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COURT FILE NO. 25-2719774

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF GS E&R CANADA INC.

DOCUMENT **THIRD REPORT OF MNP LTD., PROPOSAL TRUSTEE**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING  
THIS DOCUMENT

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**APPENDICES**

- APPENDIX A Cash flow projection for the period June 21, 2021 to September 19, 2021
- APPENDIX B Trustee's report on Cash Flow Statement and the Report on Cash Flow Statement by Person Making a Proposal (Forms 29 and 30) for the Projected Statement of Cash Flow for the Period Ending September 19, 2021.

## INTRODUCTION

1. On March 11, 2021, GS E&R Canada Inc. ( the "Company") filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the *Bankruptcy and Insolvency Act* ("BIA") and MNP Ltd. consented to act as trustee under the NOI (the "Proposal Trustee"). The original documentation was erroneously filed under the name GS E&R Canada Ltd. and MNP Ltd. provided the Office of the Superintendent of Bankruptcy (the "OSB") with updated filing documentation on March 16, 2021. On March 18<sup>th</sup>, 2021 the OSB issued a new certificate of filing with the Company's correct name.
2. On May 21, 2021, the Company obtained an Order of the Court of Queen's Bench of Alberta (the "Court") extending the second NOI stay period until July 9, 2021 (the "May 21 Order").
3. This is the Proposal Trustee's third report to the Court (the "Third Report").
4. Defined terms used in the Third Report will have the same meaning as in the First Report of the Trustee dated March 18, 2021 and/or the Second Report of the Trustee dated May 14, 2021.
5. All references to currency are in Canadian dollars unless otherwise stated.
6. A copy of the Third Report and other relevant documents in the Company's restructuring proceedings are available on the Proposal Trustee's website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/gs-eandr-canada>.

## REPORT LIMITATIONS

7. In preparing the Third Report and making comments herein, the Trustee has relied upon, certain unaudited, draft or internal financial information, including the Company's books and records, and information from other third-party sources (collectively, the "Information"). The Trustee 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 or other standards established by the Chartered Professional Accountants of Canada (the "Standards"). Additionally, none of the Trustee's procedures were intended to disclose defalcations or other irregularities. If the Trustee were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may have come to the Trustee's attention. Accordingly, the Trustee does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Third Report.
8. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of Third Report. Any use, made by any party makes of the Third Report, or any reliance or decision to be made based on the Third Report by any party, is the sole responsibility of such party.

## PURPOSE OF THE REPORT

9. The purpose of the Third Report is to provide the Court and other interested parties with:
  - a. Information on the Company's application seeking the Court's approval of an extension of the period for the Company to file its proposal until August 23, 2021 (the "Extension Period"); and

- b. An update on the SISP.

#### **SALES AND INVESTMENT SOLICITATION PROCESS (“SISP”)**

10. As mentioned in the Second Report, the SISP resulted in several offers and expressions of interest being received. The Company has selected one of these offers as being the best offer received in the circumstances, and the prospective purchaser has paid a deposit to the Trustee, as required by the SISP. However, the offer is conditional on obtaining the BC Oil & Gas Commission's (the “BCOGC”) approval. The prospective purchaser is presently working with the BCOGC to remove this condition and is also in the process of finalizing an Asset Purchase Agreement (“APA”) with the Company.
11. Once the BCOGC's approval is obtained and the APA is finalized, a further Court application will be required to seek approval of the transaction contemplated by the APA, at which time the Trustee intends to provide the Court with information about the SISP, offers received, and a copy of the executed Asset Purchase Agreement in order to provide the Court with the necessary information to approve the sale.

#### **CASH FLOW STATEMENT AND VARIANCE ANALYSIS**

12. The Trustee has monitored the Company's actual cash receipts and disbursements up to the week ending June 20, 2021 and provides the following variance analysis:

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**In the Matter of the Notice of Intention  
to File a Proposal under the Bankruptcy & Insolvency Act by GS E&R Canada Inc  
Comparison of Actual to Forecast Cash Receipts and Cash Disbursements  
For the Period March 11, 2021 to June 20, 2021**

	Actual	Forecast	Variance	Notes
<b>Cash Receipts</b>				
Operated revenue (after royalties)	\$ 2,149,255	\$ 1,730,760	\$ 418,495	1
Other	14,052	5,400	8,652	
<b>Total Cash Receipts</b>	<b>2,163,307</b>	<b>1,736,160</b>	<b>427,147</b>	
<b>Cash Disbursements</b>				
Field Operators	226,174	216,833	9,341	
Field Operating costs	221,476	426,333	-204,857	2
Trucking, Waste/Water Disposal and Pipeline Costs	753,503	586,650	166,853	3
Crown Rentals (P&NG and Surface)	56,572	69,090	-12,518	
Contingency	11,035	150,000	-138,965	4
<b>Total Field Operations &amp; Related</b>	<b>1,268,760</b>	<b>1,448,906</b>	<b>-180,146</b>	
Software & Computer	5,351	5,160	191	
Management Fees (salaries & benefits)	145,230	161,000	-15,770	5
Consultants & legal costs	2,050	12,400	-10,350	6
Office Rent Only	9,450	9,000	450	
Storage, Phones, Supplies, etc.	893	2,055	-1,162	
Meals & Entertainment	234	1,500	-1,266	
Contingency	38,108	15,000	23,108	7
<b>Total Office &amp; Related</b>	<b>201,316</b>	<b>206,115</b>	<b>-4,799</b>	
Carbon tax	47,603	62,843	-15,240	8
BC Levies	2,833	13,187	-10,354	9
<b>Total Other</b>	<b>50,436</b>	<b>76,030</b>	<b>-25,594</b>	
<b>Total Cash Disbursements Before Restructuring Costs</b>	<b>1,520,512</b>	<b>1,731,051</b>	<b>-210,539</b>	
Restructuring costs (trustee and legal)	169,235	310,000	-140,765	10
<b>Total Cash Disbursements</b>	<b>1,689,747</b>	<b>2,041,051</b>	<b>-351,304</b>	
<b>Net Cash Receipts over Net Cash Disbursement</b>	<b>473,560</b>	<b>-304,891</b>	<b>778,451</b>	
Opening Cash	1,925,510	1,925,510		
<b>Less Adjustment to Opening Cash</b>	<b>475,000</b>		<b>-475,000</b>	11
<b>Adjusted Opening Cash</b>	<b>1,450,510</b>	<b>1,925,510</b>	<b>475,000</b>	
<b>CASH AT JUNE 20, 2021</b>	<b>\$ 1,924,070</b>	<b>\$ 1,620,619</b>	<b>\$ 303,451</b>	

13. Notes to the Variance Analysis:

- 1) Operating revenues are higher primarily due to significant increases in the Western Canada Select oil prices. This is a permanent variance.
- 2) The forecast field operation expenses include pre filing invoice amounts which have not been paid. This is a permanent variance.
- 3) The actual trucking, waste/water disposal and pipeline costs includes a \$125,000 prepayment to NorthRiver Midstream for June 2021 pipeline costs. This is a temporary variance.
- 4) This amount relates to the payment of miscellaneous costs charged to credit cards.
- 5) Certain of the employees are paid in Korean currency and the variance represents the exchange difference. This is a permanent variance.
- 6) No legal costs, other than restructuring costs, were incurred during the period under review. This is a permanent variance
- 7) Includes \$21,540 GST payment for the post filing period that had not been forecast. This is a permanent variance.
- 8) The forecast included the total carbon tax payable. Only the post filing amount was paid. This is a permanent variance.
- 9) The forecast BC Levies amount included the pre filing amount outstanding. This amount was not paid. This is a permanent variance.
- 10) The restructuring cost variance is a temporary variance and these payments will be incurred in future periods.
- 11) The opening cash amount included a \$125,000 term deposit held by the Company's Bank as security for the corporate credit cards and a \$350,000 term deposit held as security for an outstanding letter of credit held by NorthRiver Midstream for pipeline services. Both of these amounts cannot be used by the Company for ongoing operations and should not have been included in the Company's cash balance. Therefore, the opening cash balance has been reduced by \$475,000. This is a permanent variance.

**PROJECTED STATEMENT OF CASH FLOW**

14. The Company has prepared a cash flow projection for the period June 21, 2021 to September 19, 2021 (the "Extension Period Cashflow") and it is attached as "Appendix A". The Company's report and Trustee's Reports on the cash flow projection, Forms 29 and 30 are attached hereto as "Appendix B".

15. A summary of the Company prepared Extension Period Cashflow is as follows:

<b>GE E&amp;R Canada Inc.</b>	
<b>Summary Statement of Weekly Projected Cash Flow</b>	
<b>For the Period June 21, 2021 to September 19, 2021</b>	
<b>Opening Cash Balance</b>	<u><b>\$ 1,924,070</b></u>
<b>Cash inflows</b>	
Operated revenue (after royalties)	1,627,000
Other	<u>5,000</u>
<b>Total estimated inflows</b>	<u><b>1,632,000</b></u>
<b>Cash outflows</b>	
Field Operators	215,000
Field Operating costs	379,000
Trucking, Waste/Water Disposal and Pipeline C	671,000
Crown Rentals (P&NG and Surface)	12,000
Contingency	<u>42,000</u>
<b>Total Field Operations &amp; Related</b>	<u><b>1,319,000</b></u>
Software & Computer	5,000
Management Fees (Salaries&benefit)	190,000
Consultants & legal costs	8,000
Office Rent Only	9,000
Storage, Phones, Supplies, etc.	2,000
Meals & Entertainment	2,000
Contingency	<u>15,000</u>
<b>Total Office &amp; Related</b>	<u><b>231,000</b></u>
Carbon tax	94,000
BC Levies	<u>14,000</u>
<b>Total Other</b>	<u><b>108,000</b></u>
Restructuring costs (trustee, legal and broker)	<u><b>360,000</b></u>
<b>Total estimated outflows</b>	<u><b>2,018,000</b></u>
<b>Estimated Closing Cash Balance</b>	<u><b>\$1,538,070</b></u>

16. The Extension Period Cashflow does not include the payment of the \$119,873.26 BC Oil & Gas Commission Orphan Well Levy covering the period April 1, 2021 to March 31, 2022 nor the estimated \$410,000 in municipal taxes. Payment of both of these amounts is dependent on the closing of a sales transaction and the amounts themselves may be adjusted pursuant to such transaction.
17. From review of the Extension Period Cashflow, the Proposal Trustee notes that after taking into account production revenue receipts and all cash disbursements, including the payment of the BC Oil & Gas Commission invoice and the municipal taxes should the Company decide to make these payments, the Company should have sufficient cash to carry on operations during the period to September 19, 2021, which date is beyond the Extension Period.

### **REQUEST FOR EXTENSION**

18. Pursuant to the BIA, and the May 21 Order granted by this Honourable Court, the Company must file a Proposal no later than July 9, 2021 unless an application is made to the Court for an extension.
19. As previously noted, the Company, and the prospective purchaser are close to reaching a definitive agreement for the sale of the Company's assets, subject to obtaining the BCOGC's approval of the proposed transaction. Any sale transaction acceptable to the Company and the Trustee will be subject to approval by this Honourable Court at a future Court application.
20. The Trustee intends to provide this Honourable Court with a detailed review of the steps taken in the SISP to generate the offers received at the future application to approve the sale of the Company's assets.
21. Should the sale currently being negotiated among the prospective purchaser, the Company, and the BCOGC be approved and closed, the Company should then be in a position to make a proposal to its creditors.
22. The Company is requesting an extension of the stay of proceedings until August 23, 2021.

### **CONCLUSION**

23. The Trustee is of the view that the requested extension is in the best interest of the Company's stakeholders.
24. The Trustee is also of the view that the Company is acting in good faith and with due diligence in supporting the SISP process, maintaining ongoing operations, and taking steps to resolve certain outstanding issues and claims of creditors in order that it might be in a position to make a proposal to its creditors.
25. In addition, the Company is forecast to have sufficient operating funds and the Trustee does not believe that any creditor would be materially prejudiced if the extension were granted.



All of which is respectfully submitted this 28<sup>th</sup> day of June, 2021.

**MNP Ltd.** in its capacity as Trustee in the Notice  
of Intention to Make a Proposal of GS E&R  
Canada Inc. and not in its personal or corporate  
capacity

Per: \_\_\_\_\_

Victor P. Kroeger CPA, CA, LIT, CIRP, CFE  
Senior Vice President

# Appendix A


GE E&R Canada Inc. (the "Company")  
Statement of Weekly Projected Cash Flow  
For the Period June 21, 2021 to September 19, 2021

Notes	week 1 06/21/2021	week 2 06/28/2021	week 3 07/05/2021	week 4 07/12/2021	week 5 07/19/2021	week 6 07/26/2021	week 7 08/02/2021	week 8 08/09/2021	week 9 08/16/2021	week 10 08/23/2021	week 11 08/30/2021	week 12 09/06/2021	week 13 09/13/2021
Opening Balance	\$ 1,924,070	\$ 2,410,955	\$ 1,914,636	\$ 1,858,136	\$ 1,858,136	\$ 1,801,636	\$ 1,729,483	\$ 1,671,816	\$ 1,671,816	\$ 1,614,149	\$ 1,555,187	\$ 1,597,520	\$ 1,597,520
1 Cash inflows	545,885					525,275				555,411			
Operated revenue (after royalties)													
DIP Financing		1,800				1,800				1,800			
Other		1,800				527,075				557,211			
2 Total inflows	545,885	1,800				527,075				557,211			
3 Cash outflows	31,500				31,500		29,667		29,667		29,667		31,500
Field Operators			31,500										
4 Field Operating costs		140,528			105,878					131,128			
5 Trucking, Waste/Water Disposal and Pipeline Costs		227,508			218,903					224,903			
6 Crown Rentals (P&NG and Surface)		-13,793			-563					26,154			
Contingency		14,000			14,000					14,000			
Total Field Operations & Related	31,500	368,238	31,500		31,500	339,217	29,667		29,667	396,185	29,667		31,500
7 Software & Computer		1,720			1,720					1,720			
8 Management Fees (Salaries&benefit)	27,500		25,000		25,000		28,000		28,000	2,800			28,500
Consultants & legal costs		2,800			2,800					3,150			
Office Rent Only		3,150			3,150					685			
Storage, Phones, Supplies, etc.		685			685					500			
Meals & Entertainment		500			500					5,000			
Contingency		5,000			5,000								
Total Office & Related	27,500	13,855	25,000		25,000	13,855	28,000		28,000	13,855	28,000		28,500
9 Municipal Taxes Paid													
10 Carbon tax		31,421			31,421					31,421			
11 BC Levies		4,605			4,735					4,712			
Total Other		36,026			36,156					36,134			
Restructuring costs (trustee and legal)		80,000			210,000					70,000			
Total outflows	59,000	498,119	56,500		56,500	599,229	57,667		57,667	516,173	57,667		60,000
Closing Balance	\$ 2,410,955	\$ 1,914,636	\$ 1,858,136	\$ 1,858,136	\$ 1,801,636	\$ 1,729,483	\$ 1,671,816	\$ 1,671,816	\$ 1,614,149	\$ 1,555,187	\$ 1,597,520	\$ 1,597,520	\$ 1,597,520

Purpose:

The Statement of Projected Cash Flow has been prepared by the Company's management pursuant to Section 50.4(2) of the Bankruptcy and Insolvency Act (the "BIA"). It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes.

In addition, the Statement of Projected Cash Flow has been prepared based on assumptions regarding future events, therefore actual results may vary from the estimates presented herein and these variances may be material.

GE E&R Canada Inc.  
  
Per: Jung Ho Park  
Managing Director

### General Notes & Assumptions

Amounts are represented in Canadian dollars

### Specific Notes & Assumptions

- 1 Revenue : Condensate and Gas sales
- 2 Payment by Bell for electricity usage on a Bell installed a tower on a GS E&R property
- 3 Field operators paid biweekly consistent with prior periods.  
Field Operating Costs include: R&M, Chemical, Methanol & Fuel purchase, Safety costs, Camp costs, Meals & Entertainment, Gas Marketing fee, Insurance costs, Communication costs & SCADA software, Travel costs, Road maintenance, meter calibration, corrosion protection inspection, methanol delivery, P&A
- 4 Trucking costs (Condensate, water), water disposal and gas gathering & transportation costs
- 5 Based on mineral and surface lease rental agreements.
- 6 Salary & benefits(CPP, EI, Group insurance, etc) for Calgary office workers
- 7 Legal costs and annual corporate tax filing service fee (once a year)
- 8 Municipal taxes to be paid on closing of any transaction
- 9 Carbon tax is consistent with prior periods
- 10 BC production levy
- 11 Proposal Costs: MNP, Stikeman, Lawson Lundell and Sayer
- 12

GE E&R Canada Inc.



Per: Jung Ho Park  
Managing Director

MNP Ltd. in its capacity as Trustee under the Proposal of  
GE E&R Canada Inc., and not in its personal capacity



Per: Victor P. Kroeger  
Senior Vice President

# **Appendix B**

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District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2719774  
Estate No. 25-2719774

-- FORM 29 --  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of GS E&R Canada Inc., as of the 25th day of June 2021, consisting of a rolling 13 week cash flow projection with documented assumptions, 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 Calgary in the Province of Alberta, this 25th day of June 2021.

MNP Ltd. - Licensed Insolvency Trustee  
Per:



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Victor Kroeger - Licensed Insolvency Trustee  
1500, 640 - 5 Avenue SW  
Calgary AB T2P 3G4  
Phone: (403) 298 8479

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2719774  
Estate No. 25-2719774

- 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)

I, GS E&R Canada Inc., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 25th day of June 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 25th day of June 2021.



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GS E&R Canada Inc.  
Debtor



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Name and title of signing officer

