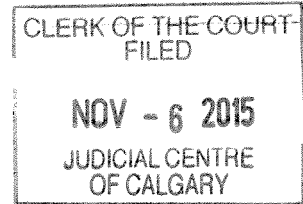


Clerk's stamp:



COURT FILE NUMBER	1501-12220
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	ALBERTA TREASURY BRANCHES
RESPONDENTS	COGI LIMITED PARTNERSHIP, CANADIAN OIL & GAS INTERNATIONAL INC., AND CONSERVE OIL GROUP INC.
DOCUMENT	<u>FIRST REPORT OF THE RECEIVER</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Brian Davison, Q.C. DLA Piper (Canada) LLP Barristers and Solicitors 1000 250 2 St. S.W. Phone: 403-294-3590 Fax: 403-213-4481

File No.: 16155-00002

APPENDICES

APPENDIX A Preliminary Organization Chart

APPENDIX B Proven Oil Asia Ltd. Share Certificate Number A-2

INTRODUCTION AND BACKGROUND

1. MNP Ltd. was appointed as Receiver and Manager (the "Receiver") of COGI Limited Partnership ("COGI LP"), Canadian Oil & Gas International Inc. ("COGI Inc.") and Conserve Oil Group Inc. ("Conserve") (collectively "COGI" or the "Company") pursuant to an October 26, 2015 Court of Queen's Bench of Alberta Order (the "Receivership Order").
2. Prior to the Receivership Order COGI LP and COGI Inc. had obtained a stay of proceedings pursuant to the Companies Creditors Arrangements Act on August 28, 2015. (the "CCAA Proceedings"). The CCAA Proceedings were terminated on October 26, 2015.
3. COGI LP is a limited partnership pursuant to the laws of the province of Alberta. COGI Inc. is the general partner of COGI LP. The limited partners of COGI LP represent between 14,000 and 18,000 German investors.
4. COGI LP is an oil and gas venture with producing properties in Alberta and non-producing properties in Saskatchewan.
5. The only business of COGI Inc. is as general partner of COGI LP and to hold title to various assets for the benefit of COGI LP.
6. Conserve is a private company and the 100% shareholder of COGI Inc. as well as a number of other companies that will be discussed later on in this report
7. This is the Receiver's first report to the Court (the "First Report"). Capital terms not defined in the First Report are as defined in the Receivership Order. All references to currency are in Canadian dollars unless otherwise stated.
8. In preparing the First Report and making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of COGI, the books and records of COGI, and information from other third-party sources (collectively, the "Information"). The Receiver 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.
9. Copies of the relevant documents relating to these proceedings are available on the Receiver's website at www.mnpdebt.ca/cogi.

PURPOSE OF THE REPORT

10. The purpose of the First Report is to provide this Honourable Court with an update as to activities since the date of the Receivership Order including the Receiver's comments and information in respect of:
 - i) Initial Activities of the Receiver;
 - ii) Information about Conserve's subsidiary companies; and

- iii) Bankruptcy of Conserve, COGI LP and COGI Inc.

INITIAL ACTIVITIES OF THE RECEIVER

11. The Receiver has completed a number of activities, including but not limited to:
- i) Attending to the offices of COGI after the granting of the Receivership Order.
 - ii) Terminating all employees and consultants and making arrangements for the preparation of T4's, records of employment for the terminated employees and preparing the necessary Wage Earner Protection Plan Act information.
 - iii) Making arrangements with COGI's current banking institution to set the existing bank accounts to deposit only and simultaneously opening a Receiver's trust account.
 - iv) Confirming that the existing insurance policy is in force and that payments are current. The Receiver is working with the insurer to ensure that the coverage is adequate and adjusted as necessary.
 - v) Obtaining the information required to prepare the Notice and Statement of Receiver, as required pursuant to subsections 245(1), 246(1) and 246(2) of the Bankruptcy and Insolvency Act ("BIA") and on November 5, 2015 mailed the prescribed Notice and Statement form to creditors. A copy of the Notice and Statement is posted on the Receiver's website.
 - vi) Making arrangements with the landlord for access to the premises.
 - vii) Mirror imaging the computer records that were housed on a computer server owned by Arrow Point Resources Ltd. ("Arrow Point"),
 - viii) Entering into an agreement with Arrow Point for computer access to the Company's accounting, production, land and other information.
 - ix) Retaining an oil & gas industry specialist consulting firm, Niven Fischer Energy Services Inc., ("Niven Fischer") to manage the oil and gas assets on behalf of the Receiver.
 - x) Dealing with renewing COGI's marketing agreements that expired October 31, 2015.
 - xi) Locating records with respect to the subsidiary companies of Conserve.
 - xii) Corresponding with the German investors of COGI LP and the Asian investors of Proven Oil Asia Ltd. ("POA")

CONSERVE'S SUBSIDIARIES

12. As described in the Affidavit of Clayton Martin filed in support of the Receivership Application, Conserve is the parent company of COGI Inc. In accordance with searches conducted by our legal counsel, Conserve also appears to have an interest in the following corporations:

- i) POA – ownership interest unknown pending review of minute book and other documentation;
- ii) Proven Oil Canada Ltd. (“POC”) – ownership interest unknown pending review of minute book and other documentation;
- iii) Conserve Oil 1st Corporation (“Conserve 1st”) – ownership interest unknown pending review of minute book and other documentation;
- iv) Conserve Oil 8th Corporation (“Conserve 8th”) – ownership 100%; and
- v) Conserve Oil 9th Corporation (“Conserve 9th”). – ownership 100%;

(collectively, the “Conserve Subsidiaries”).

- 13. The Receiver's legal counsel advises that David Crombie is listed as the sole director of each of the Conserve Subsidiaries.
- 14. The Receiver has received corporate minute books for Conserve 8th and Conserve 9th.
- 15. The Company is part of a complicated larger corporate structure with many entities appearing to have common shareholders, employees, consultants and executives. Attached as Appendix A is a preliminary corporate organization chart prepared by the Receiver's legal counsel which illustrates some of the connections between the entities involved that are known at this time.
- 16. One of the common shareholders and directors is Alex Gramatzky who is a shareholder of Conserve and a director, among other companies, of Arrow Point, Bauland Inc. (“Bauland”), and Global Advisory Services Inc. (“Global”) (formerly Oleum Consulto Inc.).
- 17. The Receiver has been advised that management agreements are in place, that delegate management responsibilities Conserve, and/or COGI Inc., both of whom appear to then have delegated these responsibilities to other entities. For example, the Receiver's legal counsel advises that pursuant to a Management Agreement dated August 30, 2013, Conserve is to provide management services to COGI Inc. and COGI LP. However, in the COGI Inc.'s minute book, the Receiver's legal counsel noted a “Debt Forgiveness and Payment Suspension Agreement” dated August 28, 2015 (the date of the CCAA Proceedings), that states that COGI Inc. has delegated certain management and administrative obligations to Global. Global has then assigned those obligations to Arrow Point which then retained Conserve and Bauland. The Receiver has not been provided with copies of any of these management agreements. Furthermore, Field Law, former counsel for COGI, has advised that COGI/Conserve were also providing management services to POA. The Receiver still does not have a complete understanding of these management agreements.
- 18. Prior to the CCAA Proceedings POA had purportedly purchased a number of oil and gas properties from COGI Inc. however the well licence transfers were never executed and therefore these properties and the corresponding obligations remain in the name of COGI Inc.

19. On October 29, 2015, the Receiver was contacted by Alex Gramatzki, on behalf of Arrow Point. Mr. Gramatzki advised that in October 2015, Arrow Point had purchased certain assets from POA in the approximate amount of \$10,000,000 and that further transactions may be pending. The Receiver has requested full details of these and any other pending transactions Arrow Point might have with POA. As a result, the Receiver instructed its legal counsel to send a letter to Arrow Point and its counsel directing Arrow Point not to conduct any asset sales or transactions with POA without the Receiver's approval and consent.
20. The Receiver's legal counsel advises that Personal Property Registry searches indicate that on May 29, 2015 Capital Asia Group Oil Management Pte Ltd ("Capital Asia Group") registered a secured interest against POA. We are advised by Capital Asia Group's legal counsel that Capital Asia Group represents an untold number of Asian investors. Capital Asia Group's legal counsel has verbally advised the Receiver that Capital Asia Group supports the Receiver application as it relates to POA.
21. The Receiver's legal counsel advises that Alberta Corporate Registry searches indicates that Conserve is the 100% shareholder of POA. POC and Conserve 1st. The Receiver's legal counsel further advises that on November 5, 2015 located share certificate #A-2 which purports to show that Arrow Point was issued 100,000 shares of Class A shares of POA. A copy of the purported share certificate is attached as Appendix 2. The Receiver has not yet been able to locate any documentation that would support or explain this apparent transaction.
22. In an email dated November 4, 2015 (12:54 pm) to the Receiver's legal counsel, legal counsel for POA advises that "With respect to your request for POA documents and information, the president of POA is Yoshiki Nakamura and I would imagine the receiver has his contact information. I am unsure where the POA minute book is located, however, the receiver is not entitled to possession of it. Under s. 23(1) of the ABCA, Conserve has the right to have a copy of the articles, bylaws and any USA without charge. It can also examine any of the records mentioned in s. 21(1) of the ABCA during regular business hours. The receiver also has, of course, the right to any documents concerning Conserve's business in the hands of POA, however Conserve already had such documents in its own records."
23. POA has advised it has retained its own operations and management consulting team to replace Conserve and to run the operations of POA. The Receiver takes the position that POA has wrongfully terminated Conserve's management contract with POA in contravention with Sections 11 and 12 of the Receivership Order.
24. At this time POA has not agreed to seek the Receiver's consent and approval prior to conducting any transactions in relation to its assets. To date, the Receiver is unaware as to what dealings POA's operations and management consulting team might be undertaking with respect to the POA assets.
25. The Receiver is concerned that Conserve's equity in the Conserve Subsidiaries may be dissipated and that immediate control by the Receiver as provided in Section 4 (r) of the Receivership Order is required. This would include the power to terminate any directors and to terminate management and other contracts as the Receiver deems appropriate and to deal with the assets of the Conserve Subsidiaries.

INSOLVENCY OF CONSERVE, COGI LP AND COGI INC

26. The Receiver has completed an initial review of Conserve's books and records which indicates it has outstanding unsecured debt of at least \$572,000 as at December 31, 2014 being the most recent financial statements located for Conserve. Conserve was placed into receivership on October 26, 2015, and has ceased to meet its liabilities as they come due.
27. COGI LP and COGI Inc acknowledged their insolvency in the CCAA Proceedings.
28. The Receiver believes that it is in the best interest of the creditors to have the power to place Conserve, COGI LP and COGI Inc. into bankruptcy without further Court order at some point in the receivership proceedings. It is apparent from the Receiver's initial review, and from Appendix A, that there is a complicated corporate structure where assets have been transferred between related entities and management responsibilities have been delegated to outside parties, beyond the Receiver's control. A Trustee would have enhanced powers to examine parties under the provisions of the *BIA*, review potential fraudulent preferences, etc.

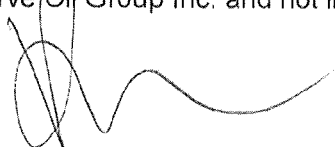
CONCLUSION

29. Based upon the foregoing the Receiver seeks the Court's approval for the following;
 - i) Approving the activities of the Receiver to date;
 - ii) Authority to assign Conserve, COGI LP and COGI Inc. into bankruptcy without further notice or application; and
 - iii) Clarification of the Receiver's powers with respect to the Conserve Subsidiaries.

All of which is respectfully submitted this 6th day of November, 2015.

MNP Ltd.

In its capacity as Receiver-Manager of
COGI Limited Partnership, Canadian Oil & Gas International Inc.
and Conserve Oil Group Inc. and not in its personal capacity

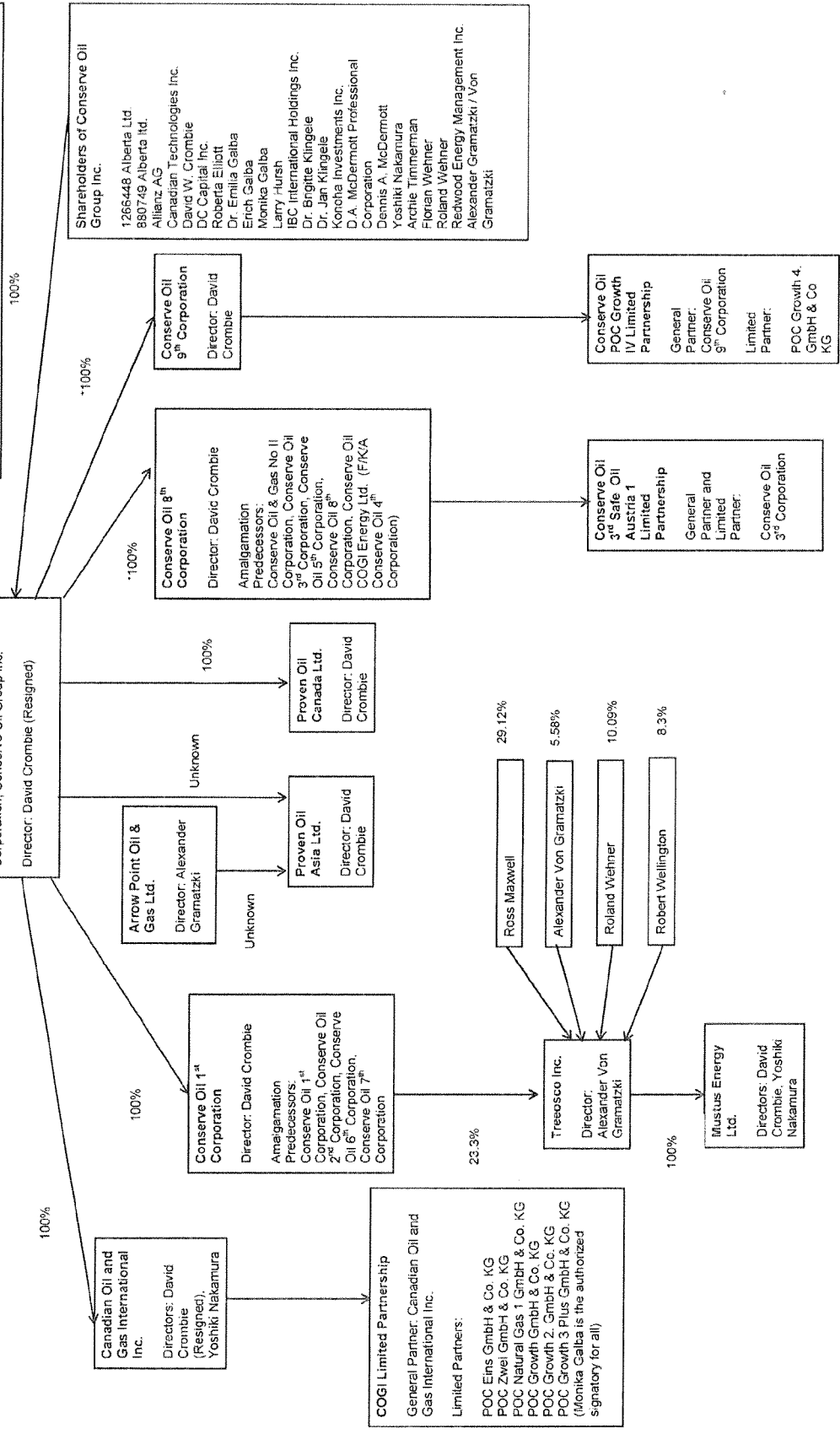


Per: Victor Kroeger, CPA, CA, CIRP, CFE
Senior Vice President

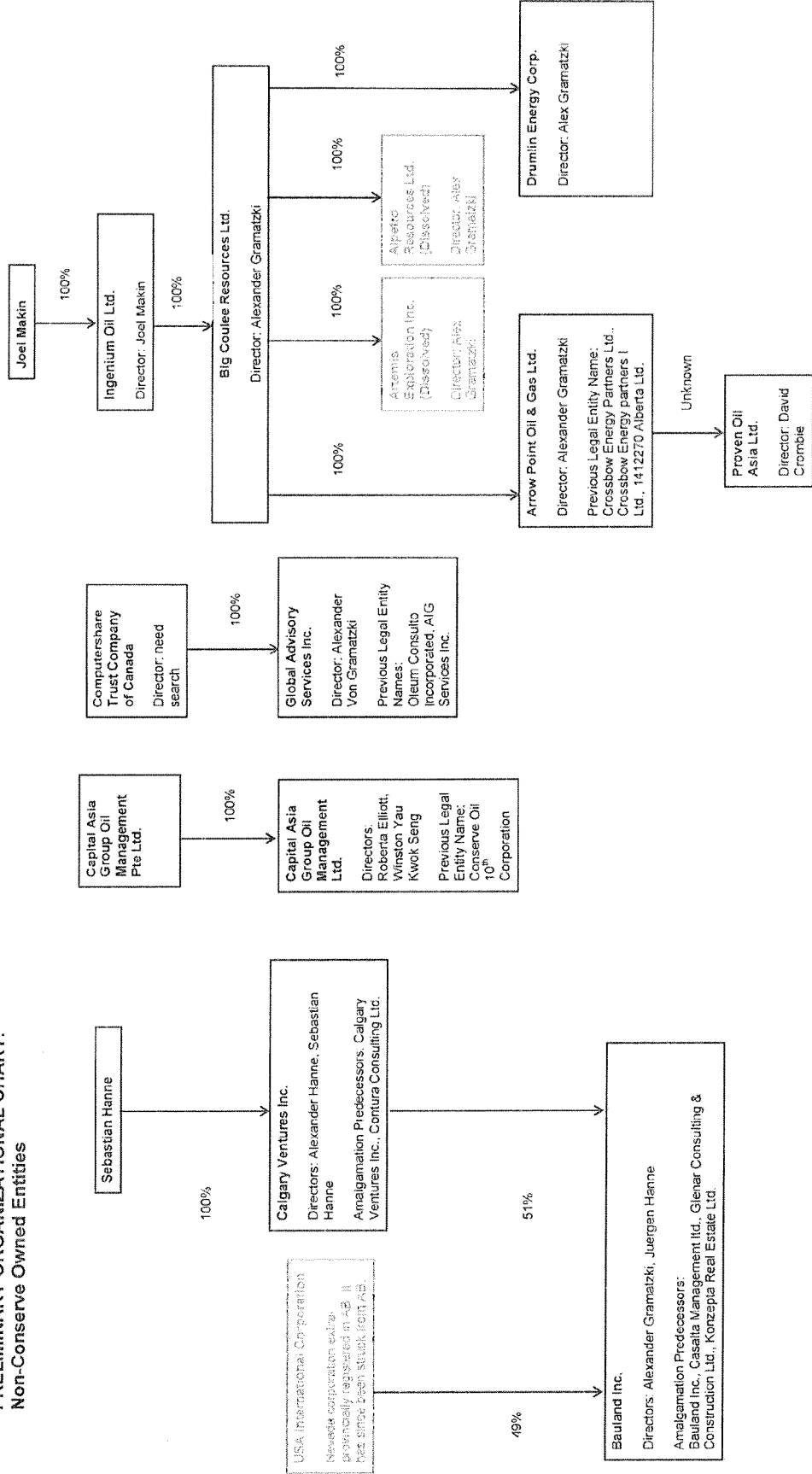
APPENDIX A

**PRELIMINARY ORGANIZATIONAL CHART:
Conserve Owned Entities**

NOTE TO READER: Where an asterisk is displayed next to an ownership percentage, the Receiver's counsel has confirmed the percentage by reviewing the corporation's minute book. All other ownership percentages are those reported on corporate search results conducted by the Receiver's counsel between October 22, 2015 and November 5, 2015.



**PRELIMINARY ORGANIZATIONAL CHART:
Non-Conserve Owned Entities**



APPENDIX B

CLASS "A" SHARES

SHARE CERTIFICATE NUMBER: A-2

One Hundred Thousand - (100,000)

PROVEN OIL ASIA LTD.

(THE CORPORATION)
INCORPORATED UNDER THE BUSINESS CORPORATION ACT OF THE PROVINCE OF ALBERTA

THIS CERTIFIES THAT ARROW POINT OIL & GAS LTD. IS THE REGISTERED HOLDER OF ONE HUNDRED THOUSAND (100,000), CLASS "A" FULLY PAID AND NON-ASSESSABLE SHARES WITHOUT PAR VALUE, IN THE CAPITAL STOCK OF THE ABOVE NAMED CORPORATION. THE TRANSFER OF SHARES IS RESTRICTED.

IN WITNESS WHEREOF, THE CORPORATION HAS CAUSED THIS CERTIFICATE TO BE SIGNED BY ITS DULY AUTHORIZED OFFICERS AND CORPORATE SEAL.

THIS 18TH DAY OF MARCH, 2015.


Secretary


President

