

RICHTER

Court File No.: CV-20-00644116-00CL

**CLEARBEACH RESOURCES INC. AND
FORBES RESOURCES CORP.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
CLEARBEACH RESOURCES INC. AND FORBES RESOURCES CORP.**

DECEMBER 11, 2020

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSES OF THE FIRST REPORT	2
III.	DISCLAIMER AND TERMS OF REFERENCE	3
IV.	BACKGROUND INFORMATION ON THE COMPANIES	4
V.	BACKGROUND INFORMATION ON THE NOI PROCEEDINGS	10
VI.	PROPOSED BANKRUPTCY	13
VII.	THE OPERATING AGREEMENT	14
VIII.	REIMBURSEMENT AND RELEASE OF SEIZED FUNDS	16
IX.	ACTIVITIES OF THE PROPOSAL TRUSTEE	17
X.	PROPOSAL TRUSTEE'S CONCLUSION AND RECOMMENDATIONS	19

APPENDICES

APPENDIX "A" – Certificates of Filing

APPENDIX "B" – NOI Stay Orders dated August 20, 2020

APPENDIX "C" – Operating Agreement

APPENDIX "D" – Creditor Lists

APPENDIX "E" – Endorsement of Justice Dietrich dated August 20, 2020

APPENDIX "F" – Endorsement of Justice Gilmore dated September 23, 2020

APPENDIX "G" – Endorsement of Justice Conway dated October 1, 2020

APPENDIX "H" – Endorsement of Justice Gilmore dated October 15, 2020

APPENDIX "I" – Endorsement of Justice Cavanaugh dated October 29, 2020

APPENDIX "J" – Endorsement of Justice Conway dated November 19, 2020

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

BETWEEN:

PACE SAVINGS & CREDIT UNION LIMITED

Applicant

and

**CLEARBEACH RESOURCES INC., FORBES RESOURCES CORP. and
EASTERN OIL FIELD SERVICES LTD.**

Respondents

**APPLICATION UNDER SUBSECTION 47(1) AND 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT,
R.S.O. 1990, c. C.43, AS AMENDED**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

DECEMBER 11, 2020

I. INTRODUCTION

1. On July 22, 2020 (the “**Clearbeach Filing Date**”) and July 23, 2020 (the “**Forbes Filing Date**”, and collectively with the Clearbeach Filing Date, the “**Filing Dates**”), Clearbeach Resources Inc. (“**Clearbeach**”) and Forbes Resources Corp. (“**Forbes**”, and collectively with Clearbeach, the “**Companies**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”), respectively, pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), and Richter Advisory Group Inc. (“**Richter**”) was appointed as proposal trustee (in such capacity, the “**Proposal Trustee**”) under each NOI. The NOIs of Clearbeach and Forbes were filed in response to an application (the “**Receivership Application**”) made to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) by the Companies’ senior secured lender, PACE Savings and Credit Union Limited (“**PACE**”), returnable July 28, 2020, seeking, *inter alia*, a receivership order and to appoint BDO Canada Limited (“**BDO**”) as receiver, without security, over the assets, undertakings and properties of Clearbeach, Forbes and Eastern Oil Field Services Ltd., an affiliate (“**Eastern**”). The NOIs were filed with the Superintendent of Bankruptcy’s divisional office in London, Ontario. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy for each of the Companies are attached hereto as **Appendix “A”**. The NOI proceedings commenced by the Companies under the BIA are herein referred to as the “**NOI Proceedings**”.
2. The primary purpose of the NOI Proceedings was to provide the Companies with the necessary space and time to consider and develop restructuring options, including a process for the sale of the business, in order to address its liabilities and develop a proposal to creditors, while continuing with the responsible management and upkeep of its oil and natural gas wells.
3. On August 7, 2020, PACE brought a motion before the Ontario Superior Court of Justice in London, Ontario (the “**London Court**”) (the NOIs were filed in London, Ontario) seeking, among other things, (i) the termination of the 30-day statutory period specified by subsection 50.4(8) of the BIA in connection with the NOIs of Clearbeach and Forbes (the “**Stay Period**”) and (ii) the appointment of BDO as Court-appointed receiver, without security, over all of the assets, undertakings and properties of the Companies (the “**August 7 Receivership Motion**”).
4. On August 20, 2020, the Court issued two identical orders (the “**NOI Stay Orders**”), *inter alia*, (i) transferring the NOI Proceedings of Clearbeach and Forbes from the London Court to the Commercial List in Toronto and (ii) staying the Clearbeach and Forbes NOI proceedings (the “**NOI Stay**”) pending further order of the Court following the return of the August 7 Receivership Motion. Copies of the NOI Stay Orders are attached hereto as **Appendix “B”**.
5. On September 23, 2020, PACE abandoned its Receivership Application and, consequently, the August 7 Receivership Motion.

6. Pursuant to the endorsements of Justice Gilmore dated September 23, 2020 (the “**September 23 Endorsement**”), Justice Conway dated October 1, 2020 (the “**October 1 Endorsement**”), Justice Gilmore dated October 15, 2020 (the “**October 15 Endorsement**”), Justice Cavanaugh dated October 29, 2020 (the “**October 29 Endorsement**”) and Justice Conway dated November 19, 2020 (the “**November 19 Endorsement**”), the NOI Stay remains in effect until December 17, 2020 at 5:00 pm, unless further extended by the Court, in order to, *inter alia*, facilitate an orderly transition of the Companies into bankruptcy.
7. Copies of the Court materials and other information relating to the NOI Proceedings are available on the Proposal Trustee’s websites at <https://www.richter.ca/insolvencycase/clearbeach-resources-inc/> and <https://www.richter.ca/insolvencycase/forbes-resources-corp/> (the “**Proposal Trustee’s Websites**”).

II. PURPOSES OF THE FIRST REPORT

8. The purpose of this report (the “**First Report**”) is to provide the Court with information pertaining to the following:
 - (i) background information on the Companies, including their corporate structure, operations, financial results and position and creditors;
 - (ii) background information on the NOI Proceedings;
 - (iii) The Company’s request for an order (the “**Bankruptcy Transition Order**”), *inter alia*,
 - (a) terminating the NOI Stay in respect of each of Clearbeach and Forbes and ordering each of Forbes and Clearbeach bankrupt as of the date of the Bankruptcy Transition Order;
 - (b) appointing Richter as trustee in bankruptcy (in such capacity, the “**Trustee**”) of each of Clearbeach and Forbes;
 - (c) deeming that the Trustee is not to be in possession or control of any of the assets, properties and undertaking, including the oil and gas wells or other property of Clearbeach or Forbes (collectively, the “**Property**”) and disclaiming the Trustee’s interest in any of the Property, upon the issuance of the Bankruptcy Transition Order;
 - (d) authorizing Clearbeach to enter into an operating agreement (the “**Operating Agreement**”) with Eastern, and to carry out the obligations of Clearbeach as set out therein, including making the payment of fees and disbursements to Eastern thereunder. A copy of the Operating Agreement is attached hereto as **Appendix “C”**;

- (e) requiring PACE to account for and pay and / or release to Clearbeach all funds seized by PACE or withheld by PACE in or from Clearbeach's accounts with PACE after the commencement of Clearbeach's proposal proceedings, which shall form part of Clearbeach's Property and shall be used by Clearbeach toward payment of its obligations under the Operating Agreement, including in respect of meeting its obligations in respect of environmental matters and for payment of the fees and costs of the Trustee (including in its capacity as Proposal Trustee) and its counsel; and
- (f) approving the First Report and the activities of the Proposal Trustee set out herein;
- (iv) the activities of the Proposal Trustee since the Filing Dates; and
- (v) The Proposal Trustee's recommendations and conclusions.

III. DISCLAIMER AND TERMS OF REFERENCE

9. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited, draft, and / or internal financial information prepared by representatives of the Companies, the Companies' books and records, and discussions with representatives of the Companies and the Companies' legal counsel (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in this First Report, the Proposal Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
10. Parties relying on this First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
11. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.

IV. BACKGROUND INFORMATION ON THE COMPANIES

Clearbeach

12. Clearbeach, a private company, is involved in the exploration, development and production of oil and natural gas, operating in various municipalities in Southwestern Ontario. Clearbeach was incorporated in the Province of Ontario in 1989. Clearbeach, as it currently exists, is the result of a series of amalgamations, including the 2008 amalgamation of Clearbeach Resources Ltd. and Clearwood Resources Inc., to form the predecessor Clearbeach Resources Inc. ("**Clearbeach Oldco**"), and the 2019 amalgamation of Clearbeach Oldco and ON-Energy Corp. ("**ON-Energy**"). ON-Energy itself was itself the result of a previous amalgamation between a prior corporation of the same name and Liberty Oil & Gas Ltd. ("**Liberty**").
13. Clearbeach's registered head office is located at 2807 Woodhill Road, London, Ontario. Jane Lowrie is the President and sole director of Clearbeach and owns 100% of Clearbeach's common shares.
14. The Proposal Trustee understands that Clearbeach currently owns 404 oil, natural gas, disposal and injection wells (the "**Wells**") situated on private farmland throughout rural Southwestern Ontario. As noted in the affidavit of Jane Lowrie sworn December 10, 2020 (the "**Lowrie Affidavit**") filed in support of the Companies' request for the Bankruptcy Transition Order, the Wells allow Clearbeach to produce 257 "barrels of oil equivalent" per day, consisting of approximately 1,000 cubic feet of natural gas and 90 barrels of oil. As compensation for having the Wells on their property, the individual landowners (mainly farmers) are paid a 12.5% royalty on gross production on a monthly basis and are also compensated for surface facilities. These are required payments to hold the petroleum and natural gas leases in good standing and allow production from the Wells and associated facilities to continue. In recent months, royalty payments have not been made to certain landowners, in part due to the unavailability of certain funds which are currently being withheld from Clearbeach by PACE (as discussed below). As a result, Clearbeach is in violation of certain of its lease agreements, which form the basis of its right to produce and interests in the Wells.
15. The Company does not have any employees. Its operations are primarily carried out by related parties, Lagasco Inc. ("**Lagasco**") and Eastern, which manage, operate, and maintain the Wells and associated infrastructure on behalf of Clearbeach. All costs are billed on a well and field basis and time spent is tracked hourly by all operators and personnel.

Forbes

16. Forbes is incorporated under the laws of the Province of Ontario. It does not carry on any business activities, nor does it have any assets or employees. Forbes was initially incorporated with the intention of owning certain onshore oil and natural gas wells. However, due to funding complications, Forbes never took ownership of those wells.
17. Forbes' only liability relates to a secured loan advanced by PACE pursuant to a loan agreement dated April 13, 2018 in the amount of \$500,000, further details of which are provided below.

Financial Position and Results

18. As Forbes does not carry on an active business or have any assets, this section focuses on the financial position and results of Clearbeach only.
19. Set out below is a summary of the Clearbeach's income statement for the 10-month period ended June 30, 2020.

Clearbeach Resources Inc.	
Condensed Income Statement	
For the 10-months ended June 30, 2020	
(CAD, in 000s; unaudited)	
Total revenues, net of royalties	\$ 2,625
Operating costs	(2,451)
Income before the undernoted	\$ 174
Depreciation and depletion	\$ (10,777)
Impairment loss	(781)
Interest	(631)
Other	(62)
Net loss	\$ (12,077)

Source: Information provided by Clearbeach

20. As detailed above, Clearbeach incurred a net loss of approximately \$12.1 million for the 10-month period ending June 30, 2020, which was driven primarily by decreasing commodity prices for oil and natural gas, which, in addition to negatively impacting margins and liquidity, has forced Clearbeach to recognize a substantial depreciation and depletion write-down in respect of the Wells.

21. Set out below is Clearbeach's unaudited balance sheet as at June 30, 2020.

Clearbeach Resources Inc.			
Condensed Balance Sheet - as at June 30, 2020			
(CAD, in 000s; unaudited)			
Assets		Liabilities	
Cash	\$ 33	Accounts payable and accruals	\$ 2,633
Accounts receivable	326	Clearbeach PACE Loans	8,618
Prepays and security deposits	33	Total current	\$ 11,251
Total current	\$ 392	Shareholder loan (unsecured)	410
Land, buildings and equipment	151	Long-term debt (secured)	1,205
Well bond	256	Asset retirement obligation	6,450
Related party loans	1,975	Total liabilities	\$ 19,316
PNG rights (the Wells)	7,953	Total shareholders' equity	(8,589)
Total assets	\$ 10,727	Total liabilities and shareholders' equity	\$ 10,727

Source: Information provided by Clearbeach

22. As presented above, Clearbeach had total assets with a book value of approximately \$10.7 million as at June 30, 2020. The Proposal Trustee notes the following with respect to Clearbeach's assets:
- (i) The accounts receivable is in respect of Clearbeach's various oil and gas customers;
 - (ii) The well bond represents a bond posted with the Ministry of Natural Resources and Forestry (the "MNRF"), as security for costs to remediate the Wells;
 - (iii) The related party loans comprise amounts owing from Lagasco (approximately \$1.7 million as at June 30, 2020) and Terra Drilling Inc ("Terra") (approximately \$0.3 million as at June 30, 2020). The quantum and validity of the loan due from Lagasco remains subject to dispute. The loan owing from Terra is in respect of loan payments made by Clearbeach, on behalf of Terra. The Proposal Trustee has been advised by Clearbeach that Terra holds one asset, a drilling rig. The drilling rig has been inactive since 2015 due to the collapse of oil prices and the industry downturn since that time. The Proposal Trustee understands based on discussions with Clearbeach, that there is scarce demand for drilling rigs at this time, and, accordingly, it is unlikely that Terra can sell its asset for commercially reasonable values for the purposes of repaying the loan owed to Clearbeach; and
 - (iv) The book value of the Wells, net of any asset retirement obligations ("ARO"), differs materially from their estimated realizable value. Due to prevailing market conditions and their impact on the price of oil and natural gas, the estimated value of the Wells, which primarily represents the value of the oil and natural gas reserves in place, net of any corresponding ARO, has decreased substantially in recent years according to independent reserve valuation reports (from approximately \$8.9 million in 2018 to \$0.3 million in 2020).

23. As noted on the June 30, 2020 balance sheet, Clearbeach's liabilities primarily comprise the present value of Clearbeach's future environmental obligations associated with the Wells (the ARO), as well as secured obligations owing to PACE. The book value of Clearbeach's environmental obligations and secured indebtedness far exceeds the book value of its total assets. In addition, due to the depressed state of the oil and gas industry in Canada, and, in particular, Southwestern Ontario, the Proposal Trustee understands that the expected realization values of the Clearbeach assets may be substantially less than their book values.

The Companies' Creditors

24. Copies of the creditor lists included in each of the Companies' NOI proceedings are attached hereto as **Appendix "D"**. As noted above, Forbes does not carry on any business activities nor does it have any assets. Its only liability relates to secured indebtedness owing to PACE, as discussed below. Other than with respect to PACE, the discussion that follows focuses on the creditors / obligations of Clearbeach.

Ministry of Natural Resources and Forestry

25. As an explorer, developer and producer of oil and gas deposits in Ontario, Clearbeach's compliance with statutory and regulatory obligations is monitored and enforced by the MNRF. As noted in the Lowrie Affidavit, these obligations include, among others:
- (i) the plugging of oil and gas wells that are no longer in use;
 - (ii) maintaining all work sites in an orderly manner;
 - (iii) reporting all uncontrolled well flowing, spills, fires or explosions;
 - (iv) implementing precautions to prevent the wasting, leaking or escaping of oil and gas from natural reservoirs, wells or tanks; and
 - (v) certain other reporting and end of life / asset retirement obligations.
26. As noted on the Clearbeach creditor list, Clearbeach estimates a total asset retirement obligation of approximately \$10.8 million (this figure has not been discounted to its present value). However, this estimate represents the total future obligations associated with plugging / remediating all the Wells, many of which currently do not, under normal course operations, require plugging / remediation. As is industry practice, Clearbeach engages in plugging and remediation of its Wells on an ongoing basis as part of its regular operations when wells are at the end of their economic life or as otherwise required in accordance with environmental regulation.

27. Clearbeach's current known plugging / remediation obligations can be categorized as follows: (i) wells to be plugged / remediated in accordance with the MNRF Orders (as defined below) and deficiencies identified by the MNRF, and (ii) wells that are uneconomic and / or have reached their end of life.
28. As noted in the Lowrie Affidavit, on October 14, 2020, Clearbeach received environmental orders from the MNRF (the "**MNRF Orders**") to plug 10 of the Wells (the "**Ordered Wells**") due to non-compliance with certain environmental regulations associated with the Ordered Wells (either from inactivity and / or their hazardous nature). Pursuant to the MNRF Orders, Clearbeach must complete the plugging of two of the Ordered Wells by December 14, 2020, an additional two of the Ordered Wells by February 14, 2021, and the remainder of the Ordered Wells by July 14, 2021. In addition to the MNRF Orders, Clearbeach has several deficiency lists with the MNRF due to certain inactive Wells and other compliance issues. A copy of the MNRF Orders is included as Exhibit "N" to the Lowrie Affidavit. As further noted in the Lowrie Affidavit, the cost of complying with the MNRF Orders and the MNRF's deficiency lists is estimated by Clearbeach to be approximately \$404,000. Clearbeach is currently without the funds to meet these obligations.
29. As noted in the Lowrie Affidavit, the significant decline in oil and gas commodity prices over the past few years has rendered many of the Wells uneconomic. Clearbeach identifies uneconomic or end of life Wells that require plugging based on an annual valuation report prepared for Clearbeach by an independent petroleum engineer, McIntosh Perry Consulting Engineers Ltd. ("**McIntosh**"). In consideration of the findings from the McIntosh report issued to the Company in March 2020, it is estimated that the cost of plugging and end of life obligations is approximately \$1.6 million in the next year in respect of the Wells that are currently non-productive.
30. As discussed below, it is the intention of Clearbeach to meet its plugging and remediation obligations during the proposed bankruptcy proceedings pursuant to the terms of the Operating Agreement.

PACE Savings and Credit Union

31. Clearbeach is indebted to PACE under four different loan agreements, as follows:
- (i) a loan in the amount of \$6,000,000 pursuant to a loan agreement dated August 7, 2014, as amended on December 2014 (the "**Clearbeach Loan**");
 - (ii) a loan, which was originally made to Liberty (for which liability is assumed by Clearbeach through amalgamation) in the amount of \$1,000,000 pursuant to a loan agreement dated August 4, 2016, as amended on April 23, 2018 (the "**Liberty Loan**");

- (iii) a loan, which was originally made to ON-Energy (for which liability is assumed by Clearbeach through amalgamation) in the amount of \$2,000,000 pursuant to a loan agreement dated February 15, 2018, as amended on April 23, 2018 (the “**ON-Energy Loan 1**”); and
- (iv) a loan, which was originally made to ON-Energy (for which liability is assumed by Clearbeach through amalgamation) in the amount of \$2,500,000 pursuant to a loan agreement dated December 18, 2017 (the “**ON-Energy Loan 2**” and collectively, with the Clearbeach Loan, the Liberty Loan and the ON-Energy Loan 1, the “**Clearbeach PACE Loans**”);
32. A summary of the PACE Loans, including their outstanding indebtedness as at June 16, 2020, the security granted thereunder in favour of PACE by Clearbeach (collectively, the “**Clearbeach Security**”) and the guarantees thereunder, is provided in the table below.

PACE Loans Summary In CAD; unaudited				
Loan	Loan Amount	Outstanding Balance at June 16, 2020	Security	Guarantors
Clearbeach Loan	6,000,000	3,819,260	- GSA - \$8.0 million fixed and floating demand debenture over the leases and wells of Clearbeach. - Assignment of monies from Union Gas Limited and Marcus Terminals Inc.	ON-Energy, Brookwood Resources Inc. and 567322 Ontario Limited.
Liberty Loan	1,000,000	549,151	- GSA - \$1.8 million fixed and floating demand debenture over the leases and wells of Liberty. - Pledge of security from Liberty.	Peter Budd (\$1.0 million limited guarantee) and 1782767 Ontario Inc. (\$1.0 million limited guarantee).
ON-Energy Loan 1	2,000,000	1,753,470	- GSA - \$2.8 million fixed and floating demand debenture over the leases and wells of ON-Energy.	Clearbeach (\$2.0 million) and Liberty (\$2.0 million)
ON-Energy Loan 2	2,500,000	2,500,000	- GSA - \$2.8 million fixed and floating demand debenture over the leases and wells of ON-Energy.	Clearbeach (\$2.0 million) and Liberty (\$2.0 million)
Total	11,500,000	8,621,881		

33. Forbes is indebted to PACE pursuant to a loan agreement dated April 13, 2018 in the original amount of \$500,000 (the “**Forbes PACE Loan**”). The total indebtedness owing under the PACE Forbes Loan as at June 16, 2020 is approximately \$500,033. The Forbes PACE Loan is subject to a general security agreement (“**GSA**”) in favour of PACE to secure the advances of PACE under the Forbes PACE Loan (the “**Forbes Security**”). In addition, Jane Lowrie as well as a related entity have provided guarantees under the Forbes PACE Loan.
34. As of the date of this First Report, the Trustee has not reviewed, nor does it intend to instruct its counsel to review the Clearbeach Security or Forbes Security, if the proposed Bankruptcy Transition Order is granted by the Court. The proposed Bankruptcy Transition Order, if granted, provides that the Trustee is not required to obtain an opinion from legal counsel in the bankruptcy proceedings of either Clearbeach or Forbes with respect to the

validity and enforceability of the Clearbeach Security and the Forbes Security regarding the Property as against the Trustee.

35. Each of the Clearbeach PACE Loans and the Forbes PACE Loan are in default, either by way of the loan maturing without repayment of principal, arrears of interest, or a combination of both. Given the foregoing, PACE issued formal demands for repayment in respect of the Clearbeach PACE Loans and the Forbes PACE Loans (collectively, the “**Demands**”) and delivered notices of intention to enforce security pursuant to section 244(1) of the BIA on or about July 13, 2020, to each of Clearbeach and Forbes (collectively, the “**NITES**”). In addition, on July 16, 2020, PACE commenced the Receivership Application.

Crich Holdings Inc.

36. Clearbeach has secured obligations owing to and Crich Holdings Inc. (“**Crich**”) in the amount of approximately \$6.4 million (the “**Crich Indebtedness**”). The Crich Indebtedness is in respect of secured loans and preferred shares supported by a gross overriding royalty and a GSA in favour of Crich.

Unsecured Creditors

37. In addition to the amounts owing to PACE, Crich and the MNRF, Clearbeach estimated that it had unsecured obligations totalling approximately \$1.9 million as at the Clearbeach Filing Date, primarily relating to municipal taxes and royalties to landowners.

V. BACKGROUND INFORMATION ON THE NOI PROCEEDINGS

38. As noted above, Clearbeach experienced declining financial performance and liquidity issues primarily as a result of decreasing commodity prices for oil and natural gas. As with many oil and gas companies, under the prevailing market conditions, Clearbeach was unable to support the level of debt it had when prices were more than double existing prices. As a result of these and other factors, Clearbeach was without the liquidity or collateral to service or refinance its debt with PACE and / or honour its obligations to other creditors, including Crich, several municipalities in respect of taxes, and certain landowners in respect of royalties. The inability to meet its obligations as they came due resulted in enforcement actions by multiple creditors, including PACE and certain municipalities for unpaid taxes, as well as other threats of disruption to Clearbeach’s ongoing business (i.e. locking out by landowners).

Proposed Receivership

39. As noted above, the Clearbeach PACE Loans and the Forbes PACE Loan are in default and PACE delivered the Demands and NITES on or about July 13, 2020, to each of Clearbeach and Forbes. In connection with the

foregoing, on July 16, 2020, PACE commenced the Receivership Application. In response to the Receivership Application, Clearbeach and Forbes filed their NOIs on July 22 and 23, 2020, respectively, which, among other things, stayed the Receivership Application as against Clearbeach and Forbes. Eastern repaid its secured indebtedness owing to PACE prior to the return date of the Receivership Application.

40. During the ensuing days following the Filing Dates, the Proposal Trustee and its counsel, Borden Ladner Gervais LLP (“**BLG**”), engaged in discussions with PACE’s counsel, Aird & Berlis LLP (“**A&B**”), in order to keep PACE apprised of the Companies’ plans / intentions with respect to the NOI Proceedings, including Clearbeach’s proposed plan to conduct a court-supervised sale process (the “**NOI Sale Process**”) for the assets of Clearbeach, as well as the Clearbeach’s intention to seek DIP or other financing to fund the NOI Sale Process and its operations during the NOI Proceedings.
41. Ultimately, PACE was not supportive of the Companies’ proposed plans / intentions with respect to the NOI Proceedings and, accordingly, on August 7, 2020, PACE brought the August 7 Receivership Motion before the London Court. As noted in the affidavit of Paul Waters sworn August 6, 2020 (the “**August 6 Waters Affidavit**”) filed in support of the August 7 Receivership Motion, PACE would not support a sales process conducted by management of the Companies nor would it support any interim financing (by way of a DIP loan) that would prime the Clearbeach PACE Loans or the Forbes Pace Loan in a proceeding whereby current management remained in possession of its assets. Furthermore, as noted in the August 6 Waters Affidavit, there is no proposal for any sale or compromise of debt which the Companies, under their current management, could make to PACE which would be acceptable to PACE.
42. Without the support of PACE, the Companies were not in a position to present a viable proposal to creditors, and, accordingly, were left with little option but to work with PACE and its advisors with a view to facilitate an orderly transition into receivership. In that regard, following service of the August 7 Receivership Motion, the Companies, with the assistance of its legal counsel, Bennett Jones LLP (“**BJ**”), the Proposal Trustee and BLG, began working with A&B and BDO to address various transitional matters ahead of the expiry of the Stay Period, which was fast approaching. However, given the limited time available prior to the Stay Period expiry (August 22, 2020 in respect of Clearbeach and August 23, 2020 in respect of Forbes) and the nature and complexity of transitional issues that remained unresolved, the Companies, with the consent of PACE and the Proposal Trustee, brought identical motions for each of Clearbeach and Forbes seeking the NOI Stay Orders. As set out in the endorsement of Justice Dietrich dated August 20, 2020 (the “**August 20 Endorsement**”) in support of the NOI Stay Orders, the Court granted the NOI Stay for a brief period (estimated to be 7 to 14 days) to maintain the status quo and to permit the Companies, PACE and their respective advisors, time to further discuss an appropriate process going forward. A copy of the August 20 Endorsement is attached hereto as **Appendix “E”**.

43. Following the granting of the NOI Stay Orders, the Companies, BJ, the Proposal Trustee and BLG continued to work with A&B and BDO to facilitate diligence on the operations of Clearbeach and to continue to address transitional and other matters in preparation for the pending receivership.

The Notice of Abandonment and September 23, 2020 Hearing

44. On September 5, 2020, A&B, on behalf of PACE, scheduled a hearing before the Court for 12:00 pm on September 23, 2020 (the “**September 23 Hearing**”) for the purposes of seeking the relief requested in the August 7 Receivership Motion. Although the Companies and BDO continued working cooperatively to address transitional and other issues, the Proposal Trustee understands that, on or about September 21, 2020, A&B advised BJ that a short adjournment may be sought to provide PACE and its advisors additional time to, among other things, sort out certain matters pertaining to the proposed receivership.
45. Notwithstanding the foregoing, on the morning of September 23, 2020, A&B served on the service list in the NOI Proceedings, without any prior notice thereof, a notice of abandonment (the “**Notice of Abandonment**”), abandoning the August 7 Receivership Motion. A copy of the Notice of Abandonment is included as Exhibit “L” to the Lowrie Affidavit.
46. Following receipt of the Notice of Abandonment, BJ, on behalf of the Companies, wrote to A&B to advise that, given the unexpected receipt of the Notice of Abandonment, the Companies would be seeking from the Court at the September 23 Hearing, an endorsement that the matters be put over for a period of approximately 10 days to facilitate an orderly transition and to provide the Companies the time needed to consider next steps.
47. After hearing counsel submissions at the September 23 Hearing, Justice Gilmore issued the September 23 Endorsement, which, among other things, granted a short extension of the NOI Stay and an adjournment of the matter to October 1, 2020. The extension was granted to allow an effective transition and discussions between counsel, given the very recent notice of the abandonment of PACE’s receivership motion. A copy of the September 23 Endorsement is attached hereto as **Appendix “F”**.

Further Extensions of the NOI Stay

48. With the abandonment of the receivership, the Companies, with the assistance of BJ, the Proposal Trustee and BLG, had to alter their focus towards effectively transitioning into bankruptcy. The Companies, the Proposal Trustee, and their respective advisors, engaged with key stakeholders regarding various options available and matters to be dealt with by Clearbeach and Forbes in the circumstance, including conducting a proposed court-supervised sale process (the “**Bankruptcy Sale Process**”) to seek interest in a transaction to acquire the Clearbeach assets, and operating / maintaining the Wells in accordance with provincial legislation.

49. In order to deal with the foregoing options / matters, which involved the coordination of and ongoing dialogue between several key stakeholders, additional time was needed than what was afforded by the NOI Stay extension provided for in the September 23 Endorsement. Accordingly, the Companies sought, with either the consent of all parties or on the basis that no parties opposed the relief sought, four additional extensions of the NOI Stay and adjournments of the matter, summarized as follows:

Endorsement Date	Judge	NOI Stay Expiry (unless extended by the Court)
October 1, 2020	Justice Conway	October 15, 2020
October 15, 2020	Justice Gilmore	October 29, 2020
October 29, 2020	Justice Cavanaugh	November 19, 2020
November 19, 2020	Justice Conway	December 17, 2020

50. Copies of the October 1 Endorsement, the October 15 Endorsement, the October 29 Endorsement and the November 19 Endorsement are attached hereto as **Appendix “G”, “H”, “I” and “J”**, respectively.
51. Following discussions and negotiations over the ensuing weeks between the Companies, BJ, the Proposal Trustee, BLG and A&B, it was ultimately clear that the Companies’ and PACE would not reach an agreement on the terms for the Bankruptcy Sale Process (including the proposed funding thereof). In the circumstances, the Companies, with the support of the Proposal Trustee, are of the view that the only reasonable path forward is to commence bankruptcy proceedings pursuant to the provisions of the proposed Bankruptcy Transition Order, as discussed herein.

VI. PROPOSED BANKRUPTCY

52. The key components of the proposed Bankruptcy Transition Order are summarized as follows:
- (i) The bankruptcy proceedings of each of Clearbeach and Forbes are to commence on the date of the Bankruptcy Transition Order, if granted;
 - (ii) the Trustee will immediately disclaim all interest in and to the Property, and will administer a “no-asset” bankruptcy in accordance with the provisions of the BIA;

- (iii) The Trustee will be deemed not to take possession of any of the Property, nor will it assume any pre- or post-filing liability associated with taking possession of the Property;
- (iv) Clearbeach will enter into the Operating Agreement with Eastern. Eastern will operate, maintain and remediate each of the Wells in accordance with the terms of the Operating Agreement and provincial legislation. The Trustee will have no responsibility or obligation to ensure that the terms of the Operating Agreement and services contemplated thereunder are complied with or that the services are conducted in accordance with provincial legislation; and
- (v) The rights of PACE to appoint a receiver or to otherwise deal with its security will be unaffected by the proposed Bankruptcy Transition Order.

Proposal Trustee's Views on the Proposed Bankruptcy Proceedings

53. The Proposal Trustee is of the view that the proposed plan for the Companies' bankruptcy proceedings and the provisions contemplated in the proposed Bankruptcy Transition Order are reasonable and appropriate in the circumstances, for the following reasons:

- (i) As the estimated realizable value of the Companies' assets, after considering the Companies' environmental obligations and secured indebtedness, is expected to result in a shortfall to PACE, there is no expectation of any recoveries available for the benefit of any unsecured creditors. Accordingly, it would not be reasonable or appropriate for the Trustee to take possession of and / or expend estate funds to realize on the Property; and
- (ii) The proposed Operating Agreement, if approved by the Court, is intended to address the MNRF's concerns with respect to the responsible stewardship of the Wells and the various current and future environmental obligations associated with the Wells, which, if not addressed, could have devastating environmental and other impacts.

VII. THE OPERATING AGREEMENT

54. In light of the Trustee's intended disclaimer of the Property, the Companies' are seeking approval of the Operating Agreement to ensure that Clearbeach's ongoing environmental obligations can be complied with during its bankruptcy. As it is necessary to continue to maintain and remediate the Wells to ensure they do not leak oil, gas and brine into the environment, among other issues, Clearbeach is of the view that complying with these environmental obligations is of paramount importance. The Proposal Trustee shares this view.

55. As noted above, Clearbeach does not have any employees and, accordingly, it outsources operating, maintenance and rehabilitation services in respect of the Wells to Lagasco and Eastern. There is currently no contract in place between Clearbeach and Eastern for the provision of these services. In consideration of the existing and future environmental obligations associated with the Wells, Clearbeach and Eastern have negotiated the Operating Agreement to formalize their current arrangement, and allow Eastern to operate, maintain and rehabilitate the Wells during the bankruptcy.
56. The key components of the Operating Agreement are as follows:
- (i) *Services* – Eastern will provide various operations, maintenance, administrative and rehabilitation services for the Wells, including (a) servicing and maintenance of wells, including chemical treatments, hot watering, brine hauling, well workovers, crane work, and all repairs necessary to maintain the Wells on a daily basis, (b) accounting and production monitoring, (c) operations management services, (d) leasing and royalty management services, (e) communications, reporting and relationship management with the MNRF and municipalities, as needed, (f) accounting management services and (g) all major workovers, plugging and remediation work required, which will be funded under a separate budget with the prior consent of Clearbeach (collectively, the “**Services**”);
 - (ii) *Fees* – Clearbeach will pay to Eastern hourly fees for the Services plus ten percent (10%) for an overhead allowance and will reimburse Eastern for any out-of-pocket expenses and taxes incurred in the performance of the Services;
 - (iii) *Insurance* – Eastern must obtain / maintain adequate insurance;
 - (iv) *Termination* – Either Clearbeach or Eastern may terminate the Operating Agreement upon thirty (30) days’ written notice, and Clearbeach will make payment to Eastern of all outstanding fees and expenses incurred up to the date of termination. Notwithstanding the foregoing, Eastern may, at their option, terminate the Services immediately upon notice to Clearbeach, if Clearbeach fails to make payment of any fees or other monies that are due to Eastern under the Operating Agreement;
 - (v) *Court Approval* – The Operating Agreement is conditional upon the Court providing authorization to Clearbeach to execute the Operating Agreement, failing which the Operating Agreement shall be of no force or effect;
 - (vi) *Effective Start Date* – The Operating Agreement will commence on the date that the Court provides authorization to Clearbeach to execute same; and

- (vii) *Term* – Subject to early termination in accordance with the Operating Agreement, the Operating Agreement will continue for the term of Clearbeach's bankruptcy.

Proposal Trustee's Views on the Operating Agreement

57. The Proposal Trustee is supportive of Clearbeach entering into the Operating Agreement with Eastern for the following reasons:

- (i) The terms under the Operating Agreement are commercially reasonable;
- (ii) Clearbeach is without the personnel to address the operating, maintenance, and rehabilitation work required to adequately address the environmental obligations associated with the Wells;
- (iii) Eastern is a low-cost provider of these required services and has the expertise, equipment, qualified staff and historical experience to operate, maintain and rehabilitate the Wells in a safe, environmentally responsible and commercially reasonable manner. As noted in the Lowrie Affidavit, Eastern has considerable experience in respect of these services – in addition to services provided to Clearbeach, it has conducted plugging for the MNRF Orphan Well Program and First Nations contracts; and
- (iv) The Trustee's disclaimer of its interest in the Wells will leave the Wells abandoned. The Operating Agreement provides for a formal arrangement to operate, maintain and rehabilitate the Wells as needed, avoiding potentially significant environmental issues and obligations to be borne by the MNRF.

58. In consideration of the foregoing, the Proposal Trustee is of the view that the Operating Agreement provides for the best alternative in the circumstances to address the responsible stewardship of and current and potential future environmental obligations associated with the Wells.

VIII. REIMBURSEMENT AND RELEASE OF SEIZED FUNDS

59. Clearbeach maintains a bank account at PACE (the "**PACE Account**"). The Proposal Trustee has been advised by the Companies that the following occurred with respect to the PACE Account after the Filing Dates:

- (i) on various dates between July 24 to October 25, 2020, a total of approximately \$232,731.05 was deposited into the PACE Account in respect of proceeds from the sale of oil and natural gas relating to two of Clearbeach's customers (the "**Oil and Gas Sale Proceeds**"), which funds are being withheld by PACE from Clearbeach; and

- (ii) on July 26, 2020, PACE withdrew \$60,957.83 from the PACE Account to service the Clearbeach PACE Loans (the “**Pre-Filing Debt Service Payment**”), a portion of which was funded from the Oil and Gas Sale Proceeds.
60. The Proposal Trustee understands that PACE is holding the Oil and Gas Sale Proceeds despite requests made by Clearbeach to PACE to release them. As the Oil and Gas Sale Proceeds form a part of the Property, whereby any enforcement / action to seize same is subject to the stay of proceedings pursuant to Clearbeach’s NOI and the NOI Stay, the Proposal Trustee is of the view that PACE’s withholding of the Oil and Gas Sale Proceeds violates the automatic stay provisions of the BIA, particularly as provided for in sections 69 (1) of the BIA, and the NOI Stay. It is the Proposal Trustee’s understanding that PACE’s withholding of the Oil and Gas Sale Proceeds have added to Clearbeach’s already dire liquidity situation, potentially causing harmful disruption to its business. The lack of access to these funds has impeded Clearbeach’s ability to meet certain of its critical obligations, including the payment of post-filing royalties to landowners, and complying with the MNRF Orders, among others.
61. In consideration of the foregoing, the Proposal Trustee supports the Companies’ request that the Court issue an order compelling PACE to surrender and return the Oil and Gas Sale Proceeds immediately upon the issuance of the Bankruptcy Transition Order, if granted. It is the Proposal Trustee’s understanding that the Oil and Gas Sale Proceeds are critical to Clearbeach in respect of meeting its environmental obligations, paying post-filing royalty obligations to landowners, making payments under the Operating Agreement and funding the administration costs of the proposed bankruptcy proceedings.
62. The withdrawal of the Pre-Filing Debt Service Payment by PACE is, in the Proposal Trustee’s view, a violation of the automatic stay of proceedings afforded to Clearbeach upon the filing of its NOI. Accordingly, the Companies are seeking, with the Proposal Trustee’s support, that the Court issue an order directing PACE to reimburse the Pre-Filing Debt Service Payment to Clearbeach, net of any Oil and Gas Sale Proceeds used to fund the Pre-Filing Debt Service Payment.

IX. ACTIVITIES OF THE PROPOSAL TRUSTEE

63. Since the Filing Date, the Proposal Trustee’s activities have included:
- (i) providing notice to every known creditor of Clearbeach and Forbes, in the prescribed manner, and a copy of the Certificate of Filing of the NOIs pursuant to section 50.4(6) of the BIA;
 - (ii) assisting Clearbeach in implementing an appropriate accounting cut-off to ensure proper determination of pre- and post-filing obligations;

- (iii) assessing and monitoring the Companies' business and financial affairs;
- (iv) assisting each of Clearbeach and Forbes in filing a forecast of their respective receipts and disbursements for the period July 24, 2020 to October 23, 2020 (collectively, the "**Cash Flow Forecasts**"), and corresponding reports on the reasonableness of the Cash Flow Forecasts, each prepared in accordance with section 50.4(2) of the BIA;
- (v) monitoring of the Companies' cash flows and reviewing analyses on variances to the Cash Flow Forecasts;
- (vi) working with Clearbeach to design the proposed NOI Sale Process and Bankruptcy Sale Process;
- (vii) corresponding with the Companies and BJ regarding all matters in the NOI Proceedings, including the proposed NOI Sale Process and Bankruptcy Sale Process, the Cash Flow Forecasts, the Receivership Application and August 7 Receivership Motion, bankruptcy transition matters and Clearbeach's operations generally;
- (viii) corresponding with A&B and BDO regarding the proposed NOI Sale Process and Bankruptcy Sale Process, the Cash Flow Forecasts, transition and other matters in connection with the Receivership Application and August 7 Receivership Motion, bankruptcy transition matters and other matters pertaining to the NOI Proceedings;
- (ix) corresponding with BLG regarding all matters concerning the NOI Proceedings;
- (x) corresponding with MNRF regarding bankruptcy transition matters;
- (xi) responding to calls and enquiries from creditors and other stakeholders in connection with the Company's NOI proceedings;
- (xii) creating and maintaining the Proposal Trustee's Websites where copies of relevant documents in respect of the Companies' NOI proceedings have been made available;
- (xiii) attending at Court in connection with the NOI Stay Orders, as well as the case conferences in connection with all four extensions to the NOI Stay;
- (xiv) preparing this First Report; and
- (xv) dealing with other matters pertaining to the administration of the Companies' NOI proceedings.

X. PROPOSAL TRUSTEE'S CONCLUSION AND RECOMMENDATIONS

64. For the reasons set out in this First Report, the Proposal Trustee is of the view that the relief requested by the Company is both appropriate and reasonable. As such, the Proposal Trustee respectfully recommends that this Honourable Court grant the Bankruptcy Transition Order.

All of which is respectfully submitted this 11th day of December 2020.

**RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CLEARBEACH RESOURCES INC. AND FORBES RESOURCES CORP.
AND NOT IN ITS PERSONAL CAPACITY**

Per:



**Paul van Eyk,
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL**



**Adam Zeldin
CPA, CA, CIRP, LIT**

Appendix “A”



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2659751
Estate No. 35-2659751

In the Matter of the Notice of Intention to make a
proposal of:

Clearbeach Resources Inc.
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Licensed Insolvency Trustee

Date of the Notice of Intention: July 22, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 22, 2020, 16:18

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2660091
Estate No. 35-2660091

In the Matter of the Notice of Intention to make a
proposal of:

Forbes Resources Corp.
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Licensed Insolvency Trustee

Date of the Notice of Intention: July 23, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 23, 2020, 16:37

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

Appendix “B”

Court File No. .

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CLEARBEACH RESOURCES INC.**

CLEARBEACH RESOURCES INC.

Applicant

THE HONOURABLE MADAM

)

THURSDAY, THE 20TH

)

JUSTICE DIETRICH

)

DAY OF AUGUST, 2020

ORDER

THIS MOTION, made by Clearbeach Resources Inc. ("**Clearbeach**"), for an order transferring this proceeding to the Commercial List and granting a stay of this proceeding, was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7 and by videoconference.

ON READING the notice of motion, on hearing the submissions of the lawyers for Clearbeach, the proposal trustee Richter Advisory Group Inc., and PACE Savings & Credit Union Limited ("**PACE**") and being advised that they each consent to the order sought,

1. THIS COURT ORDERS that this proposal proceeding, having court file number 35-2659751 and estate file number 35-2659751, be transferred from the Ontario Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and

2. THIS COURT ORDERS that this proposal proceeding be stayed pending further order of the Court following the return of the motion for a receivership order brought by PACE.

Dietrich J.

IN THE MATTER OF THE NOTICE INTENTION TO MAKE A PROPOSAL OF CLEARBEACH RESOURCES INC.

Court File No. 35-2659751
Estate File No. 35-2659751

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**PROCEEDING COMMENCED AT
LONDON**

ORDER

BENNETT JONES LLP

Barristers

3400 One First Canadian Place

P.O. Box 130

Toronto, ON M5X 1A4

Richard B. Swan (#32076A)

Telephone: 416.777.7479

Email: swanr@bennettjones.com

William A. Bortolin (#65426V)

Telephone: 416.777.6126

Email: bortolinw@bennettjones.com

Facsimile: (416) 863-1716

Lawyers for Clearbeach Resources Inc.

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF FORBES
RESOURCES CORP.**

FORBES RESOURCES CORP.

Applicant

THE HONOURABLE MADAM)	THURSDAY, THE 20TH
)	
JUSTICE DIETRICH)	DAY OF AUGUST, 2020

ORDER

THIS MOTION, made by Forbes Resources Corp. ("**Forbes**"), for an order transferring this proceeding to the Commercial List and granting a stay of this proceeding, was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7 and by videoconference.

ON READING the notice of motion, on hearing the submissions of the lawyers for Forbes, the proposal trustee Richter Advisory Group Inc., and PACE Savings & Credit Union Limited ("**PACE**"), and being advised that they each consent to the order sought,

1. THIS COURT ORDERS that this proposal proceeding, having court file number 35-2660091 and estate file number 35-2660091, be transferred from the Ontario Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and

2. THIS COURT ORDERS that this proposal proceeding be stayed, pending further order of the Court following the return of the motion for a receivership order brought by PACE.

Dietrich J.

IN THE MATTER OF THE NOTICE INTENTION TO MAKE A PROPOSAL OF FORBES RESOURCES CORP.

Court File No. 35-2660091
Estate File No. 35-2660091

FORBES RESOURCES CORP., Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**PROCEEDING COMMENCED AT
LONDON**

ORDER

BENNETT JONES LLP
Barristers
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Richard B. Swan (#32076A)
Telephone: 416.777.7479
Email: swanr@bennettjones.com

William A. Bortolin (#65426V)
Telephone: 416.777.6126
Email: bortolinw@bennettjones.com

Facsimile: (416) 863-1716

Lawyers for Forbes Resources Corp.

Appendix “C”

OPERATING AGREEMENT

THIS AGREEMENT is made and entered into as of the — of December, 2020 (the “Effective Date”)

Between:

Clearbeach Resources Inc.
(herein referred to as the "CLB")

and

Eastern Oilfield Services Ltd.
(herein referred to as "EOS")

WHEREAS:

1. CLB became a bankrupt under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") on or about ■, 2020;
2. CLB owns and operates approximately 404 oil and natural gas wells and related equipment in Southwestern Ontario (the “Assets”), and, prior to its bankruptcy, CLB had contracted with Lagasco Inc. and EOS to assist CLB to operate and manage the Assets ;
3. CLB has agreed to engage EOS to operate and maintain the Assets and perform all necessary administrative functions associated with the maintenance of the Assets from and after the date of bankruptcy;
4. EOS has agreed to provide such services in accordance with the terms and conditions set out in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and agreements hereinafter stated, CLB and EOS agree as follows:

ARTICLE 1 SERVICES

1.1 EOS shall provide to CLB the following operations, maintenance and administration services for the CLB wells and Assets:

- (a) servicing and maintenance of wells, including chemical treatments, hot watering, brine hauling, well workovers, crane work, and all repairs necessary to maintain the wells on a daily basis;
- (b) Accounting and production monitoring;
- (c) Operations management services;
- (d) Leasing and royalty management services;

- (e) Communications, reporting and relationship management with the MNRF and municipalities, as needed;
- (f) Accounting management services; and
- (g) All major workovers, plugging and remediation work required which will be funded under a separate budget with the prior consent of CLB.

(collectively defined as the "Services")

1.2 EOS shall be permitted to subcontract any of the Services without the express written consent of CLB.

1.3 Unless otherwise instructed by CLB, EOS shall obtain and/or maintain the following minimum insurance, which name CLB, as a named insured, in addition to EOS, with the portions of such insurance relating to CLB to be paid by CLB:

- (a) Commercial general liability insurance covering EOS and all of their employees to the extent of \$5,000,000 dollars;
- (b) Automobile insurance covering personal injury and property damage to the extent of \$2,000,000 to each vehicle owned by EOS and used in performance of its Services;
- (c) Pollution Liability insurance;
- (d) Control of Well insurance; and
- (e) Property Insurance.

1.4 EOS may, at their option, terminate the Services immediately upon notice to CLB if CLB fails to make payment of any fees or other monies that are due to EOS under the terms of this Agreement. Furthermore, either EOS may terminate this Agreement on 30 days' advance written notice to all other parties to this Agreement.

ARTICLE 2

CLB'S RESPONSIBILITIES

2.1 CLB shall make available to EOS all relevant information and data pertinent to the wells and operations that CLB has, which are required by EOS to perform the Services under this Agreement. EOS shall be entitled to rely upon the accuracy and completeness of all information and data furnished by CLB, including information and data originating from other contractors engaged by the CLB, whether such parties are engaged at the request of EOS or otherwise. Where such information or data originates either with CLB or its consultants, EOS shall not be responsible to CLB for the consequences of any error or omission contained therein.

2.2 CLB shall give prompt consideration to all documentation related to the wells and operations of CLB prepared by EOS and wherever prompt action is necessary shall inform EOS of CLB's decisions in such reasonable time so as not to delay the proposed (or as amended from time to time) schedule for providing the Services.

**ARTICLE 3
OTHER**

3.1 CLB acknowledges that:

- (a) EOS is not and will not act as a fiduciary for CLB with respect to the Services;
- (b) EOS has not and will not give to CLB any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial, accounting or otherwise) of any strategy, course of action or transaction; and
- (c) The Services are being executed at the discretion of EOS and in a commercially reasonable manner in accordance with good oilfield practices and EOS does not provide any warranty or guarantee as to the financial viability, profitability, or operational viability of the Assets.
- (d) EOS agrees that:
 - (i) it shall carry out all of its obligations under this Agreement and shall execute the Services with reasonable care and diligence and with the skill to be expected of a reputable operator experienced in the types of services to be carried out under this Agreement;
 - (ii) it will ensure that any subcontractor appointed by it to perform any and all parts of the Services performs such Services with the professional skill, care and diligence expected of a professional experienced in systems of a similar nature to the System and activities of a similar nature to the the Services subcontracted to that subcontractor;
 - (iii) it shall provide all management, supervision, personnel, materials and equipment, and other services, consumables, facilities and all other things whether of a temporary or permanent nature, so far as the necessity for providing the same is specified in or reasonably inferable from this Agreement; and
 - (iv) it shall perform the Services in accordance with good industry practice, and in compliance with applicable laws and this Agreement.

3.2 EOS shall not, without the written consent of CLB:

- (a) lease, pledge, mortgage, convey, license, exchange or make any other transfer or disposition of any property or assets of CLB;
- (b) settle, compromise, assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of, any claim, suit, debt, demand or judgment against or by CLB, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment or consent to do the same; or
- (c) make any warranty, representation or commitment, or enter into or amend any agreement, contract, guaranty or instrument that is or purports to be binding on CLB.

ARTICLE 4 FEES AND EXPENSES

4.1 Commencing on the Effective Date, CLB shall pay to EOS hourly fees for the Services as outlined in Schedule A to be amended from time to time by EOS acting reasonably ("the Fees") plus ten percent (10%) for an overhead allowance.

4.2 In addition to the above Fees, CLB shall reimburse EOS for out-of-pocket expenses and taxes incurred by EOS in the performance of the Services, including, but not limited to:

- (a) Capital expenditures required to be made by EOS on behalf of CLB required to perform the Services listed herein only to the extent these expenditures are included in the operating budget;
- (b) Mileage at a rate of \$0.55 per kilometer for passenger cars and light trucks, to be adjusted from time to time by EOS acting reasonably;
- (c) Regulatory compliance and other regulatory or licensing fees;
- (d) Insurance costs incurred by EOS on behalf of or relating to CLB;
- (e) Third party fees paid by EOS on behalf of CLB relating to the Assets; and
- (f) Any other expense or tax incurred by EOS on behalf of CLB, and agreed to by CLB in advance or approved under a budget established by CLB and relating to the wells and operations of the CLB.

(collectively "Expenses").

4.3 EOS shall invoice CLB for Fees on a monthly basis, in arrears and for Expenses as they are incurred. EOS, through subcontracts, markets a portion of the CLB oil on behalf of CLB and shall net bill for the services and receipts and shall be entitled to withdraw their fees from funds received by CLB or by EOS for or on behalf of CLB in priority to the rights of any other secured or unsecured creditors of CLB. In the event that such receipts are insufficient to pay the Fees and Expenses of EOS for any given month, CLB shall remain liable to EOS for such Fees and Expenses, which shall be added to the monthly Fees bill and will be paid forthwith upon funds becoming available. An estimate of monthly fees is attached at Schedule B. Payment of the invoiced amount of Fees and Expenses shall be made by CLB within 10 days of invoicing.

ARTICLE 5 WORK OF OTHERS

5.1 EOS shall not be responsible for the work of others, except its own subcontractors.

ARTICLE 6 COURT APPROVAL AND TERM

6.1 This Agreement is conditional upon the Court supervising Clearbeach's bankruptcy proceeding providing authorization to Clearbeach to execute this Agreement, failing which this Agreement shall be of no force or effect. This Agreement shall commence on the date that the Court provides authorization to

Clearbeach to execute this Agreement. Subject to early termination in accordance with this Agreement, this Agreement shall continue for the term of CLB's bankruptcy.

ARTICLE 7 TERMINATION

7.1 Either Party may terminate this Agreement upon thirty (30) days' written notice, and CLB shall make payment to EOS of all outstanding Fees and Expenses incurred up to the date of termination.

7.2 Notwithstanding termination of this Agreement for any reason:

- (a) all warranties set out in this Agreement and all obligations of indemnification herein shall survive and continue to bind the parties after the date of termination; and
- (b) CLB shall honour any outstanding and remaining payment of Fees and Expenses owing or incurred on or before the date of termination.

ARTICLE 8 COMPLIANCE WITH LAWS AND REGULATORY REQUIREMENTS

8.1 In performing their obligations under the terms of this Agreement, the parties agree to comply at all times with all applicable laws, regulations, orders, and regulatory requirements.

ARTICLE 9 NOTICES

9.1 Any notice or other documents required or permitted to be given hereunder shall be in writing and shall be delivered, mailed by pre-paid registered mail, return receipt requested or sent by facsimile transmission or email addressed to the party or parties to whom it is to be given at the address shown below or at such other address or addresses as the party or parties to whom such writing or document is to be given shall have last notified all other parties hereto in accordance with the provisions of this section:

- (a) if to EOS at:

Attention: Scott Lewis
185 McEwan Street,
Bothwell, ON N0P 1C0
FAX (519) 695-3852
EMAIL slewis@lagasco.ca

- (b) if to CLB at:

Attention: Jane Lowrie
2807 Woodhull Road,
London, ON N6K 4S4
EMAIL jlowrie@lagasco.ca

**ARTICLE 10
GENERAL**

10.1 The rights and duties of EOS hereunder shall not be assigned, transferred or conveyed by EOS, without the prior written consent of CLB, which consent shall not be unreasonably withheld.

10.2 All prior agreements, representations and undertakings with respect to the subject matter of this Agreement are superseded.

10.3 No waiver or modification in this Agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith.

10.4 In the event that any provision, clause or paragraph herein, or part thereof shall be deemed void, invalid or unenforceable by a court of competent jurisdiction, the remaining provisions, clauses or articles, or parts thereof shall be and remain in full force and effect.

10.5 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario, and each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the Courts of Ontario and all courts competent to hear appeals therefrom.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties have duly executed this agreement as of the date first above written.

EASTERN OILFIELD SERVICES LTD.

Per: _____

Per: _____

Witness

CLEARBEACH RESOURCES INC.

Per: _____

Per: _____

Witness

SCHEDULE "A"
EASTERN HOURLY WAGE AND EQUIPMENT RATES

EASTERN OILFIELD SERVICES LIMITED

WAGE AND EQUIPMENT RATES

Sep-20

FIELD STAFF

GROUP 1		35 per hour
GROUP 2		40 per hour
GROUP 3		45 per hour
GROUP 4	field management	50 per hour

OFFICE

accounting		45 per hour
support		30 per hour

EQUIPMENT

Hot Oiler	Unit 16 Cold Pump		120 per hour
Hot Oiler	Unit 16 Hot Oiler Hot Pump		233 per hour
Brine	Unit 20		100 per hour
Vacuum truck			100 per hour
Brine	Unit 22 Kenworth		100 per hour
backhoe	Tractor / Backhoe Rental		65 per hour
bush hog	Bush hog rental		25 per day
cement	Cementer Rental		500 per day
chainsaw	Chain Saw Rental		50 per day
chemical pump	Chemical and Transfer Pump Rental		50 per day
Detecto Pac	Detecto Pac (Sniffer)		50 per day
Dump T	Dump Trailer Rental		100 per day
echo	Echo Meter		80 per day
kobota	Kobota tractor/backhoe rental		500 per day
Vehicle	Mileage	\$	0.55 per km
mower	Lawn Mower Rental		50 per day
Mud Tank	Mud Tank Rental		1,000 per week
power	Power Washer Rental		50 per day
pump ditch	Ditch Pump Rental;		50 per day
RIG 1 and 2	Rig 1 w 3 Men		225 per hour
	extra labour		35 per hour
RIG 6 and 8	Rig w 2 men		200 per hour
	extra labour		35 per hour
skidoo	Skidoo Rental		50 per day
snow	Snow Blower Rental		50 per day
supply trailer	Supply trailer		200 per day
swab	Swab Tank Rental		200 per day
tankrental	Tank Rental		500 per day
tractor/backhoe	Tractor/backhoe Rental		75 per hour
trailer	Trailer Rental		75 per day
trencher	Trencher		75 per hour
truck	Crane Truck		100 per hour

Appendix “D”

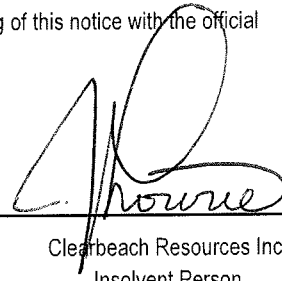
District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, Clearbeach Resources Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Richter Advisory Group Inc. of 181 Bay Street, Suite 3510, Toronto, ON, M5J 2T3, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 22nd day of July 2020.



Clearbeach Resources Inc.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1263117 Ontario Ltd.	15546 Thomson Line R.R. #1 Muirkirk ON N0L 1X0		522.34
515793 Ontario Limited	P.O. Box 247 Ruthven ON N0P 2G0		933.20
918776 Ontario Inc.	896620 County Rd.3 R.R. #4 Bright ON N0J 1B0		1,105.00
Ampro Electric	406 First Street London ON N5W 4N1		1,770.29
B & D Lemon	1330 Elgin Cty Road Road 55 Stratfordville ON N0J 1Y0		378.52
Barnhard, Charlotte	R.R. #2 737 Kerry Road Florence ON N0P 1R0		1,425.00
Bodkin, Doug	14101 Zone Centre Line Thamesvilles ON N0P 2K0		406.50
Bodmin Limited	R.R.#5 Brussel ON N0G 1H0		994.25
Brenda R.Burgess	277 Whitebread Line, R.R. #2 Port Lambton ON N0P 2B0		342.50
BROOKWOOD RESOURCES INC.	2807 Woodhull Rd. London ON N6K 1S4		325.00
Bryce McFadden	11153 Grove Mills Line Dresden ON N0P 1M0		5,600.00
C & A DYCK	56956 Glen Erie Drive, R.R.#2 Vienna ON N0J 1Z0		535.92
Canada Revenue Agency	P.O. Box 14000 Station Main AB R3C 3M2		8,367.92
Canadian Quantum Energy Corp.	8093-258 Ave.W. MD Foothills AB T1S 4G2		565.63
Carruthers Water Delivery	6762 Longwoods Road, R.R. #1 Melbourne ON N0L 1T0		2,350.00

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Cecelia Mel	416 Pointe Line West R.R. #2 Port Lambton ON N0P 2B0		2,048.78
CIBC	3109 Wonderland Rd S London ON N6L 1R4		63,608.00
Corporation of Elgin	450 Sunset Drive St.Thomas ON N5R 5V1		8,200.00
Crich Holdings and Buildings Ltd.	560 Wellington St, 2nd Floor London ON N6A 3R4		6,430,998.00
Critical Control Energy Services Inc.	800, 140- 10th Avenue S.E. Calgary AB T2G 0R1		8,464.12
Critical Control Energy Services Inc.	800, 140-10th Ave. St. E. Calgary AB T2G 0R1		1,000.00
Daniel R. Verbeek	R.R.#1 Muirkirk ON N0L 1X0		297.49
Dawn-Euphemia Township	4591 Lambton Line Dresden ON N0P 1M0		4,250.12
Dejaegher, Angela	1307 Concession 1 Langton ON N0E 1G0		500.00
Demaiter Family Farm	R.R. #3 Newbury ON N0L 1Z0		2,075.00
Dick Verbeek & Ron Verbeek	19156 Morrison Road R.R. #1 Muirkirk ON N0L 1X0		1,197.56
Eastern Oilfield Services Ltd.	185 McEwan St. Bothwell ON N0P 1C0		19,005.82
Electronic Design for Industry Inc.	100 Ayers Blvd. Belpre OH 45714 USA		529.00
FreeArc Measurement & Control	500 N. 2nd St. Independence KS 67301 USA		814.50
Gary Straatman	6366 Petrolia Line R.R.#7 Alvinston ON N0N 1A0		268.06

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
George Murphy & Ruth Murphy	693 Whitebread Line R.R. #2 Port Lambton ON N0P 2B0		381.91
Gwendoline Weits	14430 Dunborough Rd. R.R. #1 West Lorne ON N0L 2P0		859.15
Gytevai, Edward & Angeline	6205 Holden Road R.R. #1 Newcastle ON N0R 1L0		16,270.37
Harrison Pensa LLP	450 Talbot St. London ON N6A 5J6		7,666.40
Havens, Don	6623 Lambton Line R.R. #1 Bothwell ON N0P 1C0		33,724.03
Hayter's Turkey Farms Ltd.	37467 Dashwood Road R.R. #2 Dashwood ON N0M 1N0		2,920.40
Huszkas, Paul & Florence	R.R. #3 14747 Zone Centre Line Bothwell ON N0P 1C0		7,500.00
Huszkas, Paula	P.O. Box 185 149 Graham Street West Lorne ON N0L 2P0		1,500.00
Hydro One Networks Inc.	P.O. Box 5960 London ON N6A 6C4		6,485.85
Ivan Evans	539 Sydenham St. Dresden ON N0P 1M0		350.00
Jim McIntosh Petroleum Engineering Ltd.	479 Grandview Ave London ON N6K 2T4		9,519.62
Joanne Maguire JDTS Holdings	Box 617 10268 Brookland Court Grand Bend ON N0M 1T0		440.40
Keith Harold Tulloch	R.R. #5 Wallaceburg ON N8A 4L2		400.00
Kelcom Telemessaging	1172 Goyeau St. WINDSOR ON N9A 1S1		578.62

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Kevin Masse & Jeannette Masse	72039 Blackbush Line R.R. #1 Dashwood ON N0M 1N0		875.00
Kevin McFadden and Stacy O'Brien	6681 Churchill Line Watford ON N0M 2S0		900.00
Kichler Farms	R.R. #2 1686 Charlotteville Road 8 Simcoe ON N3Y 4K1		500.00
Kichler, Richard J.	R.R. #2 1686 Charlotteville Road 8 Simcoe ON N3Y 4K1		400.00
Larry Nurse	R.R. #2 Dresden ON N0P 1M0		500.00
Lina Straatman	7360 Egremont Rd. R.R.#8 Watford ON N0M 2S0		400.00
Lucy Duphette	5386 Paincourt Line Paincourt ON N0P 1Z0		625.34
Marina Shore Limited	520 Highway 59 South Port Rowan ON N0E 1M0		600.00
McDonald, Dave & Jeanne	12676 Baseline Road Thamesvilles ON N0P 2K0		1,769.50
Mercer, Donald	373 Lower Side Rd. R.R. #5 Langton ON N0E 1G0		500.00
Miller Thomson LLP	One London Place 255 Queens Avenue, Suite 2010 London ON N6A 5R8		21,391.47
Ministry of Revenue and Natural Resources	659 Exeter Road London ON N6E 1L3		10,836,700.00
Municipal Property Assessment Corporation	785 Wonderland Rd. S, Unit 252 London ON N6K 1M6		17,500.00
Municipality of Chatham-Kent	315 King St. W. P.O. Box 640 Chatham ON N7M 5K8		190,408.42

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Municipality of Huron East	72 Main St. S Box 610 Seaforth ON N0K 1W0		6,003.79
Municipality of South Huron	322 Main St. S P.O. Box 759 Exeter ON N0M 1S6		2,657.33
Municipality of Bluewater	14 Mill Ave., P.O. Box 250 Zurich ON N0M 2T0		19,169.03
Neil Stuart Jeffery, Bryan Andrew Jeffery &	2937 St.Clair Gardens Road Sombra ON N0P 2H0		1,425.00
Norfolk County	50 Colborne Street South Simcoe ON N3Y 4H3		546,527.56
Oil, Gas & Salt Trust	669 Exeter Road London ON N6E 1L3		1,580.05
PACE Savings and Credit Union Ltd.	8111 Jane St. Unit 1 Vaughan ON L4K 4L7		8,951,401.79
Pennings, Albert & Annette	33401 Fingal Line R.R. #1 Fingal ON N0L 1K0		300.00
Pitney Bowes	P.O. Box 278 Orangeville ON L9W 2Z7		382.20
Richmonne Farms Limited	R.R. #1 1068 Middleton-Nwal Towline Road Delhi ON N4B 2W4		250.00
Robert F. Kuiper & Roseanne R. Kuiper	6798 Hacienda Rd. Aylmer ON N5H 2R2		2,033.09
Rommel Farms	12 Pine Street West Aylmer ON N5H 1N7		300.00
Rowe Energy Corporation	7621 Falconbridge Drive R.R.#3 Mt. Brydges ON N0L 1W0		692.34
Shannon Watson	36737 Dashwood Rd. R.R. #1 Dashwood ON N0M 1N0		262.54

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Southwest Middlesex	153 McKellar St., Glencoe ON N0L 1M0		1,066.77
Stephen Van Dommelen	R.R. #4 Wallaceburg ON N8A 4L1		1,010.00
The Corp. of the Mun.of West Elgin	22413 Hoskins Line, Box 490 Rodney ON N0L 2C0		43,673.05
The Corporation of the Municipality of Bayham	P.O. Box 160 Straffordville ON N9J 1Y0		647,415.51
The Municipality of Dutton Dunwich	199 Currie Road Dutton ON N0L 1J0		81,897.98
The Municipality of Central Huron	P.O. Box 400, 23 Albert Street Clinton ON N0M 1L0		12,794.23
Township of Malahide	87 John St. S Aylmer ON N5H 2C3		56,116.03
Township of St.Clair	1155 Emily Street Mooretown ON N0N 1M0		30,620.49
Township of Warwick	R.R. #8 6332 Nauvoo Road Watford ON N0M 2S0		863.58
Trevor Fulton	56655 Light Line R.R. #1 VIENNA ON N0J 1Z0		255.87
Tribute Resources Inc.	2807 Woodhull Rd London ON N6K 4S4		1,112.76
Trickett's Water Service	1666 Hwy 59 Port Rowan ON N0E 1M0		525.00
Trudgeon, Bradley & Marianne	24975 Argyle Line R.R. #4 West Lorne ON N0L 2P0		300.00
Union Gas Limited	P.O. Box 4001 Station A Toronto ON M5W 0G2		726.99
Van Damme, Kimberly Ann	30359 Jane Road R.R. #5 Thamesvilles ON N0P 2K0		889.80

District of: Quebec
 Division No. 01 -
 Court No. 35-2659751
 Estate No. 35-2659751

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Clearbeach Resources Inc.
 of the city of London
 in the province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Vanos Insulation	643 Railroad Street Mt. Brydges ON N0L 1W0		5,650.00
Wayne Hooyer and Martha Hooyer	R.R. #6 Dresden ON N0P 1M0		3,843.86
Wayne Mills	R.R. #1 Muirkirk ON N0L 1X0		1,410.80
Wayne Mills	R.R.#1 Muirkirk ON N0L 1X0		1,459.60
Workplace Safety & Insurance Board	148 Fullarton St. 7th Floor London ON N6A 5P3		264.98
Total			28,155,427.02

Clearbeach Resources Inc.
 Insolvent Person

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, Forbes Resources Corp., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Richter Advisory Group Inc. of 181 Bay Street, Suite 3510, Toronto, ON, M5J 2T3, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 23rd day of July 2020.



Forbes Resources Corp.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
PACE Savings and Credit Union Ltd.	8111 Jane St Unit 1 VAUGHAN ON L4K 4L7		503,151.84
Total			503,151.84



Forbes Resources Corp.
Insolvent Person

Appendix “E”

Zeldin, Adam

From: Farrugia, Tiffany (MAG) [REDACTED]
Sent: Friday, August 21, 2020 9:55 AM
To: Richard Swan; swanr@bennettjones.com; rjaipargas@blg.com; renglish@airdberlis.com; Raj Sahni
Cc: Anissimova, Alsou (MAG); Zeldin, Adam
Subject: DIETRICH, J ORDERS CLEARBEACH AND FORBES HEARD AUG 20/2020 AT 1130AM relating to the PACE file court #CV-20-644116-00CL
Attachments: Forbes Resources Corp. and Clearbeach Resources Inc. Counsel Slip August 20 2020.docx; ORDERCLEARBEACHAUG202020.pdf; ORDERFORBESAUG202020.pdf

Attention! Courriel externe | External Email

Good Morning,

Attached are the orders regarding the **Clearbeach and Forbes** matters heard at 11:30AM on August 20, 2020. Moreover, below is the endorsement as well as the attached counsel slip. See for details:

Endorsement

Before the court are two motions in which virtually identical relief is sought. The moving parties are Forbes Resources Corp. ("Forbes") and Clearbeach Resources Inc. ("Clearbeach"), respectively. Each seeks an order: i) to transfer a bankruptcy proceeding commenced in the Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and ii) to stay the bankruptcy proceeding, briefly, pending the return of a motion for a receivership order.

Each of Forbes and Clearbeach is in the oil and gas business and their respective businesses are facing financial difficulty. On July 16, 2020, their lender, PACE Savings & Credit Union ("PACE"), commenced an application on the Commercial List in Toronto, in respect of each of them, seeking the appointment of a receiver. On July 22, 2020, each of Forbes and Clearbeach filed a notice of intention ("NOI") to make a proposal per section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). The NOI's were filed in the Superior Court of Justice in London, Ontario. On August 7, 2020, PACE gave notice of a motion in the proceeding commenced in London, Ontario to appoint a receiver of the assets of Forbes and Clearbeach and to terminate the NOI proceedings for both Forbes and Clearbeach.

A consolidation of these proceedings on the Commercial List in Toronto makes sense. The receivership application was brought on the Commercial List. Counsel to the parties are resident in Toronto and PACE has a branch office in Toronto. The transfer is in the interests of justice and judicial economy.

A brief stay of the proposal proceedings (estimated to be 7 – 14 days) is reasonable. It will permit the parties to further discuss an appropriate process going forward. During this time, the status quo will be maintained and the stay does not prevent PACE from advancing its receivership application at any time. See *Dondeb Inc.*, 2012 ONSC 6087, at paras. 23 and 24, where notices of intention to make a proposal were stayed and suspended pending further of the court where a Global Receivership Order was issued.

Each of PACE, Forbes, Clearbeach and the proposal trustee consents to the relief sought.

Orders to go the form of the drafts signed by me today. The Orders are effective as of today's date and it is not necessary that the Orders be entered.



Dietrich J.

August 20, 2020

Kind Regards,

Tiffany Farrugia
Court and Client Representative

CONFIDENTIALITY NOTICE: This communication and any attachments are privileged and contain confidential information intended only for the persons to whom they are addressed. Any other distribution, copying or disclosure is strictly prohibited. If you have received this message in error, please notify the sender immediately by reply electronic mail message or telephone call and delete this message and any attachments without reading or copying them.

NO REPLY – TO FILE ORDERS PLEASE PROCEED WITH MINISTRY GUIDELINES

Appendix “F”

Zeldin, Adam

From: Gilmore, Madam Justice Cory (SCJ) [REDACTED]
Sent: Wednesday, September 23, 2020 3:24 PM
To: 'Robb English'; 'RJaipargas@blg.com'; Zeldin, Adam; 'Richard Swan'; Raj Sahni; 'a.dascanio@advocatesllp.com'; Sinnadurai, Ananthan (MAG); jnemers@airdberlis.com
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL
Attachments: Counsel Slip - Justice Gilmore - September 23, 2020.pdf

Attention! Courriel externe | External Email

Counsel: See my endorsement below. The counsel slip is attached.

Endorsement of Gilmore, J.

Mr. English on behalf of the Applicant advised that it has abandoned its Application seeking the appointment of a Receiver. Counsel received notice of the abandonment this morning. There remains an issue of the Respondents' right to seek costs although they did not file material or a Notice of Appearance.

On July 22, 2020 the Respondents Forbes and Clearbeach filed a Notice of Intention to Make a Proposal ("NOI") pursuant to section 50.4(1) of the *BIA*. On August 7, 2020 Pace gave notice of a motion to appoint a Receiver for the assets of Forbes and Clearbeach.

At an appearance before Justice Dietrich on August 20, 2020, a stay of the proposal proceedings was sought to preserve the status quo and to allow Pace to proceed with its Receivership Application. Pace, Forbes, Clearbeach and the Trustee consented to that relief. Justice Dietrich signed two identical stay orders on August 20, 2020; one in relation to Forbes and the other in relation to Clearbeach. Both orders stipulated that the stay was in effect until further order of the court.

No extension was sought with respect to the stay. Counsel for the Applicant submits that under s.50.4 of the *BIA* the court has no authority to extend a stay where no extension has been applied for within 30 days of the stay being granted. As such, the Pace submits that I should declare Forbes and Clearbeach bankrupt as the stay was only intended to remain in place during the Application which no longer exists. Pace further submits that the stay was intended for only a short period and the debtors were well aware of the timelines in respect of requesting an extension of the stay and filing a proposal. Leaving insolvent debtors in possession during any extension period could result in mischief and is not in the best interests of the public.

Mr. D'Ascanio on behalf of the creditor Critch Holdings and Buildings Limited submits that the debtors should be given 10 days in which to decide whether to file a proposal failing which there will be a bankruptcy.

Mr. Swan on behalf of the debtors submits that the Notice of Abandonment by Pace was only served this morning and he was taken by surprise. He requests that the Orders of Justice Dietrich remain in place for a further 10 days in order to allow the parties to react to what happened and to reattend once the proposed court appointed officer, Richter, has had an opportunity to evaluate the situation. Mr. Jaipargus on behalf of Richter supports this request and agrees that an orderly process must be put in place given the nature of the assets.

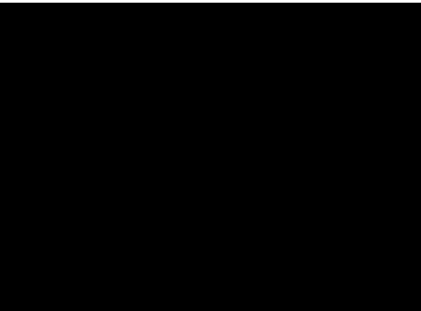
I agree with Mr. Swan and Mr. Jaipargus. Given that counsel only received notice of the abandonment of the Pace Application this morning, a short period of time should be given to allow an effective transition and discussions between counsel. However, I understand the concerns raised by Mr. English on behalf of Pace and agree that the initial reason for the stay (the Receivership Application) no longer exists. Nothing else has changed and the debtors should be given a short time to have discussions with their counsel given the very recent notice of the abandonment of the Pace Application.

Given all of the above, I make the following Orders:

1. **The matter is adjourned to Thursday October 1, 2020 for a conference before any judge. Counsel to contact the Trial Coordinator to arrange.**
2. The stay remains in effect until October 1, 2020 at 5:00 p.m. unless extended by the conference judge.

C. Gilmore, J.

September 23, 2020



Appendix “G”

Zeldin, Adam

From: Conway, Madam Justice Barbara (SCJ)
Sent: Thursday, October 1, 2020 2:53 PM
To: Raj Sahni; Roger Jaipargas; Robb English; Sinnadurai, Ananthan (MAG); Zeldin, Adam
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL
Attachments: Counsel Slip - Oct 1 2020 (004).DOCX

Importance: High

Attention! Courriel externe | External Email

Case conference held today by Zoom. Counsel slip attached.

On consent, the case conference is adjourned to **October 15, 2020 (30 minutes, starting at 9:30, confirmed by the CL office)**. It will be before Justice Gilmore, who is familiar with this matter. The parties are continuing their discussions and working on a path forward. On consent, the stay of the NOI proceedings will remain in effect until October 15, 2020 at 5:00 p.m., unless extended by the conference judge.



Superior Court of Justice (Toronto)

From: Raj Sahni
Sent: October 1, 2020 2:16 PM
To: Conway, Madam Justice Barbara (SCJ)
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List; Roger Jaipargas; Robb English; Sinnadurai, Ananthan (MAG) ; Zeldin, Adam
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL

Your Honour:

Attached please find the counsel slip for today's case conference before you.

Thank you



Raj Sahni
Partner*, Bennett Jones LLP
*Denotes Professional Corporation

Appendix “H”

Zeldin, Adam

From: Gilmore, Madam Justice Cory (SCJ) [REDACTED]
Sent: Thursday, October 15, 2020 9:58 AM
To: Raj Sahni; 'Robb English'; Zeldin, Adam; 'RJaipargas@blg.com'; Kar, Shahana (MAG); 'bonnell.andrew@ontario.ca'
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

Attention! Courriel externe | External Email

Counsel: See my endorsement below.

Endorsement of Gilmore, J.

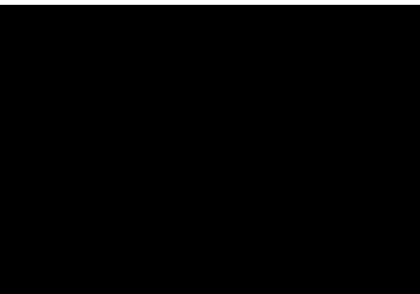
Counsel have agreed on a further two week adjournment to allow ongoing discussions with the Ministry of the Environment and permit Richter to deal with the transition into bankruptcy.

Therefore, I order as follows:

1. **A further Case Conference shall be scheduled by the Trial Coordinator for Thursday October 29, 2020 for 30 minutes. Any judge.**
2. The stay shall remain in effect through to the next Case Conference date at 5:00 p.m. unless extended by the Conference judge.

C. Gilmore, J.

October 15, 2020



Zeldin, Adam

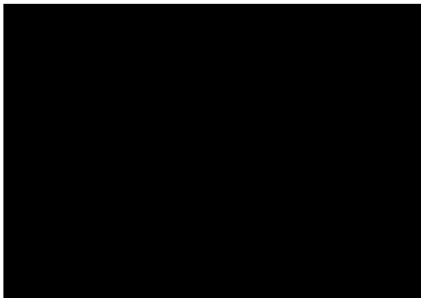
From: Gilmore, Madam Justice Cory (SCJ) [REDACTED]
Sent: Thursday, October 15, 2020 1:39 PM
To: Raj Sahni; 'Robb English'; Zeldin, Adam; 'RJaipargas@blg.com'; Kar, Shahana (MAG)
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

Attention! Courriel externe | External Email

Counsel:

Ms. Kar has pointed out that my endorsement sent out earlier today referenced the Ministry of the Environment. A correction is hereby made to the endorsement to refer to discussions with the Ministry of Natural Resources.

C. Gilmore, J.
October 15, 2020



Appendix “I”

Zeldin, Adam

From: Raj Sahni
Sent: Thursday, October 29, 2020 3:01 PM
To: Richard Swan; Robb English; van Eyk, Paul; Zeldin, Adam; Jaipargas, Roger; Ananthan (MAG; Angelo Dascanio
Subject: FW: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL
Attachments: Clearbeach Counsel Slip - Oct 29 2020.DOCX

Attention! Courriel externe | External Email

Please see the below endorsement from Justice Cavanagh from this morning's case conference.



Raj Sahni
Partner, Bennett Jones LLP*
*Denotes Professional Corporation

3400 One First Canadian Place, P.O. Box 130, Toronto, ON, M5X 1A4
T. 416 777 4804 | F. 416 863 1716 | M. 416 618 4804
E. sahnir@bennettjones.com
BennettJones.com

From: Cavanagh, Justice Peter (SCJ)
Sent: Thursday, October 29, 2020 2:47 PM
To: Raj Sahni
Cc: Anissimova, Alsou (MAG)
Subject: RE: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

Mr. Sahni: See my endorsement below. Please circulate this to other counsel. This endorsement replaces and supersedes my endorsement sent a few minutes ago to clarify some language.

Endorsement:

Counsel slip is attached.

Counsel have agreed on a further adjournment to allow ongoing to deal with the transition into bankruptcy. Crich Holdings, a guarantor and preferred shareholder, does not oppose.

Therefore, I order as follows:

1. A further Case Conference shall held on Thursday November 19, 2020 at 2 p.m. for 30 minutes before Dietrich J.
2. The stay shall remain in effect through to November 19, 2020 at 5:00 p.m. unless extended by the Conference judge.

Appendix “J”

Zeldin, Adam

From: Conway, Madam Justice Barbara (SCJ)
Sent: Thursday, November 19, 2020 12:52 PM
To: Richard Swan; JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Cc: Danish Afroz; Robb English; van Eyk, Paul; Zeldin, Adam; Raj Sahni; Jaipargas, Roger; Sinnadurai, Ananthan (MAG); Angelo Dascanio
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL
Importance: High

Attention! Courriel externe | External Email

This matter proceeded before me today by Zoom. The names of the attendees are listed below.

All counsel have either consented to or do not oppose a further extension of the stay.

The stay shall remain in effect until **December 17, 2020 at 5:00 p.m., unless extended by this court.**

The next case conference to determine steps going forward is scheduled for **December 17, 2020 at 11 a.m. for 20 minutes (any judge, confirmed with the CL office).**



Superior Court of Justice (Toronto)

From: Richard Swan
Sent: November 19, 2020 12:30 PM
To: Conway, Madam Justice Barbara (SCJ) ; JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Cc: Danish Afroz; Robb English; Paul van Eyk; Zeldin, Adam; Raj Sahni; Jaipargas, Roger; Sinnadurai, Ananthan (MAG); Angelo Dascanio
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL

Your Honour,

The following counsel attended on today's case conference:

Richard Swan, Danish Afroz for Clearbeach Resources Inc. and Forbes Resources Inc.

Robb English for Pace Savings & Credit Union Ltd.

Roger Jaipargas – for Richter Inc. as Proposal Trustee

Ananthan Sinnadurai and Andrew Bonnell (Student-at-law) for Ontario Ministry of Natural Resources and Forestry

Also present: Adam Zeldin of Richter Inc.

Richard B. Swan

Pace Savings & Credit Union Limited

and

Clearbeach Resources Inc., Forbes Resolution Corp. and Eastern Oil Field Services Ltd.

Applicant

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**FIRST REPORT OF THE PROPOSAL
TRUSTEE, RICHTER ADVISORY
GROUP INC.**

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
East Tower, Bay Adelaide Centre
22 Adelaide St West #3400
Toronto, ON M5H 4E3

Roger Jaipargas
Tel: (416) 367-6266
Fax: (416) 361-7067
(LSO #43275C)

Lawyers for Richter Advisory Group Inc.