COURT FILE NUMBER	**1901-05089**
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	**FIFTH REPORT OF THE MONITOR** **JANUARY 22, 2020**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** KPMG Inc. Suite 3100, Bow Valley Square II 205 - 5th Ave SW Calgary, Alberta T2P 4B9 Neil Honess/Cameron Browning Tel: (403) 691-8014/(403) 691-8413 neilhoness@kpmg.ca cbrowning@kpmg.ca **COUNSEL** Torys LLP 525 - 8th Avenue SW 46th Floor - Eighth Avenue Place East Calgary, Alberta T2P 1G1 Kyle Kashuba Tel: (403) 776-3744 kkashuba@torys.com

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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 and 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, and authorized and directed the Company to proceed with the outlined sale and investment solicitation process ("**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 and 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. 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**"), and the Monitor's fourth report dated November 27, 2019 (the "**Fourth Report**").

5. This is the Monitor's fifth report (the "**Fifth 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, and the Fourth Report. The Fifth Report has been prepared and filed to advise this Honourable Court and provide the Monitor's summary and comments with respect to:

   a) The activities of the Company since the Fourth Report;

   b) The activities of the Monitor since the Fourth Report;

   c) Strategic's cash flow statement (the "**Cash Flow Statement**") budget to actual results for the weeks of November 25, 2019 to January 13, 2020 (the "**Reporting Period**") as compared to the cash flow projection filed in the Fourth Report;

   d) The details of the Company's Transition Plan (defined herein); and

   e) The Monitor's recommendations.

6. Further background and information regarding the Company and these CCAA Proceedings can be found on the Monitor's website at https://home.kpmg/ca/strategic (the "**Monitor's Website**").

7. In preparing this Fifth 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**").

8. 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.

9. Some of the information referred to in this Fifth 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.

10. The information contained in this Fifth Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with or in respect of the Company.

11. 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 Fifth Report should be read in conjunction with the First Report, the First Supplemental Report, the Second Supplemental Report, the Second Report, the Third Report and the First, Second, Third Berthelet Affidavits, the First, Second, and Third Reitenbach Affidavits as certain information has not been included herein to avoid unnecessary duplication.

12. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. ACTIVITIES OF THE COMPANY SINCE THE FOURTH REPORT

13. Since the Fourth Report, the activities undertaken by the Company have included:

a) Communicating and consulting with the Monitor on a continual basis with respect to ongoing operations, including operational disbursements, and providing the Monitor with regular cash flow reporting;

b) Maintaining communication with various stakeholders, including GMT Capital Corp. ("**GMT**"), the Alberta Energy Regulator (the "**AER**"), the Government of the Northwest Territories (the "**GNWT**"), and various trade creditors;

c) Continuing to pro-actively engage with the AER and the GNWT regarding matters related to the ongoing operations of the Company;

d) Continuing to conduct environmental and regulatory compliance work in accordance with current regulatory guidelines in both Alberta and Northwest Territories and as detailed more fulsomely in the Third Reitenbach Affidavit. Certain highlights of the Company's activity since the Fourth Report as it relates to environmental and regulatory compliance include:

i. Submitting various compliance reports for operations in Cameron Hills to GNWT;

ii. Submitting abandonment programs to the NWT's Office of the Regulator of Oil and Gas Operations ("**OROGO**") for approval for the planned Q1 2020 program;

iii. Completing the final release report for the AER with respect to a spill that occurred in October 2018, which outlined soil sampling and electro-magnetic survey monitoring work that took place at the location of the spill in September 2019 and confirmed that there is no off-lease contamination;

iv. Communicating with northern communities regarding the planned winter abandonment and suspension program in the Northwest Territories;

v. Initiating construction of ice roads into Cameron Hills and the Jackpot area, respectively, to provide access for planned abandonment work in those areas;

vi. Continuing with ongoing AER Directive 13 inspections and reporting on suspended and shut-in wells; and

vii. Completing submission for and receiving approval from the AER for the 2020 Area Based Closure program;

e) Performing workovers on three wells to maintain production;

f) Completing various procedures related to the Claims Process including:

i. Reviewing all claims received prior to the Claims Bar Date of November 15, 2019 with the assistance of the Monitor and its counsel;

ii. Preparing a comprehensive reconciliation of all claims including a breakdown of secured, unsecured, disputed, and purported lien claims;

iii. Communicating with various creditors regarding their claims and sought amended claims for those that were erroneous; and

iv. Working with the Monitor on reconciling claim balances;

g) On or about January 7, 2020, the Company proposed to the AER a high level plan of compromise and arrangement to exit the CCAA Proceedings, in substantially the form attached as **Appendix "A"** (the "**January 2020 Plan**"). The January 2020 Plan is summarized below:

i. The Company would transfer assets located in the Northwest Territories (the "**NWT**") at Cameron Hills (the "**NWT Assets**") to a special purpose vehicle (the "**SPV**"). The Company would administer the SPV for eighteen months (the "**Administration Period**") and during Administration Period it would commit $1.5 million to the SPV for reclamation programs and would attempt to identify a purchaser acceptable to the GNWT. If such a purchaser would not be located, at the end of Administration Period, the GNWT or its designate would take control of the SPV (as a whole, the "**NWT Transaction**");

ii. The Company would transfer all of its assets, excluding those located in the Marlowe location (the "**Alberta Assets**"), to the Orphan Well Association (the "**OWA**") and make a payment of $5 million to the OWA in respect of the Alberta Assets (as a whole, the "**Alberta Transaction**");

iii. All existing deposits would remain in place as additional security for the NWT Assets and the Alberta Assets, respectively;

iv. The January 2020 Plan would also:

a) Provide funds to compromise amounts owing to trade creditors (estimated to be $10.6 million) at approximately $0.10 on the dollar;

b) Consolidate all equity in GMT (or its nominee);

c) Release and discharge all claims against Strategic, GMT, and their respective directors and officers; and

d) Facilitate financial assistance for Strategic upon its emergence in the form of first priority financing from GMT (or its nominee), and directors & officers insurance from a third party insurer.

14. On January 13, 2020, the AER notified Strategic that they could not support the January 2020 Plan.

15. On or about January 10, 2020, the Company provided GNWT with the January 2020 Plan. As of the date of this Fifth Report, GNWT has not commented on the January 2020 Plan.

16. Accordingly, the Monitor understands that on January 14, 2020, the Company advised the OWA that it had exhausted its restructuring efforts and wished to work with the OWA to ensure an orderly transition of assets. Further, the Monitor understands that the Company resolved by way of Board resolutions to commence the orderly wind up of operations, including but not limited to facilitating the appointment of a receiver and manager over its assets undertakings and properties, located in Alberta and the NWT.

17. Subsequently, the Monitor understands that on January 20, 2020, the Company advised the AER and the GNWT of its intention to transition to a court-appointed receivership.

3. ACTIVITIES OF THE MONITOR SINCE THE FOURTH REPORT

18. Since the Fourth Report, the Monitor has:

a) Undertaken a weekly review of the Company’s Cash Flow Statement and discussed any material variances with the Company and their counsel, within the Reporting Period;

b) Conducted reviews of the Company’s cash flow projections, which included discussions with Management, as well as analysis of reasonableness of the Company’s assumptions;

c) Dealt with inquiries from various of the Company’s creditors and other stakeholders with respect to matters pertaining to the CCAA Proceedings;

d) Assisted the Company with the Claims Process by review of claims, weekly meetings regarding claim matters, and communication with various creditors;

e) Issued several Notices of Revision and Disallowance for certain creditor claims that required additional clarity in order to address discrepancies between the Company’s records and those of various creditors;

f) Reviewed the January 2020 Plan and provided comments on the structure and the viability of the same;

g) Provided support and guidance for the Company’s Transition Plan (defined herein);

h) Discussed with the Company various operational matters in preparation of the Transition Plan (defined herein);

i) Provided general assistance and information to the Company on matters related to the potential receivership appointment;

j) Assisted the Company with planning considerations for a potential receivership;

k) Consulted with its legal counsel with respect to the above, and with respect to ongoing issues arising in the course of the Company’s CCAA Proceedings; and

l) Prepared this Fifth Report.

4. NEXT STEPS

19. Pursuant to the AER's confirmation that it could not support the January 2020 Plan and given the pending expiration of the Fifth Stay Extension Order, the Company determined that it had no further options with respect to a restructuring within the CCAA Proceedings.

20. The Monitor understands that the Company indicated to the AER that it believed that its next step was a cessation of the CCAA Proceedings and a transition to a court-appointed receivership.

21. The Monitor further understands that the Company also informed both the AER and the GNWT/OROGO that it intended to defer previously scheduled suspension and abandonment work in respect of both certain NWT Assets and certain Alberta Assets as:

    a) All of the Company's assets scheduled for abandonment work are currently in a safe situation and the Company believes that if it initiates any abandonment work then any such work might prejudice the safety of these assets;

    b) The Company has limited resources given its current insolvency and, if an asset becomes unsafe as a result of the initiation of any abandonment work, Strategic may lack the resources to remediate the issue and return any such assets to a safe state;

    c) Strategic does not believe it should spend its limited resources in either Alberta or the NWT given the potential for disagreements between the AER and the GNWT/OROGO as to the jurisdiction in which such funds should be spent;

    d) Vendors and suppliers might be unpaid given Strategic's limited resources and current situation;

    e) Current weather conditions in the Cameron Hills area in the first half of January could make it difficult to conduct operations safely; and

    f) The Company believes it should retain significant contingency funds to ensure that any issues that it may suddenly face in respect of the safety of its operations can be dealt with effectively.

22. On or about January 20, 2020, the AER issued order AD 2020-004 (the "**AER Transition Order**"). The AER Transition Order is attached as **Appendix "B"** and orders the Company to post a security deposit no later than January 27, 2020 in the amount of approximately $48.7 million.

23. The Company is unable to comply with the terms of the AER Transition Order.

24. The Monitor understands that the issuance of the AER Transition Order is a necessary prerequisite to the involvement of the OWA and an orderly transition into receivership.

25. Based on its understanding of the current position, the Monitor believes that there is currently no prospect of a restructuring within the CCAA Proceedings and that a transition to a court-appointed receivership is likely.

26. As a result of the above, and to ensure the safety of the Company's assets and as smooth a transition out of the CCAA Proceedings as possible, the Company, with the assistance of its counsel and the Monitor, has prepared a detailed plan to assist in managing the transition from the CCAA Proceedings into a potential court appointed receivership (the "**Transition Plan**"). A full version of the Transition Plan is attached as **Appendix "C"** and has been drafted to focus on the following matters:

    a) Maintaining the safety of all wells, pipelines, and facilities;

    b) Ensuring that any required maintenance of ongoing operations is scheduled and undertaken, subordinate only to any concerns regarding subparagraph (a) above; and

    c) Ensuring the retention of current employees as well as key consultants, operatives, suppliers and subcontractors to allow actions required to be undertaken pursuant to subparagraphs (a) and (b) above.

Safety

27. As at the date of this Report, all wells, pipelines, and facilities are in a safe state. Further, Strategic intends to maintain a significant contingency of working capital available during the receivership to maintain this state and deal with any matters that arise in this respect.

28. The Company has prepared a comprehensive maintenance schedule to ensure that the ongoing production is safe and the operations continue to generate cash flow.

Operations

29. Strategic's employees have exhaustive knowledge of the current operations and will most likely be retained in any receivership process as far as possible to ensure operations are maintained safely and efficiently.

30. Over the past years, the Company has made a series of staff reductions. As a result, the remaining Company staff are the minimum required for the Company's ongoing operations.

31. Strategic has certain contractors that are critical to the Company's operations and that must continue to provide services to ensure the safety, maintenance and ongoing production. Accordingly, to ensure a smooth transition, the Company intends to undertake the following:

    a) All suppliers will be contacted prior to any receivership appointment to ensure continuation of services without interruption; and

    b) The Company intends to prepay certain contractors for up to two weeks of services, depending on the contractor and the service being provided.

32. Pursuant to the requirement to maintain ongoing operations, any suppliers who have outstanding amounts as yet unpaid that relate to services or supplies provided to the Company during the CCAA Proceedings are to be paid in full as and when these amounts fall due. It is anticipated that a number of these payments will be made after the cessation of the CCAA Proceedings and therefore in the receivership period. This is essential to continuing ongoing operations and maintaining the Company's assets in a safe and consistent manner.

33. Strategic's property insurance coverage is due to expire on January 31, 2020 and will be renewed prior to the expiration of the CCAA Proceedings for a further twelve months. Additionally, the Company's liability insurance was extended for 30 days to February 16, 2020 and will be renewed prior to its expiration. Directors' and officers' insurance expires on January 31, 2020 and will not be renewed given the pending appointment.

5. CASH BUDGET TO ACTUAL RESULTS

34. The table below provides a summary of the Company's budget to actual results for the Reporting Period. An unconsolidated version is attached to this report in **Appendix "D"**.

STRATEGIC OIL & GAS LTD. and STRATEGIC TRANSMISSION LTD.			
Comparison of Budget to Actual Results for the Weeks of November 25, 2019 to January 13, 2020			
Unaudited ($100's CAD)	**Forecast**	**Actual**	**Variance**
Cash Receipts			
Production revenue, net of oil royalties and transportation	2,818	2,998	180
Other receipts	80	440	360
Total Cash Receipts	**2,898**	**3,438**	**540**
Cash Disbursements			
Royalties	22	-	(22)
Property taxes	220	236	16
Operating, capital, and regulatory expenditures	1,928	2,087	159
Payroll	422	414	(8)
General & administrative costs	169	161	(8)
Interest and taxes	450	450	0
Contingency	800	-	(800)
Total Cash Disbursements	**4,011**	**3,348**	**(663)**
Cash Flow From Operations	(1,113)	90	1,203
Restructuring Fees	-	294	294
Net Change in Cash	(1,113)	(204)	909
Opening Cash	5,302	5,302	-
Ending Cash	**4,192**	**5,098**	**906**

35. In summary, the Company's cash flow shows the following:

a) Production revenue for the Reporting Period is slightly higher than budgeted as a result of better than expected production volumes and commodity prices;

b) Other receipts relate to joint venture collections and other miscellaneous receipts including $400,000 from the Alberta government for a 2019 scientific research and experimental development claim;

c) Cash disbursements variances are immaterial; and

d) Restructuring fees variances are timing variances in the Reporting Period.

36. The variances occurring during the Reporting Period are not expected to have a material impact on the liquidity of the Company.

6. CONCLUSION AND RECOMMENDATIONS

37. Based on the Monitor's review of the CCAA Proceedings activities and subject to the Monitor's observations set forth above, the Monitor respectfully recommends that this Honourable Court make an order approving the activities of the Monitor and its counsel, Torys LLP, during the CCAA Proceedings, as set out in this Report.

This Report is respectfully submitted this 22nd day of January, 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

APPENDIX "A"

JANUARY 2020 PLAN

CCAA Plan

Over the year-end hiatus Strategic has had an opportunity to consider its position. No alternatives offer a complete solution for any of Strategic's stakeholders but Strategic does believe that the following plan is superior to a wind-down scenario. Accordingly, we would like to meet with each stakeholder with a view towards adopting the plan set forth below.

1. Transfer NWT Assets to a special purpose vehicle subject to the following terms and conditions:

    (a) Strategic would administer the SPV for 1.5 years,

    (b) Strategic would commit $1.5 million (inclusive of any work executed in Q1 2020) to the SPV for reclamation programs over the 1.5 year period,

    (c) efforts would continue to sell the SPV to a purchaser acceptable to OROGO,

    (d) at the end of 1.5 years OROGO or its designate would take control of the SPV unless arrangements made between Strategic and OROGO to do otherwise.

    (collectively, the "**NWT Transaction**").

2. Transfer all Alberta Assets (other than Marlowe) (the "**Alberta Assets**") to the Orphan Well Association for payments by Strategic of $5 million, to be paid $4 million on emergence and $1 million on the first anniversary of emergence (the "**Alberta Transaction**").

3. All existing deposits and letters of credit would remain as additional security for the NWT Assets and the Alberta Assets, respectively.

4. In addition to endorsing the NWT Transaction and the Alberta Transaction, a CCAA Plan would need to receive the approval of the creditors and the court (the "**CCAA Plan**") which would:

    (a) compromise trade creditors (estimated to be $10.6 million) at approximately $0.10 on the dollar (in accordance with the existing plan);

    (b) consolidate all equity in GMT Capital (or its nominee);

    (c) release and discharge all claims against Strategic, GMT Capital, and their respective directors and officers, including:

        (i) claims for abandonment and reclamation for all undertaking, property and assets of Strategic (including any historical claims against Marlowe),

        (ii) all Orders issued by regulatory bodies, and

        (iii) claims considered "Equity Claims" as contemplated under the existing Plan.

    (d) facilitate financial assistance for Strategic upon its emergence in the form of:

(i) first priority financing from GMT Capital (or its nominee) as outlined in the existing plan, and

(ii) D&O insurance from a third party insurer, all in form and substance satisfactory to Strategic and its D&Os.

5. If the CCAA Plan as outlined above (or otherwise as may be acceptable to the parties) is not approved by OROGO, AER, OWA, Strategic's creditors and the court, Strategic will have exhausted all avenues of restructuring with minimal resources to continue as a going concern. In that regard it is contemplated that, given the lack of interest in Strategic's assets in the sales process that was conducted, Strategic would bring an application to wind up its CCAA proceedings in an orderly fashion.

APPENDIX “B”

AER TRANSITION ORDER

Order AD 2020-004

MADE at the City of Calgary, in the Province of Alberta, on **January 20, 2020**	ALBERTA ENERGY REGULATOR

Under section 1.100 of the *Oil and Gas Conservation Rules*

Strategic Oil & Gas Ltd. (A524)
1500, 850 – 2 Street SW
Calgary, AB T2P 0R8

("Strategic" or "the Licensee")

WHEREAS the Licensee is the holder of Alberta Energy Regulator (AER) well, facility and pipeline licences (collectively, the Strategic Licences);

WHEREAS on April 10, 2019, the Licensee filed for a stay of proceedings under the *Companies' Creditors Arrangement Act*, and KPMG Inc. was appointed as Monitor;

WHEREAS the stay of proceedings was extended, pursuant to Orders granted May 6, 2019, May 9, 2019, September 20, 2019, October 11, 2019 and December 4, 2019. The stay period remains in place until, and including, January 31, 2020;

WHEREAS the Licensee has submitted proposals to the AER to continue its operations;

WHEREAS the AER advised the Licensee that the proposals submitted did not fully address the Licensee's end of life obligations, specifically the abandonment and reclamation of the Strategic Licences;

WHEREAS on January 7, 2020, the Licensee advised it was unable to continue standard operations given its financial situation, and that receivership was likely to occur;

WHEREAS on January 20, 2020, the Licensee advised the AER of its intent to transition its operations into receivership proceedings (the Receivership Transition) on, or before, January 31, 2020;

WHEREAS the Licensee remains responsible for the closure of the Strategic Licences, including abandonment and reclamation;

WHEREAS the Licensee has been working proactively with the AER and has confirmed its intent to continue to provide care and custody, including emergency response, until a Receivership Transition occurs;

WHEREAS the Licensee has cooperated with the AER in generally complying with regulatory requirements to date;

WHEREAS while the Receivership Transition is expected to occur imminently, the AER has concerns about the Licensee's ability to meet its end of life obligations, specifically abandonment, and reclamation, for the Strategic Licences;

WHEREAS the AER may require a licensee to provide a security deposit at any time where the AER considers it appropriate to do so to be applied against the estimated costs of suspending, abandoning or reclaiming a well, facility, well site or facility site;

WHEREAS the estimated cost to abandon and reclaim the Licensee's deemed liabilities is $48,702,033.00, as determined by AER *Directive 011: Licensee Liability Rating (LLR) Program: Updated Industry Parameters and Liability Costs*;

WHEREAS Trevor Gosselin, Director, Licensee Management, has been appointed a Director for the purposes of issuing orders under section 1.100 of the *Oil and Gas Conservation Rules* (the Director);

THEREFORE, I, Trevor Gosselin, under section 1.100 of the *Oil and Gas Conservation Rules*, DO HEREBY ORDER the following:

1. The Licensee must post a security deposit, by no later than **January 27, 2020,** to be applied against the estimated cost to abandon and reclaim the Licensee's deemed liabilities, in the amount of $48,702,033.00.

Dated at the City of Calgary in the Province of Alberta, the 20th of January 2020.

Trevor Gosselin
Director, Licensee Management

In complying with this order, the Licensee must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *Oil and Gas Conservation Rules* or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliances from occurring.

Under the *Responsible Energy Development Act* (*REDA*), an eligible person may request an appeal of decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *REDA* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

APPENDIX "C"

TRANSITION PLAN

Strategic Oil & Gas Ltd. ("Strategic" or the "Company")

Draft Transition Plan – CCAA to Receivership

1.0 Overview

Given the inability to develop a plan that is satisfactory to all stakeholders in the restructuring proceedings of Strategic, the Company through its directors and officers believe the most likely and appropriate next step is a receivership. Accordingly, Strategic has been working on a Draft Transition Plan to allow the Company to move from CCAA to Receivership as smoothly as possible and with the least impact on its ongoing operations. Strategic is focused on ensuring the ongoing safety of its wells, pipelines and facilities moving forward.

Strategic has worked closely with its counsel, Dentons Canada LLP, and the CCAA Court-appointed Monitor, KPMG Inc., (the "**Monitor**") to outline the key transition steps required. Strategic has worked with the Monitor in transition matters on the assumption that the Monitor after the discharge of the CCAA process will be appointed as the court-appointed Receiver; notwithstanding this, this Draft Transition Plan will be valid and valuable irrespective of the identity of the Receiver although the Company believes that this transition will be quicker, more efficient, more cost effective and in the final analysis more successful if the Monitor becomes the Receiver given the level of knowledge the Monitor currently has of the Company and its operations and the successful working relationship developed between the Monitor and the Company, its directors and employees.

Strategic has during the course of the CCAA proceedings maintained close contact with the Monitor and kept the Monitor fully informed of all matters including, but not limited to:

1. Ongoing operations;
2. Cash flow matters;
3. Safety issues as they arise;
4. Compliance and abandonment matters; and
5. Ongoing communications with regulators.

In developing this Draft Transition Plan, Strategic has focused on three areas:

1. Maintaining the safety of all wells, pipelines and facilities;
2. Ensuring that any required maintenance of ongoing operations is scheduled and undertaken, subordinate only to any concerns regarding (1); and
3. Ensuring the retention of current employees as well as key consultants, operatives, suppliers and subcontractors to allow actions required in (1) and (2) above to be carried out.

Strategic believes that adopting the above general position should allow for continuity of all ongoing operations to allow any transition, and the receivership handover and process, to be swift and seamless.

2.0 General Operations

A general overview of Strategic's operations is summarized as follows:

1. Strategic's operations are focused on oil and gas development in northern Alberta. December 2019 total oil & gas production for Strategic was 1,072 boe/d. 100% of the Company's production is from the Marlowe field.
2. Strategic maintains control over its resource base through high working interest ownership in wells, construction and operation of its own processing facilities and a significant undeveloped land and opportunity base. Strategic owns and operates a number of different oil and gas properties in Alberta and the Northwest Territories (NWT), all of which are described in more detail below.

2.1 Alberta Operations

2.1.1 Prospects

Strategic's Alberta assets are primarily located in northwestern Alberta, and include the Bark, Bistcho, Cameron Hills (Alberta), Dizzy, Jackpot, Larne, Lessard, Marlowe, Ratz, Tate and Zama North prospects. Strategic is the operator in this area with 95.90% working interest in the acreage. Strategic's core producing field includes the Marlowe and Dizzy prospects and is located approximately 100 km north of the town of High Level, Alberta.

2.1.2 Light Oil

The field currently produces light oil from the Slave Point, Muskeg Stack and Keg River zones.

2.1.3 Gas Fields

Gas is produced from the Slave Point, Sulphur Point, Muskeg Stack and Keg River zones.

2.1.4 Facilities

Strategic is the 100% owner and operator of 2 sour gas plants and 2 oil batteries. These facilities provide Strategic with ample capacity to process fluids, water and raw natural gas from its fields.

All production is pipelined to 100% Strategic-owned processing facilities that include a sour service natural gas plant rated to 40 MMcf/d and fluid handling and treating facilities for oil production.

2.1.5 Pipelines

Strategic is also the 100% owner and operator of 500+ km of pipeline infrastructure. Processing facilities are tied into an extensive gathering system that carries products from pipeline-connected wells to facilities for processing.

Gas sales are directly tied into the NOVA pipeline system at the plant gate and processed gas is directly connected to TransCanada's NGTL system. Produced water and acid gas are both disposed of into a water disposal scheme and an acid gas injection scheme.

Oil sales are connected to the Rainbow pipeline system via a Company-owned oil sales pipeline completed in March 2014.

Processed light oil is pipeline-connected to sales points via 100+ km of Strategic owned and operated sales pipeline. Processed light oil can alternatively reach sales destinations via truck.

2.1.6 Roads

Strategic owns, operates, and maintains 50+ km of high-grade roads that provide all season access to its facilities, pipeline connections, and well sites. Roads are maintained year-round.

2.2 NWT Operations

The Cameron Hills assets are located in the southwestern part of the NWT, near the Alberta border. Strategic has an average 86% working interest in and operatorship of the Cameron Hills assets which have not been operating since 2015. Cameron Hills is pipeline connected via an interprovincial pipeline to the Bistcho 06-32-122-02W6 Plant in Alberta.

3.0 Transition Matters

3.1 Safety

Currently all wells, pipelines and facilities are in a safe state. Strategic intends to maintain a significant contingency of working capital available to it during the assumed limited receivership period to deal with any matters that arise to maintain this position. Specifically, we note the following:

1. The Cameron Hills I-73 well is deemed to be in a safe state currently. The Office of the Regulator of Oil and Gas Operations (OROGO) was notified of the surface casing vent flow on September 4, 2019 and correspondence regarding the I-73 well has been ongoing. In October 2019, with OROGO's approval, an AMGAS scrubber was installed to sweeten the sour surface casing vent flow to mitigate any risk to the public or environment. Monthly checks are performed on this well by Strategic's field operations staff to ensure a continued safe state. It is important to note that the AMGAS scrubber requires routine maintenance as the H_2S scrubbing (liquid) scavenger has a limited life (approximately one year for the H_2S percentage and flow rate measured) and must be changed out at the end of its life to keep the vent gas sweet. OROGO has directed the vent flow be repaired by April 1st, 2020 so that no gas flows from the surface casing vent.
2. The Bistcho 100/03-32-122-02W6 well is a downhole suspended acid gas injection well that has perforations that were previously cement-squeezed off (located above the tubing plug/packer assembly) that appear to be leaking. Integrity of the tubing plug/packer seal is currently intact as evidenced by the fact that there is no sour gas on the tubing or production casing and is therefore considered to be in a safe state. The well will be visited quarterly to verify pressures and ensure the well remains in a safe state. Although Strategic considers the well to be in a safe state, it is important to note that with the leaking perforations above the packer, the well cannot pass the required annual 7,000 kPa pressure test required by the Alberta Energy Regulator (AER). It is Strategic's opinion that it will be more cost effective to abandon the well than to attempt to repair the leaking perforations. The issue was self-disclosed to the AER on January 15, 2020. The AER may very likely direct Strategic to either repair the leaking perforations or abandon the well.

3.2 Abandonment and Suspension Matters

Strategic intends to defer previously scheduled suspension and abandonment work in the following matters:

3.2.1 Cameron Hills

A program to address points #1 and #2 of the OROGO Order dated October 4, 2019 was prepared with execution planned for Q1 2020 to meet the April 1, 2020 deadline. The program included the following key activities:

1. Construction of the Cameron Hills ice road to the H-03 Camp and Battery and construction of ice roads to the I-73, A-03 and J-62 wells. Construction activity on the Cameron Hills ice road was initiated in December 2019. By December 15, 2019, pick up access to the H-03 Camp, and the A-03, J-62 and I-73 wells was achieved;
2. Reactivation of the H-03 Camp;
3. I-73 Remediation of the surface casing vent flow and zonal abandonment. Remediation and zonal abandonment programs were submitted to and approved by OROGO;
4. A-03 Zonal abandonment. The zonal abandonment program was submitted to and approved by OROGO; and
5. J-62 Zonal abandonment. The zonal abandonment program was submitted to and approved by OROGO.

The I-73 surface casing vent flow remediation and the zonal abandonments of all three wells are required by April 1, 2020.

3.2.2 Alberta Inactive Well Compliance Program (IWCP)

The following wells require abandonment under the AER's Inactive Well Compliance Program:

1. Jackpot 100/07-25-124-20W5 well abandonment (winter access) – Construction of ice road access to the Jackpot area and the 07-25 well was initiated in December 2019 with pick up access achieved. An application for the non-routine zonal abandonment of the 07-25 well was made to the AER Well Operations Group and approved on December 17, 2019;
2. North Bistcho 100/07-35-123-02W6 well abandonment (winter access);
3. North Bistcho 100/07-32-123-01W6 well abandonment (winter access);
4. Marlowe 100/09-21-122-22W5 well abandonment (winter access);
5. Marlowe 102/16-29-122-21W5 well abandonment (winter access); and
6. Conrad 100/07-05-006-15W4 well abandonment – Abandonment work to be completed in conjunction with the Area Based Closure program planned for Conrad in Q3 2020.

3.2.3 Area Based Closure (ABC) Program

Strategic participated in the ABC Program in 2019 and completed abandonment work for the required spend amount in the Ratz area. Submission was made to the AER for the 2020 ABC program with a focus in Conrad. Approval for the program was granted on December 5, 2019. Strategic was actively planning for the abandonment of the following eight (8) wells in Conrad in Q3 2020 (in addition to 100/07-05-006-15W4 noted above):

1. Conrad 100/04-26-006-15W4/0
2. Conrad 102/06-23-006-15W4/2
3. Conrad 100/08-22-006-15W4/0

4. Conrad 100/06-26-006-15W4/0
5. Conrad 100/14-23-006-15W4/0
6. Conrad 100/11-23-006-15W4/0
7. Conrad 100/16-22-006-15W4/0
8. Conrad 100/14-34-006-15W4/0

3.2.4 Pipeline Discontinuations

As part of its planned Q1 2020 abandonment and suspension program, Strategic intended to discontinue the following pipelines:

1. Lessard pipeline discontinuations of 3 licenses; and
2. Bistcho pipeline discontinuation of main sales oil line from Bistcho 06-32 Plant to 16-09. This work was attempted in Q1 2019 as part of a broader program to discontinue all of the pipelines in the Bistcho and Larne areas, however Strategic was unable to complete the work on this segment of pipeline due to rapidly deteriorating conditions of the winter access roads that prevented safe travel and access to complete the work.

3.2.5 Other Abandonments

Additional abandonment work currently being planned by Strategic includes:

1. Bistcho 100/03-32-122-02W6 well abandonment (winter access).

3.2.6 Deferral of Q1 2020 Abandonment and Suspension Program

Strategic believes that in the present circumstances, deferring the Q1 2020 abandonment and suspension work detailed above was necessary for the following reasons:

1. All the Company's assets are currently in a safe situation; beginning any abandonment work may necessitate the assets being removed from this safe state;
2. The Company has limited resources given its current insolvency and if an asset becomes unsafe as a result of abandonment work commencing, Strategic may not have the resources to remediate the issue effectively;
3. Strategic can envisage arguments as to the appropriate abandonment work to be carried out as to between Alberta or Northwest Territories assets and believes that it should not unilaterally make such decisions given it's unable to complete all work;
4. Potential that vendors/suppliers could be compromised if Strategic was not able to pre-pay for all services (e.g. in the event a change in the proposed plan necessitates different equipment or services) just before or across the transition;
5. Extremely cold temperatures at Steen River in the first half of January would have made it very difficult to conduct all operations safely to protect workers and equipment; and
6. Contingency of funds needs to be maintained to ensure that if a new issue arose that impacted public safety or the environment, it could be dealt with.

The Government of the Northwest Territories (GNWT) was informed of the delay of the work on January 7, 2020. On January 10, 2020, Strategic conveyed to OROGO that it was being mindful of the work undertaken or not undertaken during the period of uncertainty leading up to the stay extension deadline of January 31, 2020 and that Strategic felt it was the most responsible and safe course of action to defer the work such that Strategic was not starting a project that would have taken the wells out of a safe state that, inf not seen through to its completion, would leave it in an unsafe state.

The AER was informed of the delay in execution of its Q1 2020 program on January 17, 2020.

3.3 Maintenance

The following table provides a summary of ongoing or planned maintenance work to be conducted. Strategic has funds available to complete this maintenance in a safe manner and incorporates some contingency to manage any unforeseen issues. The funds are included in the operating expense forecast that has been used in the generation of the cash flow analysis that Strategic provides to the Monitor on a weekly basis. The activities listed are required to maintain production and cash flow, as well as to ensure safe operations and comply with reporting requirements.

Maintenance Activity	Timing	Area
Water Injection Pump Replacement	Jan 2020	Steen 09-17
Gravel Hauling from Bistcho – required for road maintenance and safety	Feb 2020	Bistcho to Steen
Fuel Tank Replacement	Feb 2020	Cameron Hills H-03
Check Scrubber on the I-73 Well	Monthly	Cameron Hills I-73
Pump out containment ponds	Spring	Cameron Hills H-03
1-28 Containment Repair	June 2020	Steen 01-28
MOC for the T-740 Tank	Jan 2020	Steen 09-17
Swap engine on 5-33	Feb 2020	Steen
Pump jack inspection/maintenance	July	Steen
Cathodic survey	June	All areas
1-28 berm clean out	June	Steen
10-28 tank clean out	May	Steen
Turnaround	Sept 2020	Steen
1-28 gen set overhaul	Sept 2020	
9-17 gen 3 overhaul (top end)	Sept 2020	
9-17 K600 overhaul	Sept 2020	
9-17 K680 overhaul	Sept 2020	
ILIs on 8 Pipelines Segments	Feb 2020	Steen 122-22 and 123-22W5
05-18-122-22W5 Separator Repair/Replacement	Feb 2020	Steen
Fugitive Emissions Survey Annual Locations	July 2020	Steen
Fugitive Emissions Survey Tri -annual Locations (Tank Farms)	March, July, Nov 2020	Steen 9-17 Tanks Zama 10-28 Terminal
Test Compressor Seal Vent Gas Seals (MRRCP)	Every 9000 hours	Steen
Determine equipment specific vent gas rates (MRRCP)	Mar 2020 test May 2020 report	Steen

3.4 Retention of Current Employees, Key Consultants, Operators, Suppliers and Subcontractors

Strategic's employees have demonstrated their loyalty during the CCAA process and are important to the transition process if the intention is to leave the assets producing through the Receivership process.

The Company has over the past two years made a series of staff reductions and the remaining staff is the bare minimum required for operations. The existing staff have integral knowledge of the current operations and are critical to ensure safety, manage operational issues, maintain production and assist with a sales process in receivership

Due to the remote nature of Strategic's operations (approximately 140 km north of High Level), there are a limited number of suppliers that are available to provide goods and services to Strategic and it is vitally important to maintain good working relationships with these vendors to ensure the continued safety of Strategic's operations. Strategic's suppliers have been supportive of the Company during the CCAA process and the Company do not believe this will change in a Receivership subject only to certain assurances as below:

1. Certain contractors are integral to the Company's operations, providing equipment, fuel and labour support to Strategic's field operators. It is critical these contractors continue to provide equipment and services and as the timing of the transition to receivership approaches, the Company intends to prepay these contractors for 1-2 weeks of services before the appointment of the receiver, depending on the contractor and the service being provided. Given the pre-payment amount is approximately $200,000 and these contractors are essential to maintain safe operations, this is believed appropriate.
2. All other suppliers will be contacted prior to the receivership to ensure a continuation of services.
3. All suppliers will be retained to ensure safety is maintained.

3.5 Insurance

Strategic's property insurance coverage is due to expire on January 31, 2020 and will be renewed prior to the expiration of the CCAA Proceedings for a further twelve months. Additionally, the Company's liability insurance was extended for 30 days to February 16, 2020 and will be renewed prior to its expiration. Directors & officers insurance expires on January 31, 2020 and will not be renewed given the pending appointment. The current property and liability insurance coverage has been reviewed and the Company believes it is sufficient. The renewals are expected to be issued prior to entering receivership.

APPENDIX "D"

CASH FLOW STATEMENT

STRATEGIC OIL & GAS LTD. and STRATEGIC TRANSMISSION LTD.
Comparison of Budgeted to Actual Results for the Weeks of November 25, 2019 to January 13, 2020
Unaudited ($000's CAD)

	Week 1			Week 2			Week 3			Week 4		
	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance
Week Commencing	**25-Nov**	**25-Nov**	**25-Nov**	**2-Dec**	**2-Dec**	**2-Dec**	**9-Dec**	**9-Dec**	**9-Dec**	**16-Dec**	**16-Dec**	**16-Dec**
Cash Receipts												
Production Revenue, net of oil royalties and transportation	1,420	1,581	161	-	-	-	-	-	-	-	-	-
Other receipts	10	4	(6)	10	8	(2)	10	2	(8)	10	417	407
Total Cash Receipts	1,430	1,585	155	10	8	(2)	10	2	(8)	10	417	407
Cash Disbursements												
Royalties	11	-	(11)	-	-	-	-	-	-	-	-	-
Property taxes	-	-	-	110	121	11	-	-	-	-	-	-
Operating, capital & regulatory expenditures	473	491	18	159	118	(41)	302	350	48	159	569	410
Payroll	108	89	(19)	-	-	-	103	86	(17)	-	6	6
General & administrative costs	-	7	7	9	39	30	-	49	49	79	11	(68)
Interest and taxes	450	428	(22)	-	22	22	-	-	-	-	-	-
Contingency	100	-	(100)	100	-	(100)	100	-	(100)	100	-	(100)
Total Cash Disbursements	1,142	1,016	(126)	378	300	(78)	505	485	(20)	338	586	248
Cash Flow From Operations	**288**	**569**	**281**	**(368)**	**(292)**	**76**	**(495)**	**(483)**	**12**	**(328)**	**(168)**	**160**
Restructuring Fees	-	-	-	-	-	-	-	93	93	-	130	130
Net Change in Cash	**288**	**569**	**281**	**(368)**	**(292)**	**76**	**(495)**	**(576)**	**(81)**	**(328)**	**(299)**	**29**
Opening cash	5,302	5,302	-	5,591	5,871	280	5,225	5,579	354	4,730	5,003	273
Ending Cash	5,591	5,871	280	5,225	5,579	354	4,730	5,003	273	4,402	4,704	302
Key Employee Retention Plan												
Opening cash	1,005	1,005	-	1,005	1,005	-	1,005	1,005	-	1,005	1,005	-
Scheduled payment	-	-	-	-	-	-	-	-	-	-	1,005	1,005
Total Restricted Cash	1,005	1,005	-	1,005	1,005	-	1,005	1,005	-	1,005	-	(1,005)

	Week 5			Week 6			Week 7			Week 8			Total		
	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance
Week Commencing	**23-Dec**	**23-Dec**	**23-Dec**	**30-Dec**	**30-Dec**	**30-Dec**	**6-Jan**	**6-Jan**	**6-Jan**	**13-Jan**	**13-Jan**	**13-Jan**	**8 Weeks**	**8 Weeks**	**8 Weeks**
Cash Receipts															
Production Revenue, net of oil royalties and transportation	1,398	1,417	19	-	-	-	-	-	-	-	-	-	2,818	2,998	180
Other receipts	10	1	(9)	10	6	(4)	10	-	(10)	10	2	(8)	80	440	360
Total Cash Receipts	1,408	1,418	10	10	6	(4)	10	-	(10)	10	2	(8)	2,898	3,438	540
Cash Disbursements															
Royalties	11	-	(11)	-	-	-	-	-	-	-	-	-	22	-	(22)
Property taxes	-	-	-	-	-	-	110	116	6	-	-	-	220	236	16
Operating, capital & regulatory expenditures	257	-	(257)	119	-	(119)	295	279	(16)	164	280	116	1,928	2,087	159
Payroll	103	141	38	-	-	-	108	-	(108)	-	92	92	422	414	(8)
General & administrative costs	-	0	0	9	10	1	-	22	22	72	22	(50)	169	161	(8)
Interest and taxes	-	-	-	-	-	-	-	-	-	-	-	-	450	450	0
Contingency	100	-	(100)	100	-	(100)	100	-	(100)	100	-	(100)	800	-	(800)
Total Cash Disbursements	471	141	(330)	228	10	(218)	613	417	(196)	336	394	58	4,011	3,348	(663)
Cash Flow From Operations	**937**	**1,277**	**340**	**(218)**	**(4)**	**214**	**(603)**	**(417)**	**186**	**(326)**	**(392)**	**(66)**	**(1,113)**	**90**	**1,203**
Restructuring Fees	-	-	-	-	-	-	-	71	71	-	-	-	-	294	294
Net Change in Cash	**937**	**1,277**	**340**	**(218)**	**(4)**	**214**	**(603)**	**(488)**	**115**	**(326)**	**(392)**	**(66)**	**(1,113)**	**(204)**	**909**
Opening cash	4,402	4,704	302	5,339	5,981	642	5,121	5,978	857	4,518	5,491	973	5,302	5,302	(0)
Ending Cash	5,339	5,981	642	5,121	5,978	857	4,518	5,491	973	4,191	5,099	908	4,192	5,098	906
Key Employee Retention Plan															
Opening cash	1,005	-	(1,005)	1,005	-	(1,005)	503	-	(503)	503	-	(503)	1,005	1,005	-
Scheduled payment	-	-	-	502	-	(502)	-	-	-	-	-	-	-	1,005	-
Total Restricted Cash	1,005	-	(1,005)	503	-	(503)	503	-	(503)	503	-	(503)	1,005	-	-