARY REPORT

BACKGROUND

1. COGI Limited Partnership ("COGI LP") and Canadian Oil & Gas International Inc. ("COGI Inc.") filed for protection under the Companies' Creditors Arrangement Act ("CCAA") which was approved pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") granted August 28, 2015 (the "Initial Order"). MNP Ltd. was appointed as Monitor of COGI LP and COGI Inc. pursuant to the Initial Order.
2. The CCAA proceedings were terminated pursuant to an order granted by the Court on October 26, 2015.
3. On October 26, 2015 MNP Ltd. was appointed as receiver and manager (the "Receiver") of the assets, undertakings and properties of COGI LP, COGI Inc., and Conserve Oil Group Inc. ("Conserve") (collectively, the "Company") pursuant to an order granted by the Court.
4. The Receiver was authorized to assign COGI LP, COGI Inc., and Conserve into bankruptcy pursuant to the order granted by the Court on November 10, 2015.
5. On December 23, 2015 the Receiver filed an assignment in bankruptcy on behalf of the Company and MNP Ltd. was named as Trustee of the Bankrupt Estate (the "Trustee").
6. COGI LP is a limited partnership pursuant to the laws of the province of Alberta. COGI LP is an oil and gas venture with producing properties in Alberta and non-producing properties in Saskatchewan.
7. COGI Inc. is the general partner of COGI LP. The only business of COGI Inc. is as general partner of COGI LP and to hold title to various assets for the benefit of COGI LP. COGI Inc. is a wholly owned subsidiary of Conserve.
8. Conserve is responsible for the day to day management of COGI LP and COGI Inc. pursuant to a management agreement dated August 30, 2013.
9. The Trustee is of the view that the Company's insolvency was primarily caused by the drastic decline in oil prices.

BOOKS AND RECORDS

10. The Receiver is in possession of the books and records of the Company. The Statement of Affairs was prepared by the Trustee based upon information obtained in the Company's books and records.

CONSERVATORY AND PROTECTIVE MEASURES

11. At the date of bankruptcy, all of the assets remained in the possession of the Receiver. As a result, no conservatory or protective measures were required to be undertaken by the Trustee.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

12. All of the Company's assets are being realized through the receivership proceedings. As such, the only asset that may become available to the creditors in the bankruptcy proceedings is surplus proceeds from the receivership proceedings, if any. At this time, the Trustee does not anticipate there will be any surplus proceeds for unsecured creditors.

SUMMARY OF CLAIMS

13. Below is a summary of claims contained in the Company's Statement of Affairs:

Description	Amount
Secured	\$ 35,000,000
Unsecured	13,463,811
	<u>\$ 48,463,811</u>

14. Below is a summary of claims received as at 3:00pm on Friday, January 22, 2016:

Description	# of Claims	Amount
Secured	1	\$ 1,000
Preferred		-
Unsecured	8	410,883
Contingent		-
	<u>9</u>	<u>\$ 411,883</u>

15. All of the Company's assets are subject to a general security agreement held by Alberta Treasury Branch (the "Bank"). An Alberta Personal Property Registry search as at October 20, 2015 did not indicate any additional registered creditors.
16. The Trustee is not aware of any first ranking secured claims pursuant to subsection 81.3(1) of the *Bankruptcy and Insolvency Act*.
17. The Trustee is not aware of any deemed trust claims at this time.

LEGAL

18. The Trustee is in possession of an independent legal opinion obtained by the Receiver with respect to the security held by the Bank which indicates that the Bank's security is valid and enforceable.

REVIEW OF TRANSFERS AT UNDERVALUE

19. The Trustee is required to undertake a review for any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the *Bankruptcy and Insolvency Act*.
20. The Trustee has not yet completed its review for transfers at undervalue or fraudulent preferences.

OTHER


21. The Trustee has been provided with a third party guarantee with respect to its fees and disbursements to the extent of its statutory obligations.
22. Further information with respect to these proceedings will be made available on the Trustee's website (www.mnpdebt.ca/coji) as it becomes available.

Dated at Calgary, Alberta this 22nd day of January, 2016.

MNP Ltd.

In its capacity as Trustee of the Estate of
Conserve Oil Group Inc.

And not in its personal capacity



Victor Kroeger, CPA, CA, CIRP, CFE
Senior Vice President