

Court File No.: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**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 COMPROMISE OR
ARRANGEMENT OF CLEARBEACH RESOURCES INC. AND FORBES RESOURCES
CORP.**

**PROPOSED MONITOR'S REPORT TO THE COURT
SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF CLEARBEACH
RESOURCES INC. AND FORBES RESOURCE CORP.**

(filed in connection with an Application returnable May 20, 2021 at 2:00pm)

May 18, 2021

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**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 COMPROMISE OR
ARRANGEMENT OF CLEARBEACH RESOURCES INC. AND FORBES RESOURCES
CORP.**

**PROPOSED MONITOR'S REPORT TO THE COURT
SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF CLEARBEACH
RESOURCES INC. AND FORBES RESOURCE CORP.**

MAY 18, 2021

I. INTRODUCTION

1. On July 22, 2020 and July 23, 2020, respectively, Clearbeach Resources Inc. (“**Clearbeach**”) and Forbes Resources Corp. (“**Forbes**” and collectively with Clearbeach the “**Companies**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). Richter Advisory Group Inc. (“**Richter**”) was appointed as proposal trustee. The NOI proceedings commenced by the Companies under the BIA are herein referred to as the “**NOI Proceedings**”. Copies of the NOI filing certificates are attached hereto as **Appendix “A”**.
2. The primary purpose of the NOI Proceedings was to provide the Companies with the necessary space and time to consider and develop restructuring options, including a process for the sale of their business in order to address their liabilities, while continuing with the responsible management and upkeep of Clearbeach’s oil and natural gas wells.

3. On August 7, 2020, the Companies' senior secured lender, PACE Savings and Credit Union Limited ("**PACE**"), brought a motion before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") seeking, among other things, (i) the termination of the 30-day statutory stay period specified by subsection 50.4(8) of the BIA in connection with the Companies' NOIs and (ii) the appointment of BDO Canada Limited as receiver, without security, over all of the assets, undertakings and properties of Eastern Oil Field Services Ltd. ("**Eastern**"), Clearbeach and Forbes (the "**Receivership Motion**").
4. On August 20, 2020 the Court issued two identical orders (the "**NOI Stay Orders**"), *inter alia*, (i) transferring the NOI Proceedings from the Ontario Superior Court of Justice in London, where they were commenced, to the Commercial List in Toronto, and (ii) staying the NOI Proceedings (the "**NOI Stay**") pending further order of the Court following the return of the Receivership Motion. Copies of the NOI Stay Orders are attached hereto as **Appendix "B"**.
5. On September 23, 2020, PACE abandoned its receivership application and, consequently, the Receivership Motion.
6. Pursuant to the endorsements of the Court dated September 23, 2020, October 1, 2020, October 15, 2020, October 29, 2020, November 19, 2020, December 12, 2020, February 11, 2021, March 15, 2021 and April 21, 2021, the NOI Stay remains in effect pending the return of the NOI Proceedings before the Court on May 20, 2021.
7. Copies of the Court materials and other information relating to the NOI Proceedings are available on Richter's websites at <https://www.richter.ca/insolvencycase/clearbeach-resources-inc/> and <https://www.richter.ca/insolvencycase/forbes-resources-corp.>
8. The Companies have brought an application to the Court to be heard on May 20, 2021 at 2:00 p.m. (the "**May 20 Application**") to, among other things, continue the NOI Proceedings under the *Companies' Creditor Arrangement Act* (the "**CCAA**") and approve a settlement between PACE and the Companies, among other parties (collectively, the "**Settlement Parties**"). This report is filed by MNP in support of the May 20 Application

in its capacity as proposed monitor under the CCAA (in such capacity, the “**Proposed Monitor**”).

II. RESTRICTIONS

9. In preparing this report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, books and records of the Companies, discussions with the Companies’ management (“**Management**”) and information from other third-party sources (collectively, the “**Information**”). Except as specifically noted in this report, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada.

10. The Proposed Monitor also bases its report on the cash flow projections contained herein and the underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals’ Standards of Professional Practice No. 9. Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Proposed Monitor’s report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material. On March 17, 2020, the Province of Ontario declared a state of emergency due to the COVID-19 pandemic. The effect of this declaration along with other federal, provincial and municipal actions regarding the COVID-19 pandemic on Clearbeach, Forbes and the economy in general has yet to be determined. In developing the Cash Flow Projections (defined below), Management has reflected its current view of the potential impact of the

COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions in response thereto, may cause actual results to differ from the projected amounts and these variations may be material.

11. Unless otherwise stated, all monetary amounts contained in this Proposed Monitor's report are expressed in Canadian dollars.

III. PURPOSE OF THIS REPORT

12. The purpose of this report is to:

- a. update the Court with respect to:
 - i. the Clearbeach cash flow projections (the "**Cash Flow Projections**") over the 13-week period from May 20, 2021 through August 19, 2021, being filed in connection with the May 20 Application, and the Proposed Monitor's observations regarding same;
 - ii. the Companies' intention to seek a conversion and continuation of the stay of proceedings by applying for an initial order under the CCAA (the "**Initial Order**"); and
- b. provide the Court with the Proposed Monitor's recommendation in respect of the Initial Order, *inter alia*,
 - i. approving the conversion and continuation of the stay of proceedings under the CCAA;
 - ii. approving the First Report of Richter dated December 11, 2020, the Supplement to the First Report of Richter dated December 16, 2020, and the activities of Richter described therein;
 - iii. approving the settlement agreement between PACE and, *inter alia*, the Companies (the "**Settlement Agreement**"); and,
 - iv. approving the proposed Court-ordered charges and the appointment of MNP as Monitor.

IV. BACKGROUND INFORMATION

Clearbeach

13. Clearbeach, a private company, is involved in the exploration, development and production of oil and natural gas, operating in various municipalities in Southwestern Ontario. Clearbeach was incorporated in the Province of Ontario in 1989. Clearbeach, as it currently exists, is the result of a series of amalgamations, including the 2008 amalgamation of Clearbeach Resources Ltd. and Clearwood Resources Inc., to form the predecessor Clearbeach Resources Inc. (“**Clearbeach Oldco**”), and the 2019 amalgamation of Clearbeach Oldco and ON-Energy Corp. (“**ON-Energy**”). On-Energy was the result of a previous amalgamation between a prior corporation of the same name and Liberty Oil & Gas Ltd.
14. Clearbeach’s registered head office is located at 2807 Woodhull Road, London, Ontario. Jane Lowrie (“**Lowrie**”) is the President and sole director of Clearbeach and owns 100% of Clearbeach’s common shares indirectly through Brookwood Resources Inc.
15. The Proposed Monitor understands that Clearbeach currently operates 402 oil, natural gas, disposal and injection wells (collectively, the “**Wells**”) situated on private farmland throughout rural Southwestern Ontario. After the filing of the Clearbeach NOI, the Ontario Ministry of Natural Resources and Forestry (“**MNR**”) issued orders requiring Clearbeach to plug 41 inactive Wells by June 30, 2021. The estimated cost to comply with the MNR’s orders is \$433,000. Three of these Wells have been plugged. Clearbeach is working out a plan to plug the remaining 38 Wells. In addition, the MNR has issued various deficiency reports requiring maintenance to certain Wells, which Clearbeach is complying with.
16. As compensation for having the Wells on their property, pursuant to lease agreements, the individual landowners are paid royalties of 6% to 12.5% on gross oil and gas production on a monthly basis and some are also compensated for surface facilities. Prior to the NOI Proceedings, due to cash constraints, Clearbeach was not able to keep current with lease and royalty payments to certain landowners. Clearbeach is, as of the date hereof, indebted to such landowners for arrears of approximately \$178,000. Claims on these arrears are

stayed by the NOI Proceedings and they have not been paid or settled to date. Clearbeach has kept current with lease and royalty payments since the filing of its NOI, pursuant to the terms of the lease agreements.

17. Clearbeach does not have any employees. Its operations were and are primarily carried out by related parties, Lagasco Inc. (“**Lagasco**”) and Eastern, which manage, operate, and maintain the Wells and associated infrastructure on behalf of Clearbeach. All costs are billed on a well and field basis and services are tracked hourly by all operators and personnel.

Forbes

18. Forbes is incorporated under the laws of the Province of Ontario. It does not carry on any business activities, nor does it have any assets or employees. Forbes was initially incorporated with the intention of owning certain onshore oil and natural gas wells. However, due to funding complications, Forbes never took ownership of those wells. Forbes is an affiliate of Clearbeach as Lowrie is the owner of all of the shares of Forbes.

19. Forbes’ only liability relates to a secured loan advanced by PACE in the amount of \$500,000.

20. A more detailed description of the operations and financial position of Clearbeach and Forbes is provided in the affidavit of Lowrie sworn May 17, 2021 (the “**May 17 Lowrie Affidavit**”) in support of the May 20 Application.

V. PACE SETTLEMENT AND REQUEST FOR A CONVERSION TO CCAA PROCEEDINGS

21. The Companies and the Settlement Parties have reached a settlement with PACE pursuant to the Settlement Agreement. Pursuant to the Settlement Agreement, the PACE indebtedness and security in the Companies are to be assigned to Oil Patch Services Inc., or an entity designated by Lowrie, subject to approval of this Court. Further, the Settlement Agreement provides for certain releases for the benefit of PACE and the Settlement Parties

and the discontinuance of outstanding litigation involving PACE and certain of the Settlement Parties.

22. The Settlement Agreement is discussed in detail in the May 17 Lowrie Affidavit, and a copy of same is provided as an exhibit thereto, redacted to protect certain commercially sensitive and confidential information.
23. The Proposed Monitor and its counsel have been kept apprised of the settlement discussions between PACE and the Companies. A key part of these discussions was the Proposed Monitor's assessment, through a third-party service provider (the "**Sproule Report**"), of the potential value of the Companies' assets and the challenges presented by the regulated nature of the industry. Due to the confidential nature of the Sproule Report, the Proposed Monitor is providing it to the Court via a confidential supplementary report, filed as **Confidential Appendix "1"** to this Report, which the Proposed Monitor requests be kept sealed pending further order of the Court.
24. The Proposed Monitor notes the Companies and PACE were each represented by experienced counsel in the negotiation of the Settlement Agreement and the same is fair and reasonable insofar as it is acceptable to both sides and will not impact the interest of any other stakeholders.
25. The Companies are insolvent and for the reasons set out in the May 17 Lowrie Affidavit, seek to continue the restructuring efforts initiated through the NOI Proceedings under the CCAA, pursuant to section 11.6 thereof.
26. Although the Settlement Agreement is not a pre-condition of the continuation of the NOI Proceedings under the CCAA, the Proposed Monitor believes it is necessary to enable the Companies to fully focus on and implement a restructuring under the CCAA.
27. For the reasons set out above, the Proposed Monitor considers the approval of the Settlement Agreement, the conversion and continuation of the NOI Proceedings under the CCAA and the relief sought in the Initial Order to be appropriate in the circumstances for the following reasons:

- a. the Settlement Agreement will enable the Companies to focus the entirety of their efforts on the restructuring of their business and the satisfaction of Clearbeach's significant environmental and stewardship obligations;
- b. the Companies are acting in good faith and with due diligence;
- c. the continuation of the stay of proceedings under the CCAA will:
 - provide the Companies with the time and protection they require to undertake a restructuring of their business for the benefit of their stakeholders;
 - leave the Companies in possession and control of the Wells, with the required professional expertise and forum to manage the Wells and mitigate any environmental risks;
 - allow Clearbeach to finalize a plan to comply with the orders issued by the MNRF and meet its ongoing environmental and stewardship obligations;and,
- d. the conversion to CCAA proceedings and the extension of the stay of proceedings under the CCAA does not adversely affect or materially prejudice creditors of the Companies as they are projected to have sufficient funds to pay for services and supplies during the CCAA initial stay period (as discussed further in this report).

28. The relief requested by the Companies includes, *inter alia*:

- a. the granting of a continued stay of proceedings against the Companies under the CCAA for an initial 10-day period, followed by a comeback hearing, as required by the CCAA;
 - b. the appointment of MNP as monitor under the CCAA (if appointed, the "**Monitor**");
 - c. approval of the Settlement Agreement and the sealing of the redacted copy of same;
- and

- d. the granting of certain charges over the assets of Clearbeach, including to secure the indemnity in favour of the directors and officers (the “**Directors’ Charge**”), and the professional fees and disbursements of the administrative professionals in the CCAA proceedings (the “**Administration Charge**”).

29. MNP has reviewed the Initial Order and provided its comments and observations on certain provisions below.

Proposed Court Ordered Charges Over Clearbeach’s Assets

Administration Charge

30. The proposed Initial Order contemplates the granting of the Administration Charge in the amount of \$100,000 to secure the fees and disbursement of the counsel to the Companies, the Monitor and Monitor’s counsel.
31. The Administration Charge is reasonable and appropriate in the circumstances having regard to, among other things:
 - a. each of the professionals whose fees have been and will continue to be secured by the Administration Charge have played and will continue to play a critical role in the Companies’ restructuring;
 - b. Clearbeach intends to satisfy the fees and disbursements of the administrative professionals from cash flow during the CCAA proceedings and through a retainer already provided. The Administration Charge is sought to protect the administrative professionals in the event that the restructuring is not successful or a sale as a going concern is not completed; and
 - c. the complexity of these CCAA proceedings.

Directors' Charge

32. The Companies' Cash Flow Projections, discussed further in this report, contemplates that post-CCAA obligations, including all statutorily required remittances will be paid in the ordinary course of business.
33. The directors and officers have requested protection from statutory claims and liabilities that may arise during the restructuring. Accordingly, the Companies are proposing that Clearbeach indemnify the Companies' directors and officers against all obligations and liabilities that they may incur as directors and officers of the Companies after the commencement of the CCAA proceedings, except to the extent that such obligations or liabilities were incurred as a result of such director's or officer's gross negligence or willful misconduct. As security for this indemnity, it is proposed that the Companies' directors and officers be entitled to the benefit of the Directors' Charge in an aggregate amount of \$100,000.
34. The proposed Directors' Charge is to rank behind the Administration Charge pursuant to the proposed Initial Order. Based on the information provided to the Proposed Monitor by the Companies, the Directors' Charge has been calculated with reference to exposure to certain tax liabilities accruing during the CCAA proceedings. The proposed Initial Order provides that the availability of the Directors' Charge is only to the extent the existing insurance coverage does not apply or is insufficient to cover a liability.
35. The Proposed Monitor is of the view that the Directors' Charge is reasonable and appropriate in the circumstances.

Priority of Charges Created by the Proposed Initial Order

36. The priorities of the Administration Charge and the Directors' Charge (collectively, the "**Charges**") are proposed to be as follows:
 - a. First – Administration Charge (to the maximum amount of \$100,000); and
 - b. Second – Directors' Charge (to the maximum amount of \$100,000).

37. MNP in its capacity as Proposed Monitor has reviewed the calculations that support the Charges and believes that the amounts are reasonable in the circumstances. The Charges will have priority over all other debts and obligations of the Companies other than those parties who have not been notified of the Companies' application.

Appointment of MNP as Monitor

38. The proposed Initial Order contemplates the appointment of MNP as Monitor under. MNP is a licensed insolvency trustee, as required under the Act, with considerable experience acting as a monitor in proceedings under the CCAA. Additionally, in this case, MNP has acted as advisor to PACE and in this capacity has acquired knowledge of the Companies' business and financial affairs. In such capacity, MNP provided information and analysis to each of PACE and the Companies, so as to facilitate their settlement discussions. Accordingly, the appointment of MNP as Monitor under the CCAA is both cost effective and efficient.

39. MNP consents to being appointed as Monitor in these proceedings. A copy of the Monitor's consent is attached hereto as **Appendix "C"**.

VI. CASH FLOW PROJECTIONS

40. In accordance with the provisions of the CCAA, a copy of the Cash Flow Projections prepared by the Companies for the thirteen-week period ended August 19, 2021 is attached hereto as **Appendix "D"**. The Cash Flow Projection includes only the operations of Clearbeach as Forbes has no operations.

Receipts	\$445,731
Less Disbursements:	
Royalties	25,403
Operating expenses	91,746
Plugging and reclamation costs	217,500
Professional fees	<u>\$96,050</u>
Net cashflow	\$15,033
Opening cash	<u>\$1,000</u>
Ending cash	\$16,033

41. The Cash Flow Projection is summarized as follows:
42. During the projection period, Clearbeach projects positive cash receipts of \$15,033.
43. The Proposed Monitor has implemented procedures for monitoring Clearbeach's receipts and disbursements and has kept in close contact with Management to ensure that operations are continuing in the normal course of business and in accordance with the Cash Flow Projections.
44. The Cash Flow Projections have been prepared using the probable and hypothetical assumptions set out in the notes attached to same.
45. The Proposed Monitor's review of the Cash Flow Projections consisted of enquiries, analytical procedures and discussions related to information supplied to us. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposed Monitor has also reviewed the support for the probable assumptions and the preparation and presentation of the forecast.
46. 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 forecast;
 - b. as at the date of this report, the probable assumptions used in developing the Cash Flow Projections are suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and
 - c. the Cash Flow Projections do not reflect the probable and hypothetical assumptions.

VII. CONCLUSION AND RECOMMENDATION

47. Based on the foregoing, the Proposed Monitor respectfully submits this report in support of the relief requested by the Companies in the May 20 Application.

All of which is respectfully submitted on this 18th day of May 2021.

MNP LTD.,
in its capacity as Proposed Monitor of
Clearbeach Resources Inc. and Forbes Resources Corp.
Per:

A handwritten signature in black ink, appearing to read 'Rob Smith', written in a cursive style.

Rob Smith CPA, CA, CIRP, LIT
Senior Vice-President

Appendix A – NOI Filing Certificates



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2659751
Estate No. 35-2659751

In the Matter of the Notice of Intention to make a
proposal of:

Clearbeach Resources Inc.
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Licensed Insolvency Trustee

Date of the Notice of Intention: July 22, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 22, 2020, 16:18

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2660091
Estate No. 35-2660091

In the Matter of the Notice of Intention to make a
proposal of:

Forbes Resources Corp.
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Licensed Insolvency Trustee

Date of the Notice of Intention: July 23, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 23, 2020, 16:37

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

Appendix B – NOI Stay Orders

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CLEARBEACH RESOURCES INC.**

CLEARBEACH RESOURCES INC.

Applicant

THE HONOURABLE MADAM

)

THURSDAY, THE 20TH

)

JUSTICE DIETRICH

)

DAY OF AUGUST, 2020

ORDER

THIS MOTION, made by Clearbeach Resources Inc. ("**Clearbeach**"), for an order transferring this proceeding to the Commercial List and granting a stay of this proceeding, was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7 and by videoconference.

ON READING the notice of motion, on hearing the submissions of the lawyers for Clearbeach, the proposal trustee Richter Advisory Group Inc., and PACE Savings & Credit Union Limited ("**PACE**") and being advised that they each consent to the order sought,

1. THIS COURT ORDERS that this proposal proceeding, having court file number 35-2659751 and estate file number 35-2659751, be transferred from the Ontario Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and

2. THIS COURT ORDERS that this proposal proceeding be stayed pending further order of the Court following the return of the motion for a receivership order brought by PACE.

Dietrich J.

IN THE MATTER OF THE NOTICE INTENTION TO MAKE A PROPOSAL OF CLEARBEACH RESOURCES INC.

Court File No. 35-2659751
Estate File No. 35-2659751

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT
LONDON

ORDER

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Lawyers for Clearbeach Resources Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF FORBES
RESOURCES CORP.**

FORBES RESOURCES CORP.

Applicant

THE HONOURABLE MADAM)	THURSDAY, THE 20TH
)	
JUSTICE DIETRICH)	DAY OF AUGUST, 2020

ORDER

THIS MOTION, made by Forbes Resources Corp. ("**Forbes**"), for an order transferring this proceeding to the Commercial List and granting a stay of this proceeding, was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7 and by videoconference.

ON READING the notice of motion, on hearing the submissions of the lawyers for Forbes, the proposal trustee Richter Advisory Group Inc., and PACE Savings & Credit Union Limited ("**PACE**"), and being advised that they each consent to the order sought,

1. THIS COURT ORDERS that this proposal proceeding, having court file number 35-2660091 and estate file number 35-2660091, be transferred from the Ontario Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and

2. THIS COURT ORDERS that this proposal proceeding be stayed, pending further order of the Court following the return of the motion for a receivership order brought by PACE.

Dietrich J.

IN THE MATTER OF THE NOTICE INTENTION TO MAKE A PROPOSAL OF FORBES RESOURCES CORP.

Court File No. 35-2660091
Estate File No. 35-2660091

FORBES RESOURCES CORP., Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**PROCEEDING COMMENCED AT
LONDON**

ORDER

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Appendix C – Monitor’s Consent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**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 COMPROMISE OR
ARRANGEMENT OF CLEARBEACH RESOURCES INC. AND
FORBES RESOURCES CORP.**

CONSENT

We, MNP Ltd., hereby consent to act as Monitor in the proceedings under the *Companies' Creditors Arrangement Act* of Clearbeach Resources Inc. and Forbes Resources Corp.

Dated this 18th day of May, 2021

MNP Ltd.

Per:



As Proposed Monitor and no in any other
corporate or personal capacity

Appendix D – Cash Flow Projections

Clearbeach Resources Inc. (the "Company")
 Projected Statement of Cash Flow
 For the Period May 20, 2021 to August 19, 2021
 (In Canadian Dollars)

Notes	WEEK ENDING													Total											
	27-May-21	3-Jun-21	10-Jun-21	17-Jun-21	24-Jun-21	1-Jul-21	8-Jul-21	15-Jul-21	22-Jul-21	29-Jul-21	5-Aug-21	12-Aug-21	19-Aug-21												
Receipts																									
Lagasco direct sales	1	-			60,102	-	-	-	60,102	-	-	-	60,102	180,307											
Clearbeach direct sales	1	76,113	-	-	-	94,656	-	-	-	94,656	-	-	-	265,424											
Total receipts		76,113	-	-	-	60,102	94,656	-	60,102	94,656	-	-	60,102	445,731											
Disbursements																									
Royalties	2		7,300					12,701				12,701		25,403											
Operating expenses	3	-	-	-	-	45,873	-	-	-	45,873	-	-	-	91,746											
Property and pipeline tax	4	-	-	-	-	-	-	-	-	-	-	-	-	-											
Plugging and reclamation	5	5,000	15,000	22,500	15,000	25,000	25,000	-	-	70,000	-	10,000	30,000	217,500											
Professional fees	6	-	-	-	-	45,200	-	-	28,250	-	-	-	22,600	96,050											
Total disbursements		5,000	22,300	22,500	15,000	70,200	70,873	12,701	-	28,250	115,873	12,701	10,000	430,699											
Net cash flow		71,113	-	22,300	-	22,500	-	15,000	-	10,098	23,782	-	12,701	-	31,852	-	21,218	-	12,701	-	10,000	7,502	15,033		
Bank balance																									
Opening		1,000	72,113	49,813	27,313	12,313	2,215	25,998	13,297	13,297	45,149	23,932	11,230	1,230	1,000										
Net Cash Flow		71,113	-	22,300	-	22,500	-	15,000	-	10,098	23,782	-	12,701	-	31,852	-	21,218	-	12,701	-	10,000	7,502	15,033		
Ending Bank Balance		72,113	49,813	27,313	12,313	2,215	25,998	13,297	13,297	45,149	23,932	11,230	1,230	8,733	16,033										

The projected statement of cash flow has been prepared pursuant to the requirements of section 10(2)(a) of the Companies' Creditors Arrangement Act.

Notes:

- The Company currently owns 402 oil and natural gas wells (the "Wells"). Of the total Wells, the Company operates and manages 80 Wells (the "Clearbeach Managed Wells") and Lagasco Inc. ("Lagasco"), a related entity, operates and manages the remainder (the "Lagasco Managed Wells"). In respect of the Clearbeach Managed Wells, the receipts reflected in the cash flow forecast represent the gross receipts from the sale of oil and natural gas from the Clearbeach Managed Wells. The associated costs to operate / manage the Clearbeach Managed Wells are reflected in the disbursements noted in the cash flow forecast. In respect of the Lagasco Managed Wells, the receipts reflected in the cash flow forecast represent the net receipts from the sale of oil and natural gas from the Lagasco Managed Wells after deducting the various operating costs to operate / manage the Lagasco Managed Wells and costs associated with various back-office functions relating to the Clearbeach business (as Clearbeach has no employees), which costs are incurred by Lagasco. A reconciliation of the net receipts from the Lagasco Managed Wells is performed monthly.
- For each of the Clearbeach Managed Wells and the Lagasco Managed Wells, the cash flow forecast assumes an average sale price for oil and natural gas of \$72.15/bbl and \$3.51/mcf, respectively. The price for oil is based on the current West Texas Intermediate price. The price for natural gas is based on the average price charged by the Company for April 2021. The Company's operations and cash flows are sensitive to changes in market prices for oil and natural gas. Accordingly, changes in market prices could result in material favourable or unfavourable variances to the cash flow forecast.
- The Company pays royalties, ranging from 9% to 17.5%, to various land owners that own the real property where the Wells are located. Royalties are paid monthly.
- Represents various operating expenses (inclusive of HST) in respect of the Clearbeach Managed Wells, including trucking and transportation, third-party consulting and external labour, utilities, surface lease costs, repairs and maintenance and cleaning and disposal services. The forecast assumes the Company pays its operating expenses monthly, which is consistent with historical practice.
- Payment of property and pipeline taxes are on hold while the Company works to settle disputed assessments with various municipalities.
- Represents remediation costs associated with plugging / reclamation of certain of the Wells. The Wells that require plugging / reclamation and the associated costs were determined in consideration of the findings from a valuation report prepared for the Company by an independent petroleum engineer.
- Includes the professional costs of the Company's counsel. The CCAA Monitor and its counsel have received a retainer from which there fees will be paid.

Court File No: _____

**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 COMPROMISE OR
ARRANGEMENT OF CLEARBEACH RESOURCES INC. AND FORBES RESOURCES CORP.**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

(COMMERCIAL LIST)

**PROPOSED MONITOR'S REPORT TO THE COURT
SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS PROPOSED MONITOR OF
CLEARBEACH RESOURCES INC. AND FORBES
RESOURCE CORP**

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**IN THE MATTER OF THE *COMPANIES CREDIT ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF CLEARBEACH RESOURCES
INC. AND FORBES RESOURCES CORP.**

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at **TORONTO**

**PROPOSED MONITOR'S REPORT TO THE
COURT SUBMITTED BY MNP LTD., IN ITS
CAPACITY AS PROPOSED MONITOR OF
CLEARBEACH RESOURCES INC. AND
FROBES RESOURCE CORP.**

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