

COURT FILE NO. QB No. 733 of 2021 Clerk's Stamp
COURT COURT OF QUEEN'S BENCH FOR
SASKATCHEWAN IN BANKRUPTCY
AND INSOLVENCY
JUDICIAL CENTRE SASKATOON

RESPONDENTS ABBEY RESOURCES CORP.
DOCUMENT THIRD REPORT OF THE MONITOR, MNP LTD.
FILED NOVEMBER 19, 2021

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Counsel to the Monitor
McDougall Gauley LLP
500 – 616 Main Street
Saskatoon, SK S7H 0J6
Telephone: 306-665-5417
Facsimile: 306-664-4431
Email: isutherland@mcdougallgauley.com / cfrith@mcdougallgauley.com

Attention: Ian Sutherland / Craig Frith

Monitor
MNP Ltd.
Suite 1500, 640 5th Avenue SW
Calgary, AB T2P 3G4
Telephone: 403-298-8479 / 403-537-8424
Email: vic.kroeger@mntp.ca / rick.anderson@mntp.ca

Attention: Victor P. Kroeger / Rick Anderson

SCHEDULES

- Schedule 1 Statement of Projected Cash Flow for Abbey Resources Corp for the Thirteen Week Period Ending April 2, 2022.
- Schedule 2 Management Report on Cash Flow Statement dated November 18, 2021.

APPENDICES

- Appendix A The Monitor's Notice to Surface Lease Holders dated October 19, 2021

INTRODUCTION

1. On August 13, 2021, an Initial Order (the “**Initial Order**”) was granted by the Court of Queen’s Bench of Saskatchewan in Bankruptcy and Insolvency (the “**Court**”) under the *Companies’ Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended* (the “**CCAA**”) in respect of Abbey Resources Corp. (“**Abbey**” or the “Company”) that granted a stay of proceedings (the “**Stay**”) until August 23, 2021. MNP Ltd. (“**MNP**”) was appointed as Monitor (the “**Monitor**”) in the CCAA proceedings.
2. On August 24, 2021 Abbey obtained a Court Order extending the Stay until and including October 7, 2021 (the “**First Extension Order**”).
3. On October 7, 2021, Abbey obtained a further Court Order extending the Stay until and including November 30, 2021 (the “**Second Extension Order**”).
4. Abbey’s most significant creditors include the Saskatchewan Ministry of Energy, the R.M. of Miry Creek, the RM of Snipe Lake, Carry the Kettle First Nation (the “CTKFN”) and the R. M. of Lacadena.
5. This is the Monitor’s third report to the Court (the “**Third Report**”).
6. Capitalized terms not otherwise defined herein will have the meanings given to them in the Pre-Filing Report of the Monitor dated July 15, 2021, the First Report of the Monitor dated August 20, 2021, the Amended First Report of the Monitor dated August 23, 2021 and the Second Report of the Monitor dated October 4, 2021.
7. Information on the CCAA proceedings can be accessed on MNP’s website at <https://mnpdebt.ca/en/corporate/corporate-engagements/abbey-resources-corporation> (the “**Monitor’s Website**”).
8. All amounts included herein are in Canadian dollars unless otherwise stated.

NOTICE TO READER

9. In preparing the Third Report and making comments herein, the Monitor has relied upon certain unaudited, draft or internal financial information, including Abbey’s books and records, and information from other third-party sources (collectively, the “**Information**”). 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 generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the “**Standards**”). Additionally, none of the Monitor’s procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may come to the Monitor’s attention. Accordingly, the Monitor

does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of the Third Report.

10. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the use of the Third Report. Any use, which any party makes of the Third Report, or any reliance or decision to be made based on the Third Report, is the sole responsibility of such party.

PURPOSE OF REPORT

11. The purpose of the Third Report is to provide this Honourable Court with information regarding the application by Abbey scheduled for November 24, 2021 (the "**November 24 Hearing**") at which Abbey will be seeking the following relief:

- The release of the net sales proceeds currently held by the Monitor relating to the Jenbacher J312 natural gas engine (the "**Jenbacher Proceeds**") for use by the Company; and
- A further extension of the Stay until February 28, 2022 (the "**Third Extension Request**").

12. This Third Report has been prepared to provide this Honourable Court with additional information on the following:

- a) The relief being sought at the November 24 Hearing;
- b) Abbey's progress in negotiating with surface lease holders (the "**Surface Lease Holders**");
- c) The outcome of the Monitor's Notice to the Surface Lease Holders as requested by this Honourable Court as part of Abbey's October 7, 2021 Court application;
- d) Abbey's financial performance in relation to the Forecast as defined in the Amended First Report;
- e) Abbey's pipeline integrity issues experienced by Abbey, as further described below; and
- f) The payment of sale proceeds to the Monitor's trust account from the sale of the Jenbacher generator as approved in the Court's October 7, 2021 Order.

MONITORS ACTIVITIES TO DATE

13. The Monitor's activities since the date of the Second Report have included the following:

- a) Attending various meetings and weekly calls with management of Abbey and its legal counsel to discuss Abbey's ongoing restructuring efforts, discussing various operational matters and obtaining updates on Abbey's efforts to negotiate amended surface lease agreements with its landowners;

- b) Reviewing weekly reporting and variance analysis;
- c) Reviewing the supporting documentation of all disbursements greater than \$2,500 that management has made during the Second Extension Period;
- d) Corresponding with creditors, Surface Lease Holders and other stakeholders;
- e) Corresponding with Abbey’s consultants regarding surface lease agreements (the “**Surface Leases**”);
- f) Reviewing insurance policies, contracts and agreements that management has entered during the proceedings; and
- g) Providing notice to the Surface Lease Holders as directed by this Honourable Court requesting their input or comments regarding the Company’s proposed extension request and proposed payment scenario for Signed Lessors and Unsigned Lessors as directed by this Honourable Court.

SURFACE LEASE AGREEMENTS

General Approach and Progress

- 14. As outlined in the Second Report, Abbey advised the Monitor that negotiations in relation to the Surface Leases were being handled by Millennium Land Ltd. (“**Millennium**”).
- 15. In our Second Report, a summary was presented outlining the lease counts by municipality. The Monitor realized in the preparation of the Third Report that the previous version of the summary was not entirely accurate. A more accurate initial summary should have been as below:

Count of Surface Owner Amounts by File # and Municipality				
Municipality	Count Total	Signed prior to CCAA	Signed and to be signed	To be negotiated
Chesterfield	1			1
Clinworth	91	6		85
Lacadena	991	284	55	652
Miry Creek	1016	366	33	617
Miry Creek - IOGC	92		92	
Pittville	1			1
Riverside	82	38	1	43
Riverside - IOGC	2		2	
Snipe Lake	264	114		150
Unknown	1		1	
Grand Total	2541	808	184	1549

16. The current summary based on the November 15, 2021 Continuity Schedule provided by Millennium is below:

Count of Surface Owner Amounts by Type and Municipality				
Municipality	Count Total	Signed prior to CCAA	Signed and to be signed	To be negotiated
Chesterfield	1			1
Clinworth	91	6	4	81
Lacadena	993	285	94	614
Miry Creek	1016	366	114	536
Miry Creek - IOGC	92		92	
Pittville	1			1
Riverside	82	38	6	38
Riverside - IOGC	2		2	
Snipe Lake	264	114	7	143
Unknown	1		1	
Grand Total	2543	809	320	1414

17. The Monitor has had regular bi-weekly update calls with Millennium to monitor progress and roadblocks being encountered by Millennium in its ongoing engagement. Millennium has advised that progress has been made, however, the time required to meet with individual lease holders, survey and re-diagram lease areas, and prepare amended surface lease agreements has been in excess of what was initially anticipated. The most recent update shows that 136 additional Surface Lease Holders have signed or will be signing amended lease agreements the Second Report.

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Monitor's correspondence dated October 19, 2021

18. As directed by this Honourable Court on September 24, 2021, the Monitor prepared a communication (the "Monitor's Notice") to the Surface Lease Holders to solicit feedback relating to Abbey's proposed treatment of the Surface Lease Holders as the proceedings continue. The Monitor's Notice was mailed and emailed to all Surface Lease Holders of record. A copy of the Monitor's Notice is attached hereto as Appendix "A".
19. The Monitor's Notice advised Surface Lease Holders that they could provide the Monitor with either their lawyer's contact information to provide their positions or provide the Monitor with their personal comments relating to the further extension of the Stay and Abbey's proposed payment of its obligation to the Signed Lessors and Unsigned Lessors. The Monitor requested this feedback be provided no later than November 5; 2021. A breakdown of the feedback received is summarized in the table below:

	Surface Lease Holders		Number of Wells	
		%		%
Notices sent by email and Mail*	498	100	2,666	100
Less:				
Email bouncebacks	8	1.61	118	4.43
Returned mail	3	0.60	8	0.30
Total Returned	11	2.21	126	4.73
Total emails and mail presumed to have been received by recipients	487	97.79	2,540	95.27
Responses received**				
Supportive of Abbey's request to amend leases	5	1.03	31	1.22
Not supportive of Abbey's request to amend leases	9	1.85	56	2.20
Neutral responses	8	1.64	51	2.01
Total responses	22	4.52	138	5.43
No responses	465	95.48	2,402	94.57
Total**	487	100	2,540	100

* Email and addresses provided by Abbey

** Based on emails and mail presumed to have been received from recipients

20. Based on the information provided to us and as outlined in our summary, over 95% of the Surface Lease Holders provided no response to the Monitor's Notice. Surface Lease Holders representing 56 of the total of 2,540 wells where the notice was presumed to have been received by the recipients expressed opinions that they were not supportive of Abbey's request to amend their leases.

CASH FLOW FORECAST AND VARIANCE ANALYSIS

21. Abbey's financial performance from the date of the Second Report to date are summarized below:

ABBHEY RESOURCES CORP
Variance Analysis

	Forecast Total	Actual Total	Variance to November 13, 2021	Permanent / Temporary
Opening Cash Balance at September 25, 2021	\$ 1,225,542	\$ 1,225,542		P/T
Cash inflows				
Operated Revenue (Less Marketing Fees)	954,719	1,030,677	75,957	P
Gas Buy Back (Prepaid Gas Volumes)	(37,137)	(37,736)	(599)	P
Royalties	(67,000)	(113,924)	(46,924)	P
Shop and Yard Rental to third party	6,825	33,144	26,319	P
Total inflows	2,082,949	2,137,703	54,753	
Cash outflows				
Transportation	87,150	78,345	(8,805)	P
Field Operators	190,000	163,615	(26,385)	P
Field Operating costs - COD payment	520,000	500,088	(19,912)	T
Field Operating costs - auto debit	22,918	55,093	32,175	P
Lease Rentals (Freehold Surface) - amended executed lease prior to August 13, 2021	9,000	44,975	35,975	P
Lease Rentals (Freehold Surface) - amended lease still to be executed	123,454	151,739	28,285	P
Lease Rentals (Crown Surface)	65,806	67,655	1,849	P
Lease Rentals (CTK Surface)	176	109	(67)	P
Property tax	-	-	-	
Insurance / Vehicle Lease	112,128	111,114	(1,014)	T
Contingency	35,000	-	(35,000)	P
Total Field Operations & Related	1,165,633	1,172,734	7,101	
Payroll (Field Staff)	99,454	96,173	(3,281)	P
Contract Fees (Calgary Staff)	45,165	52,682	7,517	P
Life Insurance and Health Benefits	5,294	-	(5,294)	P
Calgary Office Rent	2,000	-	(2,000)	T
Software	-	4,237	4,237	P
Office Supplies, Postage, Bank Service Charge, etc.	110	(77)	(187)	T
Contingency	7,000	-	(7,000)	P
Total Office & Related	159,023	153,015	(6,009)	
SWOT Units	-	-	-	
Well Head Shelters	25,000	-	(25,000)	T
Disposal Well (Drill, Complete, Tie-in)	207,175	-	(207,175)	T
Total Other	232,175	-	(232,175)	
Restructuring Costs (Trustee and Legal)	240,000	366,630	126,630	P
Total Other	240,000	366,630	(126,630)	
Total outflows	1,796,831	1,692,378	(357,712)	
Closing Cash Balance at November 13, 2021	\$ 286,118	\$ 445,324	\$ 159,206	

22. Revenue was reported \$76,000 higher than projected. This is a permanent variance. This is due to Abbey's production of 10,940 GJ per day in September being higher than originally forecast. November's revenue (which is based on October's production) was also the final monthly revenue subject to the Company's former hedging agreement that fixed production revenue at \$3.00 per GJ per day, which was lower than the Alberta Energy Company monthly index of gas price ("AECO") strip price for the same period of an average of \$3.56 per GJ per day.

23. Royalty payments reflected a permanent negative variance of \$47,000 due to Abbey's catch up of Royalty payments that were not made during the previous period and were reported as a timing difference in the Second Report of \$41,000. The net permanent variance is \$5,000.
24. Shop and Yard rental revenue was also higher than projected by \$26,000 as the revenue received related to pre and post filing rental amounts due to Abbey which is a permanent timing difference.
25. Operating expenses have been lower than projected, due to the following permanent and temporary variances:
- Total Field Operations & Related expenses were lower than anticipated for the period and reported a total negative variance of \$7,100. This variance arises from a \$55,102 favorable variance in Abbey's Field Operating costs, comprised of a temporary \$19,912 variance in Field Operating COD costs, trucking costs, water disposal, Millennium's costs, chemical purchases and lease and property maintenance, and a permanent variance of \$26,385 in Field Operators and a \$8,805 favorable variance in transportation costs. Field Operating costs – COD debit was a permanent difference of \$32,175 due to higher SaskPower and SaskGas costs were incurred. Lease payments to amended lease holders was a permanent negative variance of \$35,975, as more lease payments were made to surface lease holders who have amended their agreements than was originally projected during the past period. A permanent negative variance of \$28,285, as more payments were made to unamended lease holders than was originally projected in the period. There is also, a temporary \$1,014 favorable variance in Insurance costs due to Abbey's revised payment schedule with its insurance company and lastly a \$35,000 permanent favorable variance as a result, of unused contingency amounts in the budget.
 - Total Office & Related expense reported a total permanent positive variance of \$6,000 from various expenses not being incurred as anticipated;
 - Total Restructuring Costs expense reported a negative permanent variance of \$126,630 indicating Abbey incurred more costs than was initially projected during this period which were due to the ongoing legal matters being addressed in these proceedings to date.
26. Other key variances relate to a number of projected but not yet incurred expenses including a \$50,000 Well Head Shelters expense and a Contingency amount on the projected cash flow of \$ \$1,000 per week on Total Office and Related expenses. The Well Head Shelter expense will be paid in the future and is a temporary variance.
27. At the end of the week ending November 13, 2021, Abbey's cash balance is \$445,324 versus the projected balance of \$286,118, which is a favorable variance of \$159,206.

28. Attached as “Schedule 1” is Abbey’s signed cash flow projection and documented assumptions (the **Projection**) for the period November 14, 2021 to April 4, 2022 (the **Third Extension Forecast Period**). Management’s Report on the Cash Flow Projection is attached as “Schedule 2”.

29. A summary of the Projection is below:

Abbey Resources Corp.
Summary of Cash Flow Projection
To the week ending April 4, 2022

Opening Cash Balance at November 14, 2021	\$	445,000
Total Inflows		5,815,000
Estimated Cash Inflows		6,260,000
Estimated Cash Disbursements		
Total Field Operations & Related		3,818,000
Total Office & Related		473,000
Total Other		300,000
Total Restructuring Costs (Monitor and legal)		640,000
Estimated Total Cash Outflows		5,231,000
Estimated Closing Cash Balance at April 4, 2022	\$	1,029,000

30. Abbey’s major assumptions within the Projection include the following:

- Estimated revenue is based on estimated production volumes and based in the AECO strip price (the “Alberta Energy Company monthly index of gas price”) as of September 27, 2021 as follows:

Production month	Production volume GJ/Day	AECO	Paid month
Nov-21	10,000	\$ 4.094	Dec-21
Dec-21	10,000	\$ 4.455	Jan-22
Jan-22	9,540	\$ 5.640	Feb-22
Feb-22	6,789	\$ 5.580	Mar-22

- Crown Royalties are current and paid the month following production. All other Royalties are paid from August 13, 2021 production month forward with August 2021 being paid on a pro-rata basis,

- Monthly Gas Transportation costs are netted from Gas Settlement Statement and ceased after the October production revenue is received in November 2021 as the pre-paid gas volume agreement between Twin Eagle and Abbey has now been repaid.
 - Essential Services for Field Operations includes Surface Lease payments, Production Costs, Chemicals & Treatments, Safety & Environmental, Maintenance & Repairs and Trucking and Labour costs. Abbey's cash flow projections reflect the payment of 100% of the annual surface lease payments whose anniversary dates fall within the upcoming stay extension period, with per diem payments from November 30, 2021 until February 28, 2022 for Surface Lease Holders who have not executed Amended Surface Leases.
31. Incorporated into the Third Extension Forecast Period's projection of Total Field Operations & Related expenses are 100% of the surface lease payments for amended surface lease agreements whose anniversary date falls within the period (\$115,525 during this timeframe), per diem payments from November 30, 2021 to February 28, 2022 for unamended surface lease agreements (\$404,831 during this timeframe), Crown Surface lease rental payments (\$142,306 during this timeframe), the CTKFN surface lease rental payments (\$32,063 during this timeframe), and prorated 2021 property taxes (\$300,000 during this timeframe). Abbey has taken the position that the 2021 property tax liability may be determined to be a pre-filing debt, however, is nevertheless proposing to pay the post-filing prorated portion of the 2021 yearly property tax debt, subject to the approval of this Honourable Court. We understand that the Company and its legal counsel may file an amended draft Order specifically approving the said property tax payments out of an abundance of caution in order to ensure that there is no inadvertent breach of the Initial Order regarding the prohibition of the payment of the pre-filing debts.
32. A Contingency has been included for miscellaneous operating expenses at \$5,000 per week on total Field Operating costs until the end of 2021 and increasing to \$10,000 per week during the 2022 portion of the Third Extension Period to provide potential funds for any unexpected cold weather events that may occur and \$1,000 per week on Office and Related expenses.
33. Total Other costs include \$50,000 for Well Head Shelters and \$273,175 for a disposal well to replace an existing inoperable disposal well.

MONITOR'S REPORT ON CASH FLOW STATEMENT

34. The Monitor reports as follows with respect to the Projection:
- a. The Projection has been prepared by Management for the purposes described in the notes contained therein (the "Notes") using the probable and hypothetical assumptions set out in the Notes.

- b. The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied to it by Management and selected employees of the Respondents. Since hypothetical assumptions need not be supported, the Monitor's 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 for the probable assumptions and the preparation and presentation of the Forecast.
- c. Based on our review, nothing has come to the attention of the Monitor that causes us to believe in all material respects that:
 - i. The hypothetical assumptions are not consistent with the purpose of the Projection;
 - ii. The probable assumptions developed by Management are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the Projection, given the hypothetical assumptions; or
 - iii. 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 that the variations may be material. Accordingly. The Monitor expresses no assurance as to whether the Projection will be achieved. The Monitor further express no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Forecast or relied upon by it in reporting on the Projection.

35. The Projection has been prepared solely for the purposes described in the Notes and readers are cautioned that they may not be appropriate for other purposes:

OTHER MATTERS

PIPELINE INTEGRITY

36. As outlined in the Second Report, the Ministry of Energy and Resources ("**MER**") issued a letter to Abbey on September 3, 2021 concerning Abbey's pipeline infrastructure and ongoing leak events. The specific directive in the MER's letter references CSA Z662 of the Saskatchewan Pipelines Code that requires operators to carry out additional pressure tests and to conduct special electronic surveys of the pipeline or portion of the pipeline. The MER's deadline for Abbey to comply with its concerns is December 6, 2021.
37. In the seventh affidavit of James Gettis (The "**Seventh Gettis Affidavit**"), James Gettis outlines the steps that Abbey has undertaken to comply with MER's request and the upcoming deadline. The Seventh Gettis Affidavit also discusses pipeline infrastructure failures. Abbey has advised the Monitor and the MER that it is preparing a proposed solution that includes running interior plastic tubing through

the faulty steel pipeline segments as remedy to correct the infrastructure failures. The Monitor has not been advised whether this proposed solution is acceptable to the MER.

SALES OF ASSETS

38. On October 14, 2021, Sale Approval and Vesting Orders were granted by this Honourable Court for the sale of 2 pieces of surplus equipment. The Monitor can advise that the net sales proceeds for these sales has been received by the Monitor and is being held pending a further Court Order regarding distribution.
39. The Company has requested the use of the Jenbacher Proceeds of \$61,327.50, as outlined in the Seventh Gettis Affidavit paragraphs 19-20. The Monitor notes that the Projection does not reflect receipt or use of these funds.
40. The Monitor proposes to retain these funds in its trust account until such time as either an agreement is reached between the Company and the RM of Miry Creek with respect to the disposition of the Jenbacher Proceeds, or until otherwise ordered by this Honourable Court.

THE STAY

41. With the Third Extension Request that is being heard on November 24, 2021, Abbey is requesting that the Stay be extended until February 28, 2022. Subject to the input of the stakeholders and this Honourable Court, the Monitor notes that with the holiday season forthcoming and the ensuing availability of its advisors, Abbey's request, while longer than anticipated, may be reasonable and as such, the Monitor is not advancing an objection to the extension being sought at this time.
42. Abbey's Third Extension Request will also allow Abbey to continue with its efforts to restructure as further set out herein.
43. The Monitor is supportive of Abbey's request for the Third Extension Request for the following reasons, which are similar to the reasons outlined for the Second Extension Request:
 - a) The additional time will allow Abbey a reasonable opportunity to successfully continue to renegotiate land leases in support of its restructuring efforts;
 - b) The Projection indicates that Abbey should be able to meet its projected obligations during the Third Extension Request; and
 - c) Should Abbey be forced into liquidation there is no assurance that any creditor will receive any payment.
44. The Monitor can advise that:
 - a) Abbey is acting in good faith and with due diligence;

- b) Surface Lease Holders have been provided with an opportunity to express their opinions to the Monitor and the Court regarding a proposed extension of the Stay;
- c) Abbey is cooperating with the Monitor and is providing information requested by the Monitor and other stakeholders in a timely manner; and
- d) The Monitor is of the view that Abbey's stakeholders will not be materially prejudiced by the Third Extension Request.

CONCLUSION

For reasons given in this Third Report, the Monitor is supportive of the following:

- a) The Extension Period Request to February 28, 2022.

All of which is respectfully submitted this 19th day of November 2021.

MNP Ltd., in its capacity as Monitor of Abbey Resources Corp and not in its personal capacity

Per: _____

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

SCHEDULE 1

SCHEDULE 2

COURT FILE NO.

QB No. 733 of 2021

Clerk's Stamp

COURT

**COURT OF QUEEN'S BENCH FOR
SASKATCHEWAN IN BANKRUPTCY
AND INSOLVENCY**

JUDICIAL CENTRE

SASKATOON

RESPONDENTS

ABBAY RESOURCES CORP.

DOCUMENT

MANAGEMENT REPORT ON CASH FLOW STATEMENT

**ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT**

**MANAGEMENT REPORT ON CASH FLOW STATEMENT PURSUANT TO
PARAGRAPH 10(2)(B) OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, C-36, as amended**

1. The Management of the Respondent has developed the assumptions and prepared the attached statement of projected cash flow for the 20 week period (the "Forecast Period") ending April 4, 2022 (the Forecast).
2. The Forecasts have been prepared for the purpose of determining the liquidity requirements for the Respondent during the forecast period.
3. The hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the notes of the Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Respondent and provide a reasonable basis for the Forecast.
4. Since the Forecast is based on future events, actual results will vary from the information presented and variations may be material.
5. The Forecast has been prepared solely for the purposes described in the notes to the Forecast. Consequently, readers are cautioned that the Forecast may not be suitable for other purposes.
6. The respondent confirms that the Forecast and the underlying assumptions are the responsibility of the Respondent and that all material information relevant to the Forecast and to the underlying assumptions has been made available to MNP Ltd. in its capacity as the Monitor for the Applicant.

Dated at Calgary, Alberta, this 18th day of November, 2021

Abbey Resources Corp.

Per:



Jim Gettis

APPENDIX A

October 19, 2021



To: the Abbey Resources Surface Rights Holders

Re: In the Matter of the CCAA of Abbey Resources Corp.
("Abbey" or the "Company")

A. Introduction

MNP Ltd. is the court-appointed monitor (the "Monitor") of the Company in an ongoing restructuring proceeding pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA").

The CCAA is a federal statute aimed at providing insolvent companies the breathing room they need to restructure their affairs in an attempt to come to a satisfactory compromise with their creditors regarding unpaid debts arising prior to the CCAA proceedings. This underlying goal of the CCAA is accomplished by giving the Court jurisdiction to order a stay of proceedings that prevents the insolvent companies' creditors from enforcing their rights and remedies against the insolvent company for a limited period of time.

In CCAA protection, the debtor company continues the operation of its business under the supervision of the Court. The Court's "eyes and ears" in the proceedings are its officer, the Monitor. As an officer of the Court, the Monitor is a neutral party in the proceedings and its duties include, among other things, reporting to the Court on the insolvent company's progress of the proceedings. All of the court materials filed in the CCAA proceedings are posted on the Monitor's website:

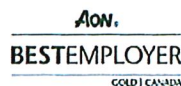
<https://mnpdebt.ca/en/corporate/corporate-engagements/abbey-resources-corporation>

B. The Recent Application to Extend the Stay

The stay of proceedings (essentially creditor protection) granted by the Court as part of its Initial Order ran from August 13 to October 7, 2021.

On October 7, Abbey applied to extend this stay of proceedings until January 17, 2022. In the Company's application materials, it identified two categories of surface rights holders to whom it would be making ongoing payments during the extended stay period:

- (1) surface rights holders with amended lease agreements with reduced rent payable to them executed after August 1, 2021 (the "Signed Lessors"); and
- (2) surface rights holders who did not amend their leases with Abbey with annual rental amounts falling due after August 13, 2021 (the "Unsigned Lessors").



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1500, 640 - 5TH AVENUE SW, CALGARY AB, T2P 3G4
1.877.500.0792 T: 403.538.3187 F: 403.537.8437 MNPdebt.ca

Abbey advised that, since the proceedings began on August 13, 2021, the Signed Lessors had been paid their annual rental amounts based on the amended surface lease agreements.

On the other hand, the Unsigned Lessors had yet to be paid anything at all; however, if the stay extension were granted, the Company intended to pay these lease holders a *per diem* (i.e., per day) rental amount based on the annual lease rate for the days falling between the surface lease's anniversary date and the proposed stay extension date of January 5, 2022. The following example of this proposed payment arrangement was offered:

... for an Unsigned Lessor surface lease with an annual renewal date of October 10, 2021, and an annual rental amount of \$2,000, the Company would pay the Unsigned Lessor a total of \$482.19 (corresponding to \$5.48 annual prorated per diem multiplied by the 88 days between October 10, 2021, and January 5, 2022).

The Ministry of Energy and Resources ("MER"), R.M. of Lacadena No. 228, and R.M. of Miry Creek No. 229 opposed Abbey's extension request. You will have received a copy of the MER's brief of argument detailing the MER's reasons for taking this position. Much emphasis was placed on the Company's differing treatment of the Signed Lessors and Unsigned Lessors during the extension period.

C. The Court's Direction to the Monitor

With none of the surface rights holders represented by lawyers at the October 7 hearing, the Court was uncomfortable granting a stay extension to January 17, 2022 without first:

1. alerting the surface rights holders to the manner in which the Company was proposing to treat the Signed Lessors and Unsigned Lessors during the stay extension; and
2. providing a further opportunity for the surface rights holders to get their views on the Company's proposed payment of its obligations to the Signed Lessors and Unsigned Lessors before the Court.

Instead of extending the stay to January 17, 2022, the Court extended the stay of proceedings until November 30, 2021 to allow for a communication to go out to the surface lease holders specifically identifying the above issues and inviting them to respond or attend Court through a lawyer. That is why you are receiving this letter.

If you have retained a lawyer, please provide a copy of this letter to your counsel and invite him or her to contact the Monitor's lawyers:

Ian A. Sutherland: isutherland@mcdougallgauley.com / 306-665-5417
Craig Frith: cfrith@mcdougallgauley.com / 306-665-5432

If you do not have a lawyer, then the Monitor would invite you to provide a written response providing your views on the matter to the following email address on or before November 5th, 2021: abbeyresources@mnp.ca

As part of your response, the Monitor would request that you identify the number of lease agreements to which you are a party with Abbey.

The Company has advised the Monitor further that, if you are an Unsigned Lessor with an annual payment date falling due in the meantime, you should expect to shortly receive your *per diem* lease payment calculated from the anniversary date to the current stay extension expiry of November 30, 2021.

Thank you for your attention to this letter.

MNP Ltd., in its capacity as Monitor of Abbey Resources Corp.
and not in its personal capacity.

Per:



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