



COURT FILE NUMBER **25-2101174**

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE PROPOSAL OF GAMET
RESOURCES LTD.

DOCUMENT THIRD REPORT OF THE PROPOSAL TRSUTEE

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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INTRODUCTION

1. Ernst & Young Inc. ("EYI") the proposal trustee (the "Trustee"), under the Notice of Intention to Make a Proposal ("NOI") filed by Gamet Resources Ltd. ("Gamet") on March 18, 2016, provides this third report to the Court pursuant to paragraph 50.4(7)(b) of the *Bankruptcy and Insolvency Act* ("BIA").

BACKGROUND

2. Gamet is a private company incorporated under the laws of the Province of Alberta on August 8, 2007 and is headquartered in Calgary, Alberta. Gamet is engaged in the exploitation for and development and production of oil and natural gas primarily in west central Alberta.
3. The Company operates a gas plant near Innisfail, Alberta and has approximately 70 wells, of which 30 are currently active and producing, 17 are shut in due to low commodity prices, 11 are Gross Overriding Royalties, eight are abandoned awaiting reclamation certificates and the remainder are awaiting abandonment. Gamet has significant land inventory of approximately 26,000 net acres.
4. The active wells are producing approximately 326 Barrels of Oil Equivalent per day of which 30% is oil and natural gas liquids and the balance is natural gas.
5. As commodity prices declined over the past year and a half, Gamet's financial performance deteriorated. Management undertook various actions to reduce its monthly cash outlays by making significant reductions in both operating expenses and general administrative expenses.

6. Unfortunately, commodity prices continued to deteriorate and Gamet was unable to meet its ongoing liabilities and had neared its operating loan limit. Gamet entered into discussions with its lender and it became clear Gamet needed to file a Notice of Intention to Make a Proposal to obtain protection from its creditors and to provide it with an opportunity to sell some or all of its assets.

ONGOING MATTERS

7. Since the NOI was filed on March 18, 2016 Gamet has continued its operations in the normal course, has continued to assess its costs and has taken steps to reduce those costs where possible.
8. Several of Gamet's creditors have been in contact with the Trustee to discuss their claims. The Trustee served notice of the NOI on Gamet's creditors, and advised creditors they would be notified following the filing of a proposal or Gamet obtaining an extension of time for filing a proposal. Other than Gamet's lender, no creditor has requested to be notified of applications to be made in these proceedings.
9. Gamet, with the assistance of the Trustee, filed a cash flow projection as at March 18, 2016 on March 28, 2016 with the Official Receiver as required under the BIA. An updated cash flow projection as at April 13, 2016 was filed with the first report of the trustee. An updated cash flow as at May 29, 2016 was filed with the second report of the Trustee. An updated cash flow as at July 9, 2016 which includes actual results for the period March 18 to September 25, 2016 is attached as Appendix "A".
10. As the cash flow projection is based on future events, actual results will vary and the variation may be material. There are some variances between the previously filed cash

flow projections; however, those variances are immaterial. In addition, as the cash flows are projected out further, there are additional expenses that Gamet will incur (such as property taxes) that were not reflected in the earlier cash flows as those expenses arise later in the fiscal year.

11. Since filing the NOI, and obtaining an extension for filing a proposal, Gamet's management have been and/or are actively engaged in:
 - a. reviewing ongoing operating expenses and assessing opportunities to reduce those expenses;
 - b. working closely with the Trustee to address creditor enquiries; and
 - c. retained Sayers Energy Advisors ("Sayer") to act as an exclusive financial advisor to undertake strategic alternatives in consideration of a sale, merger or other type of business combination in respect of the sale or farmout of some or all of its assets.
12. Sayer commenced its marketing of Gamet's assets and pursuit of other types of business combinations on April 15, 2016. A virtual data room was established which contained significant information in respect of Gamet's oil and natural gas properties as well as financial information.
13. Sayer provided the Trustee with weekly updates of its marketing process. A total of 29 confidentiality agreements were executed. The bid deadline was Thursday May 26, 2016. Sayer and Gamet were pleased with the response to the marketing process and the activity of the interested parties.
14. A total of 16 offers were received for Gamet's assets. Five of those offers were *en bloc* offers for all of Gamet's assets. The highest two *en bloc* offers received were indistinguishable in respect of price. Accordingly, Sayer approached the two offerors and asked each offeror to submit its best bid. Those new offers were received by June 1, 2016.
15. As a result of the two new offers, one offer has been accepted as the winning bid and Gamet and the Trustee are working with the winning bidder such that it may complete its due diligence.

16. The winning bidder has advised that its purchase of Gamet's assets is to be structured as a corporate acquisition such that it will acquire Gamet's common shares. As a result, Gamet will be filing a proposal for consideration by its creditors in due course once the winning bidder has concluded its due diligence, which is expected to be completed in the next few weeks.

EXTENSION APPLICATION

17. Gamet is not presently in a position to complete a proposal to its creditors, and requires an extension of time under section 50.4(9) of the BIA within which it may file its proposal. The timing of its proposal is dependent on the winning bidder concluding its due diligence. Once the winning bidder concludes its due diligence it will be working with Gamet and the Trustee such that Gamet can advance a proposal to its creditors.
18. The Trustee is satisfied, on the information it has received and the results of the sales process conducted by Sayer, that Gamet has conducted itself and continues to conduct itself in good faith and with due diligence. So far as the Trustee is aware, Gamet has complied with all its duties under the BIA.
19. The Trustee is also satisfied that it is likely Gamet will be able to make a viable proposal given the winning bidder desires a corporate transaction, not an asset purchase. The Trustee is satisfied that no creditor would be materially prejudiced if the extension being sought by Gamet is granted.
20. The Trustee understands that the secured lender supports the extension.

SUMMARY

21. The Trustee supports the application of Gamet for an extension of time within which it may file its proposal to August 31, 2016.

* * *

All of which is respectfully submitted this 7th day of July, 2016.

**ERNST & YOUNG INC.
IN ITS CAPACITY AS TRUSTEE IN THE PROPOSAL OF
GAMET RESOURCES LTD. AND NOT IN ITS PERSONAL CAPACITY**

A handwritten signature in black ink, appearing to be 'RJ Taylor', written over the printed name.

Per: Robert J. Taylor FCA, CIRP

GAMMET RESOURCES LTD.
13 Week Cash Flow
For the Period July 9 to September 25, 2016
(Includes actuals March 18 to July 9, 2016)
\$ CDN

	March 18 to July 9	10-Jul-16	17-Jul-16	24-Jul-16	31-Jul-16	7-Aug-16	14-Aug-16	21-Aug-16	28-Aug-16	4-Sep-16	11-Sep-16	18-Sep-16	25-Sep-16
		1	2	3	4	5	6	7	8	9	10	11	12
REVENUE													
Week Beginning													
OIL SALES	199,329			45,110				45,110					45,110
GAS SALES	205,264			79,200				66,000					75,900
LIQUIDS & Other	105,758			45,967				25,693					45,867
Total Revenue	510,351	0	0	170,277	0	0	0	136,803	0	0	0	0	166,877
Total Royalties	17,525			12,100	32,000			12,100					12,100
Operating Expenses													
CONTRACT OPERATOR	83,359						19,050						19,050
TRUCKING	33,189		12,000					10,750					10,750
GAS PROCESSING	16,147			26,342				26,342					26,342
PROPERTY TAXES	103,936			1,938				37,603			70,526		
PROV REGULATORY FEES	3,293			0				0					0
SURFACE LEASES - FREEHOLD + CROWN	84,563			4,710				14,178					14,930
MINERAL LEASES - CROWN + FREEHOLD	14,137			2,183				4,704					5,600
OTHER Opex	75,456			35,173	0	0	19,050	105,210	0	0	70,526	19,050	66,640
Total Operating Expenses	444,059	18,840	12,000	24,602	0	18,840	19,050	24,602	43,000	18,840	70,526	19,050	66,640
G&A	147,796	18,840		24,602	0	18,840		24,602	43,000	18,840		24,602	24,602
SALARIES & BENEFITS (consultants)	25,014	1,747		0	6,500			0	6,500				6,500
RENT	4,353	1,747				1,747				1,747			
SOFTWARE (land, accounting, JIB link)	15,748			3,253				3,253					3,253
OTHER G&A	20,587	0	27,855	27,855	6,500	20,587	0	27,855	49,500	20,587	0	24,602	34,355
Total G&A	91,774	18,840	12,000	24,602	6,500	20,587	19,050	24,602	49,500	20,587	70,526	43,652	143,095
Total Expenses	717,439	20,587	12,000	80,128	38,500	20,587	19,050	175,165	49,500	20,587	70,526	43,652	143,095
Operational Weekly Cash Change	-207,108	-20,587	-12,000	90,149	-38,500	-20,587	-19,050	-38,362	-49,500	-20,587	-70,526	-43,652	23,782
Weekly Cash Change	155,581	-20,587	-12,000	90,149	-38,500	-20,587	-19,050	-38,362	-49,500	-20,587	-70,526	-43,652	23,782
Beginning Loan Balance	5,120,000	4,964,419	4,985,006	4,997,006	4,906,857	4,945,357	4,965,943	4,984,993	5,023,355	5,072,855	5,093,442	5,163,968	5,207,620
Ending Loan Balance	4,964,419	4,985,006	4,997,006	4,906,857	4,945,357	4,965,943	4,984,993	5,023,355	5,072,855	5,093,442	5,163,968	5,207,620	5,183,838
Prior Forecast	4,983,335	4,983,335	5,010,298	5,010,298	5,010,298	5,049,935	5,049,935	5,067,578					
Debt - Higher (Lower)	1,671	13,671	(103,441)	(64,941)	(64,941)	(83,991)	(64,941)	(44,222)					

Refer to accompanying notes.

GAMET RESOURCES LTD.

13 Week Cash Flow

For the Period July 9 to September 25, 2016

(Includes actuals March 18 to July 9, 2016)

\$ CDN

Revenue

- 1 Revenue is based on the latest actual prices obtained. Revenue for future periods is based on Gamet's production forecast of all wells currently on production and current spot prices. Monthly fluctuations are based on Gamet's best estimates.

Royalties

- 2 Royalties comprise crown, gross overriding royalties and freehold royalties. The amounts are based on past experience and taking into consideration the "stay" provided by the *Bankruptcy and Insolvency Act* ("BIA").

Operating Expenses

- 3 Operating expenses are based on past experience and taking into consideration the "stay" provided pursuant to the BIA.

General & Administrative

- 4 General and Administrative expenses are based on past experience and mainly comprise salaries and benefits, office rent and insurance. Vacation pay is being paid with regular salary. Rent comprises rent due for part of March and all of April.

Professional fees

- 5 Professional fees include the retention of Sayer Energy Advisors to market Gamet's assets and the fees of the Trustee Ernst & Young Inc. and Gamet's legal counsel.