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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, RSC 1985, c C-36, as amended

IN THE MATTER OF THE *BUSINESS CORPORATIONS
ACT*, RSA 2000, c B-9, as amended

AND IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF STRATEGIC
OIL & GAS LTD. and STRATEGIC TRANSMISSION
LTD.

DOCUMENT

SIXTH REPORT OF THE MONITOR
FEBRUARY 14, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

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1. INTRODUCTION AND PURPOSE OF REPORT

1. On April 10, 2019, Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. (together, “**Strategic**” or the “**Company**”) sought and obtained protection under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against Strategic until and including May 6, 2019 (the “**Initial Stay Period**”) and appointed KPMG Inc. as Monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
3. Subsequent to the Initial Stay Period, the Company has obtained the following orders from the Court:
 - a) On May 6, 2019, the Company obtained an order extending the stay of proceedings until and including June 5, 2019, which also authorized and directed the Company to proceed with the First Installment of the KERP;
 - b) On May 9, 2019, the Company obtained an order extending the stay of proceedings until and including September 30, 2019, which also authorized and directed the Company to proceed with the outlined sale and investment solicitation process (the “**SISP**”);
 - c) On September 20, 2019, the Company obtained an order extending the stay of proceedings until and including November 29, 2019;
 - d) On October 11, 2019, the Company obtained an order extending the stay of proceedings until and including December 31, 2019, which also approved the Amended KERP and Claims Procedure; and
 - e) On December 3, 2019, the Company obtained an order (the “**Fifth Stay Extension Order**”) extending the stay of proceedings until and including January 31, 2020.
4. On January 28, 2020, GMT Capital Corp. (“**GMT**”) made an application to lift the stay of proceedings *nunc pro tunc* to the day of filing of the application and appoint KPMG Inc. as the receiver and manager of the Company and the Company’s properties, assets and undertakings located in Alberta.

Concurrently, a separate receiver was appointed over the properties, assets and undertakings of the Company situated in the Northwest Territories.

5. Further background on the CCAA Proceedings, including a summary of the activities of the Company and the Monitor since the granting of the Initial Order was previously provided in the Monitor's first report dated April 29, 2019 (the "**First Report**"), the Monitor's first supplemental report dated May 3, 2019 (the "**First Supplemental Report**"), the Monitor's second supplemental report dated May 9, 2019 (the "**Second Supplemental Report**"), the Monitor's second report dated September 11, 2019 (the "**Second Report**"), the Monitor's third report dated October 4, 2019 (the "**Third Report**"), the Monitor's fourth report dated November 27, 2019 (the "**Fourth Report**"), and the Monitor's fifth report dated January 22, 2020 (the "**Fifth Report**").
6. This is the Monitor's sixth report (the "**Sixth Report**" or this "**Report**") to the Court and should be read in conjunction with the First Report, the First Supplemental Report, the Second Supplemental Report, the Second Report, the Third Report, the Fourth Report, and the Fifth Report. The Sixth Report has been prepared and filed to advise the Court and provide the Monitor's summary and comments with respect to:
 - a) The details of the Monitor and the Monitor's counsel's activities, conduct, fees and disbursements from April 10, 2019 until January 28, 2020;
 - b) The discharge of KPMG Inc. as the Monitor of Strategic; and
 - c) The Monitor's recommendations.
7. Further background and information regarding the Company and these CCAA Proceedings can be found on the Monitor's website at <https://www.kpmg.com/ca/strategic> (the "**Monitor's Website**").
8. In preparing this Sixth Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, Company records, Company prepared financial information and projections, discussions with management (the "**Management**") and employees, and information from other third-party sources (collectively, the "**Information**").
9. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The 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 Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Handbook* and accordingly the Monitor expresses no opinion or other form of assurance in respect of the Information.

10. Some of the information referred to in this Sixth Report consists of forecasts and projections, which were prepared based on Management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
11. The information contained in this Sixth Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with or in respect of the Company.
12. Capitalized terms not otherwise defined herein are as defined in the Company's application materials, including the First Affidavit of Remi Anthony (Tony) Berthelet sworn April 9, 2019 (the "**First Berthelet Affidavit**"), the Second Affidavit of Remi Anthony (Tony) Berthelet (the "**Second Berthelet Affidavit**") sworn April 29, 2019, the Third Affidavit of Remi Anthony (Tony) Berthelet (the "**Third Berthelet Affidavit**") sworn September 11, 2019, the First Affidavit of Amanda Reitenbach (the "**First Reitenbach Affidavit**") sworn October 4, 2019, the Second Affidavit of Amanda Reitenbach (the "**Second Reitenbach Affidavit**") sworn November 27, 2019, and the Third Affidavit of Amanda Reitenbach (the "**Third Reitenbach Affidavit**") sworn January 22, 2020. The Sixth Report should be read in conjunction with the First Report, the First Supplemental Report, the Second Supplemental Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the First, Second, and Third Berthelet Affidavits and the First, Second, and Third Reitenbach Affidavits as certain information has not been included herein to avoid unnecessary duplication.
13. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. FEES AND DISBURSEMENTS OF THE MONITOR AND ITS COUNSEL

14. At the February 27, 2020 hearing, the Monitor will be seeking approval of the activities, conduct, fees and disbursements of both the Monitor and the SISP Advisor, and those of their counsel, for the CCAA Proceedings. Copies of the invoices described therein, including detailed time analysis, will be made available to the Court at the February 27, 2020 hearing if requested.
15. The Company has taken no issue with the fees or disbursements of the Monitor and its legal counsel throughout the course of these CCAA Proceedings, and has been apprised of and to some extent (as indicated), involved with the Monitor's activities throughout.

General Monitor Activities

16. The Monitor's fees and disbursements and those of its counsel (the "**Monitor Professional Fees**") in relation to its activities in the CCAA Proceedings from April 10, 2019 to January 28, 2020 are summarized in the table below:

Summary of General Monitor Activities			
Service Period	Fees and Disbursements	GST (5%)	Total Amount
KPMG Inc.			
April 10 - April 18, 2019	36,530	1,826	38,356
April 19 - April 30, 2019	43,849	2,192	46,041
May 1 - May 10, 2019	48,605	2,430	51,035
May 11 - May 31, 2019	83,059	4,153	87,212
June 1 - June 30, 2019	20,148	1,007	21,156
July 1 - July 31, 2019	29,789	1,489	31,278
August 1 - August 31, 2019	47,767	2,388	50,155
September 1 - September 30, 2019	43,624	2,181	45,805
October 1 - October 31, 2019	62,135	3,107	65,242
November 1 - November 30, 2019	47,540	2,377	49,917
December 1 - December 31, 2019	27,076	1,354	28,429
January 1 - January 17, 2020	26,322	1,316	27,638
January 18 - January 28, 2020	46,138	2,307	48,445
Total KPMG Inc.	562,580	28,129	590,709
Torys LLP¹			
April 19 - April 30, 2019	19,705	985	20,690
June 1 - June 30, 2019	15,936	797	16,733
July 1 - July 31, 2019	7,737	387	8,124
August 1 - August 31, 2019	793	40	832
September 1 - September 30, 2019	30,548	1,527	32,075
October 1 - October 31, 2019	26,297	1,315	27,612
November 1 - November 30, 2019	19,756	988	20,743
December 1 - December 31, 2019	9,784	489	10,273
January 1 - January 17, 2020	9,931	497	10,428
January 18 - January 28, 2020	23,728	1,186	24,915
Total Torys LLP	164,215	8,211	172,426
Total Monitor Professional Fees	726,796	36,340	763,135
<i>(1) The service period reference is for the period it was charged as a disbursement on KPMG's invoice.</i>			

17. The Monitor Professional Fees total \$726,796 exclusive of GST. This comprises Monitor's professional fees of \$562,580 and Monitor's counsel's professional fees of \$164,215, respectively.
18. The Monitor and its counsel have incurred these professional fees over a period of approximately ten months, and were incurred in undertaking, *inter alia*, the following activities during the CCAA Proceedings:
- a) Published notices in the *National Post* and *Calgary Herald* containing the information prescribed by the CCAA, pursuant to the Initial Order;
 - b) Made the Initial Order publicly available by posting it on the Monitor's Website within five business days of the Initial Order;

- c) Prepared a list of known creditors and the estimated amounts of their claims, and made such list publicly available on the Monitor's Website;
- d) Sent, in the prescribed manner, a notice to all known creditors who have a claim against the Company of more than \$1,000 (the "**Notice to Creditors**") advising them that the Initial Order was publicly available on the Monitor's Website, and the Monitor also posted a copy of the Notice to Creditors on the Monitor's Website.
- e) Ongoing review and discussion with the Company and its advisors in respect of all aspects of the CCAA Proceedings from the date of the granting of the Initial Order;
- f) Attended various meetings with the Company related to cash flow forecasting including in-depth analysis of the operating and capital expenditures;
- g) Dealt with inquiries from various of the Company's creditors and other stakeholders with respect to matters pertaining to the CCAA Proceedings and the SISP;
- h) Provided support for the SISP, including *inter alia*:
 - i. Reviewed SISP materials and provided comments therein;
 - ii. Met with interested parties involved with the SISP, as required; and
 - iii. Assisted in review of the results of the SISP;
- i) Reviewed and approved the release of payment to applicable Company employees upon the achievement of milestones for the Key Employee Retention Plan ("**KERP**");
- j) Completed a review of the amendments to the KERP (the "**Amended KERP**") which included adjustments to the employee retention compensation structure and timeline;
- k) Completed a weekly review of the Company's cash flow statement and discussed with Strategic any material variances within the various reporting periods;
- l) Attended numerous meetings with Management, Alberta Energy Regulator ("**AER**"), Government of the Northwest Territories ("**GNWT**"), Office of the Regulator of Oil and Gas Operations ("**OROGO**"), creditors and other stakeholders regarding the CCAA Proceedings;

- m) Reviewed various iterations of a plan of compromise and arrangement prepared by the Company and provided comments therein;
- n) Assisted the Company and its counsel with finalizing the Claims Process;
- o) Agreed on the structure, timeline, and procedures of the Meeting Order in respect of which the application materials ultimately were withdrawn;
- p) Prepared various payout method models for consideration by the Company and other stakeholders;
- q) Undertook a comprehensive Claims Process which consisted of the following:
 - i. On or about October 16, 2019, with the assistance of the Company, the Monitor sent the Proof of Claim Document Package by ordinary mail and in some circumstances electronic transmission to all known creditors of the Company;
 - ii. Arranged for the publication of the Notice to Affected Creditors on two separate dates prior to October 25, 2019, in each of the *Calgary Herald*, *National Post*, and *Daily Oil Bulletin*;
 - iii. Provided the Company with assistance on reviewing Proofs of Claims for completeness and accuracy of submission, in addition to further guidance on treatment of each claim; and
 - iv. Issued suitable disallowances where required;
- r) Assisted in the preparation of the Transition Plan and provided guidance to the Company in preparation of the proposed receivership appointment; and
- s) Prepared regular reports to this Honourable Court regarding the CCAA Proceedings including the preparation of the First Report, First Supplemental Report, Second Supplemental Report, Third Report, Fourth Report, Fifth Report, and the Sixth Report.

SISP Assistance

19. The SISP Advisor's fees and disbursements and those of its counsel (the "SISP Professional Fees") in relation to its activities in the CCAA Proceedings from April 10, 2019 to August 31, 2019, are summarized in the table below:

Summary of SISP Assistance			
Service Period	Fees and Disbursements	GST (5%)	Total Amount
KPMG Inc.			
April 10 - April 18, 2019	31,458	1,573	33,031
April 19 - April 30, 2019	46,545	2,327	48,872
May 1 - May 10, 2019	106,211	5,311	111,522
May 11 - May 31, 2019	15,895	795	16,690
June 1 - June 30, 2019	28,569	1,428	29,997
July 1 - July 31, 2019	55,517	2,776	58,293
Total KPMG Inc.	284,195	14,210	298,405
Torys LLP¹			
June 1 - June 30, 2019	21,699	1,085	22,784
July 1 - July 31, 2019	10,936	547	11,483
August 1 - August 31, 2019	9,434	472	9,905
Total Torys LLP	42,069	2,103	44,172
Total SISP Professional Fees	326,264	16,313	342,577

(1) The service period reference is for the period it was charged as a disbursement on KPMG's invoice.

20. The total SISP Professional Fees total \$326,264, exclusive of GST. This comprises Monitor's professional fees of \$284,195 and Monitor's counsel's professional fees of \$42,069, respectively.
21. The SISP Advisor and its counsel have incurred these professional fees completing the following activities:
- a) Generated a comprehensive list of potentially interested parties including strategic buyers operating in similar industries as the Company, and financial institutions including private equity funds;
 - b) Drafted suitable documents including (i) newspaper advertisements, (ii) a detailed and comprehensive teaser, (iii) a standard confidentiality agreement, and (iv) with the assistance of counsel, a pro-forma purchase and sale agreement;
 - c) Contacted 326 potentially interested parties, including prospective US, International, and Canadian buyers;

- d) Populated and maintained a comprehensive data room for interested parties;
 - e) Assisted the Company in numerous management presentations to interested parties and responded to queries and information requests during the CCAA Proceedings;
 - f) Facilitated meetings with AER, GNWT, and OROGO to apprise them of the progress of the SISP;
 - g) With the Company, assisted in negotiations with interested parties in preparation of final bids;
 - h) Generated four bids for the assets; and
 - i) With the Company, ensured stakeholders were provided with the outcome of the SISP.
22. The Monitor is of the view that the professional fees incurred in the CCAA Proceedings over the past ten months have been incurred in a prudent and economical manner, and are fair and reasonable in light of the nature and extent of the work undertaken and the time period elapsed.
23. The Monitor has satisfied all of its duties and obligations pursuant to the CCAA and the orders of the Court in respect of these CCAA Proceedings.

3. CONCLUSION AND RECOMMENDATIONS

24. Based on the Monitor's review of the CCAA Proceedings activities and subject to the Monitor's observations set forth above and in previous reports, the Monitor respectfully recommends that this Honourable Court make:

- a) An order approving the activities, conduct, professional fees and disbursements of the Monitor and its counsel, Torys LLP, during the CCAA Proceedings, as set out in this Report; and
- b) An order discharging KPMG Inc. as the Monitor of Strategic, and confirming that KPMG Inc. shall have no further duties, obligations or responsibilities in its said capacity as Monitor.

This Report is respectfully submitted this 14th day of February, 2020.

KPMG Inc.

**In its capacity as Court-appointed Monitor of
Strategic Oil & Gas Ltd. and Strategic Transmission Ltd.
and not in its personal or corporate capacity.**



Per: Neil Honess
Senior Vice President