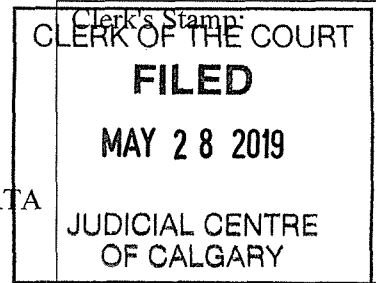


COURT FILE NUMBER 1901 -07098
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF SAFEWAY HOLDINGS (ALBERTA) LTD.
DEFENDANTS PETROCAPITA OIL AND GAS L.P.
DOCUMENT **AFFIDAVIT**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
2400, 525 – 8 Avenue SW
Calgary, Alberta T2P 1G1
Lawyer: David LeGeyt
Phone Number: (403) 260-0210
Fax Number: (403) 260-0332
Email Address: dlegeyt@bdplaw.com
File No. 54227-2

AFFIDAVIT OF WILLIAM KUJAT

Sworn on May 27, 2019.

I, William Kujat, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the president of Safeway Holdings (Alberta) Ltd. ("**Safeway**" or the "**Lender**"), the Plaintiff and applicant creditor herein and, as such, have personal knowledge of the matters deposed to except where stated to be based on information and belief, in which case I verily believe the same to be true.
2. I have reviewed the business records of the Lender relevant to the Lender's application seeking the appointment of a receiver and manager over all of the current and future assets, undertakings and property of Petrocapita Oil and Gas L.P. ("**Petrocapita**" or the "**Borrower**"), and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit on behalf of Safeway.

The Defendant

3. Petrocapita is an active Limited Partnership in Alberta. A search record for Petrocapita from the Alberta Corporate Registry is attached as **Exhibit "A"**. Petrocapita's registered office and records office are located in Calgary, Alberta.

The Secured Debentures

4. On April 29, 2016, a \$5,000,000.00 secured debenture was executed by Safeway and the Borrower, by its general partner, Petrocapita GP I Ltd. (the "**First Secured Debenture**"). A copy of the First Secured Debenture is attached and marked as **Exhibit "B"**.
5. Pursuant to the First Secured Debenture Safeway has extended a \$5,000,000.00 loan to the Borrower with interest payable quarterly and accruing at the rate of 12.5% per annum, both before and after the maturity date of the loan. The First Secured Debenture has not yet reached its maturity date, but is in default as set out below.
6. On September 1, 2017, a \$2,000,000.00 secured debenture was executed by Safeway and the Borrower, by its general partner, Petrocapita GP I Ltd. (the "**Second Secured Debenture**"). A copy of the Second Secured Debenture is attached and marked as **Exhibit "C"**.
7. Pursuant to the Second Secured Debenture Safeway has extended a \$2,000,000.00 loan to the Borrower with interest payable quarterly and accruing at the rate of 12.5% per annum, both before and after the maturity date of the loan, being March 1, 2019 (the "**Maturity Date**").
8. The Borrower has failed or neglected to make interest payments to Safeway due under the First Secured Debenture and Second Secured Debenture in 2018 and 2019. A table showing interest payable in 2018 and 2019, which the Borrower has failed or neglected to pay Safeway, is attached and marked as **Exhibit "D"**.
9. All amounts borrowed by the Borrower from Safeway under the Second Secured Debenture became due and owing to Safeway on the Maturity Date, but the Borrower failed or neglected to repay these amounts.
10. As of March 31, 2019, Petrocapita is indebted to the Lender for the principal and interest owing under the First Secured Debenture and Second Secured Debenture, in the sum of \$8,069,520.50, plus all accruing interest and incurred legal and other costs (the "**Indebtedness**").

The Security

11. The obligations of the Borrower to Safeway are secured by:
 - (a) A security agreement between Petrocapita and Safeway dated April 29, 2016 (the "**First Security Agreement**"), attached and marked as **Exhibit "E"**; and
 - (b) A security agreement dated September 1, 2017 between Petrocapita and Safeway (the "**Second Security Agreement**"), attached and marked as **Exhibit "F"**.
12. The First Security Agreement and the Second Security Agreement grant the Lender a security interest in all of Petrocapita's present and after-acquired real and personal property, as general and continuing security for the payment of all debts, liabilities and obligations of Petrocapita to Safeway (collectively, the "**Security**").
13. Safeway perfected the Security in Alberta by making registrations at the Personal Property Registry (Alberta) ("**Alberta PPR**"). An Alberta PPR Debtor Name Search for Petrocapita, dated December 3, 2018, is attached and marked as **Exhibit "G"**.
14. The Borrower is in default of the First Secured Debenture and the First Security Agreement as a result of failing to make interest payments due under the First Secured Debenture and First Security Agreement in 2018 and 2019.
15. The Borrower is in default of the Second Secured Debenture and the Second Security Agreement as a result of its failure to make interest payments in 2018 and 2019 and for a failure to repay the principal on the Maturity Date.
16. All amounts owing under the First Secured Debenture and Second Secured Debenture are due and payable by the Borrower to Safeway.
17. Pursuant to the terms of the First Secured Debenture, Second Secured Debenture, First Security Agreement and Second Security Agreement, Safeway maintains various rights to enforce recovery of the Indebtedness, including the right to apply to this Honourable Court for a Receivership Order.

Demands

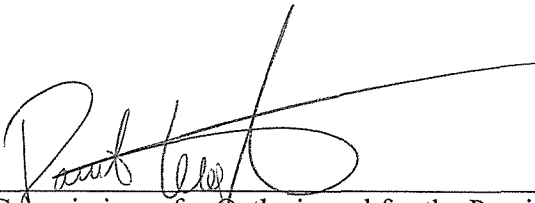
18. On or about April 24, 2019, Safeway demanded repayment of the Indebtedness from Petrocapita and concurrently therewith served upon Petrocapita a Notice of Intention to Enforce its Security, a copy of which is attached and marked as **Exhibit "H"**.
19. Petrocapita has failed, refused or neglected to repay the Indebtedness.

Appointment of Receiver

20. Safeway is presently entitled to prosecute its legal remedies under the First Secured Debenture, Second Secured Debenture, First Security Agreement and Second Security Agreement, and Safeway has the right to appoint or apply to this Honourable Court to appoint a receiver and manager over the property, assets and undertaking of Petrocapita. Safeway wishes to exercise that right at this time.
21. I verily believe that the immediate appointment of a receiver and manager of all undertakings, property and assets of Petrocapita is just and convenient and is necessary to protect the interests of Safeway, including to preserve the remaining assets of the Borrower and to realize on Safeway's Security.
22. In 2019 there have been multiple meetings and other communications between Safeway and the Borrower relating to the repayment of Safeway, and the business of the Borrower generally. In those meetings and other communications the Borrower has communicated to Safeway that the Borrower cannot repay the amounts due and owing to Safeway, and has no plan to do so. The Borrower has also admitted to me that it is insolvent and has considered making its own formal insolvency filing. Finally, I am aware that in early 2019 the Borrower implemented a solicitation process for its assets through Sayer Energy Advisors, but that process did not result in any acceptable offers, and all offers were significantly less than what is owed to Safeway.
23. I verily believe Safeway's collateral is at risk and will be further eroded unless a receiver is immediately appointed. No other viable alternative is presently available to Safeway.

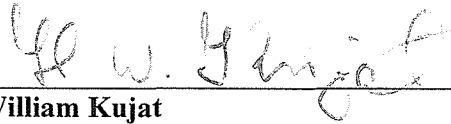
24. I make this Affidavit in support of Safeway's application for a receivership order in respect of the Borrower.

SWORN BEFORE ME at the City of Calgary, in the)
Province of Alberta this 27th day of May, 2019.)




A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor



William Kujat

**THIS IS EXHIBIT "A" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

Government of Alberta ■ Trade Name / Partnership Search

Corporate Registration System

Date of Search: 2019/05/14
 Time of Search: 07:21 AM
 Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD
 Service Request No: 31009761
 Customer Reference No:

Registration No: LP15138092
Current Business Name: PETROCAPITA OIL AND GAS L.P.
Status of Business Name: Active
Trade Name / Partnership Type: Limited Partnership
Date of Registration: 2010/01/22 YYYY/MM/DD
Home Jurisdiction: ALBERTA

Current General Partner:

Last/Legal Entity Name: PETROCAPITA GPI LTD.
Street: 1400, 717 - 7 AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P 0Z3

Other Information:

Filing History:

List Date	Type of Filing
2010/01/22	Register Limited Partnership
2018/08/30	Amend Limited Partnership

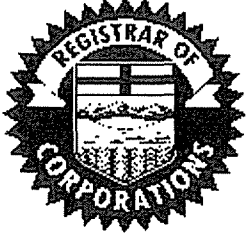
Attachments:

Attachment Type	Microfilm Barcode	Date Recorded (YYYY/MM/DD)
Certificate of Limited Partnership (AB)	10000798000074201	2010/01/22
Notice to Amend	10000598000074202	2010/02/05
Notice to Amend	10000207105175753	2010/06/25
Notice to Amend	10000598000074216	2011/12/30
Notice to Amend	10000398000074222	2011/12/30

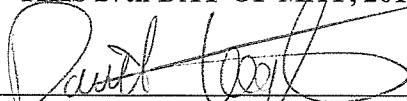
Notice to Amend

10000007126050851 2018/08/30

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



**THIS IS EXHIBIT "B" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JULY 1, 2015, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

SECURED DEBENTURE

CDN\$5,000,000

Date: April 29, 2016

For value received, Petrocapita Oil and Gas Limited Partnership (the **Partnership**), hereby acknowledges itself indebted to and unconditionally promises to pay to or to the order of Safeway Holdings (Alberta) Ltd. (the **Holder**), in accordance with the provisions of this debenture (the **Debenture**), the aggregate principal sum of FIVE MILLION (\$5,000,000) (the **Principal Amount**) and interest accrued thereon in accordance with Section 1.1 hereof, in lawful money of Canada.

Unless otherwise indicated, capitalized terms used in this Debenture have the respective meanings attributed thereto in **Schedule A**.

ARTICLE 1 PAYMENTS

1.1 Principal and Interest Payments

- (a) Interest shall accrue in respect of the outstanding Principal Amount at the rate of 12.5% per annum, subject to the terms hereof, both before and after the Maturity Date until Conversion or repayment in full. Interest will be paid quarterly in arrears until the first anniversary of the date of this Debenture.
- (b) On the fifth annual anniversary of the date of this Debenture, the Partnership shall pay the outstanding Principal Amount and accrued interest so that the whole of the outstanding Principal Amount shall be paid in full by the Maturity Date.

1.2 Payments Generally

- (a) The Partnership shall, on not more than 60 days notice and not less than 30 days prior notice, have the right at any time to prepay all or any part of the amount owing hereunder or so much thereof as remains from time to time unpaid without notice, bonus or penalty.
- (b) All payments received under this Debenture shall be applied first to the payment of interest, and second the payment of the Principal Amount.
- (c) Unless otherwise specifically permitted in this Debenture, all payments made pursuant to this Debenture (in respect of principal or otherwise) shall be made by the Partnership to the Holder by way of cheque mailed to the address specified therefor by the Holder on or about the due date therefor. Any payments received after such time shall be considered, for all purposes, as having been made on the next following Business Day unless the Holder otherwise agrees in writing.

1.3 Payment of Expenses

The Partnership shall pay forthwith upon demand to the Holder all expenses, including the reasonable fees, disbursements and other charges of its counsel (on a solicitor and his own client basis), experts or agents which the Holder may incur in connection with (i) the exercise, enforcement or protection of any of the rights of the Debenture hereunder or (ii) the failure of the Partnership to perform or observe any of the provisions hereof.

ARTICLE 2 SECURITY

2.1 Security

This Debenture shall be secured by the Security Documents, granted by Petrocapita Oil & Gas L.P. in favour of the Holder.

ARTICLE 3 COVENANTS

3.1 Covenants

So long as any of the Obligations remain outstanding, the Partnership shall:

- (a) pay or cause to be paid all of its Obligations falling due hereunder on the dates and in the manner specified herein;
- (b) maintain its existence and conduct its business in compliance in all material respects with all applicable Laws in accordance with prudent standards; and
- (c) promptly notify the Holder in writing of the occurrence of any Default or Event of Default of which it is aware.

ARTICLE 4 EVENTS OF DEFAULT AND REMEDIES

4.1 Events of Default

The Partnership shall be in Default, without notice or delay, upon the occurrence of one of the following **Events of Default** occurring:

- (a) the Partnership Defaults in the payment or issuance of Units, as applicable, when due under this Debenture;
- (b) the Partnership is in Default under any other material terms and conditions of this Debenture and such Default continues for a period of 30 days;
- (c) a proceeding (or any similar action) is commenced against the Partnership or any of its subsidiaries seeking (i) its bankruptcy, reorganization, liquidation, dissolution, arrangement or winding up, or similar relief, (ii) the appointment of a receiver, receiver manager, interim receiver or trustee (or any Person performing similar functions) in respect of itself or of all or any substantial part of its assets, or (iii) the seizure or the attachment of, or the enforcement of remedies on, any part of its assets having a value of more than \$1,000,000, and, in each case, such proceeding (or similar action) is not dismissed or withdrawn after a period of 30 days for movable or personal property or 60 days for immovable or real property, provided that such grace period shall apply only if

such proceeding (or action) is diligently contested in good faith and does not disrupt the business or normal operations of the Partnership;

- (d) the Partnership becomes unable to pay its debts generally as such debts become due or is adjudicated bankrupt or insolvent; or
- (e) the Partnership(i) applies for or consents to or is the subject of an order for the appointment of a receiver, receiver manager, interim receiver or trustee (or any Person performing similar functions) in respect of itself or of all or a substantial part of its assets, (ii) makes a general assignment for the benefit of its creditors, (iii) takes advantage of any Law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding up, or (iv) takes any action for the purpose of effecting any of the foregoing.

4.2 Remedies Upon Default

Upon the occurrence of any Event of Default (for greater certainty, after giving effect to any cure period contemplated in Section 4.1), the Holder may declare all Obligations of the Partnership to be immediately due and payable and the Holder may take such actions and commence such proceedings as may be permitted under applicable Law (whether or not provided for herein or in the Security Documents) at such times and in such manner as the Holder in its sole discretion may consider expedient, all without, except as may be required by applicable Law, any additional notice, presentment, demand, protest, notice of protest, dishonour or any other action.

4.3 Remedies Cumulative

No right, power or remedy conferred upon or reserved to the Holder herein is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall to the extent permitted by applicable Law, be cumulative and shall be in addition to every other right, power or remedy given hereunder or now or hereafter existing by Law or by statute.

ARTICLE 5 SUBORDINATION OF DEBENTURE

5.1 Subordination

The Partnership has no Senior Debt as at the date of this Debenture and, should the Partnership wish to incur any, it will seek the prior written approval of the Holder. Upon the prior written approval of the Holder, the Obligations, whether on account of principal, interest or otherwise shall be subordinated and postponed on terms agreed to between the Holder and a Senior Lender. Any security interest now or thereafter securing the Obligations shall thereby rank after and be postponed and subordinated to any Senior Security.

5.2 Subordination Agreement

Upon request of the Partnership, the Holder shall enter into a contractual subordination agreement or agreements with the Partnership and a Senior Lender as may be required by any Senior Lender to fully subordinate and postpone the Obligations and the security interests granted by the Partnership pursuant to Section 5.1 of this Debenture to the Senior Debt and the Senior Security.

ARTICLE 6 GENERAL

6.1 Schedules, etc.

"Schedule A – Definitions" attached hereto forms part of this Debenture.

6.2 Interest Act (Canada)

Whenever a rate of interest or other rate per annum hereunder is calculated on the basis of a year (the **deemed year**) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

6.3 Set-Off

The Partnership has the right to satisfy any amount from time to time owing by it to the Holder under this Debenture by way of set-off against any amount from time to time owing by the Holder to the Partnership or its affiliates, including pursuant to the Transaction Documents. The Partnership agrees to promptly notify the Holder after any such set-off and application made by it provided that the failure to give such notice does not affect the validity of such set-off and application.

6.4 Actions on Days Other Than Business Days

Except as otherwise specifically provided herein, where any payment is required to be made or any other action is required to be taken on a particular day and such day is not a Business Day and, as a result, such payment cannot be made or action cannot be taken on such day, then this Debenture shall be deemed to provide that such payment shall be made or such action shall be taken on the immediately preceding Business Day.

6.5 Reliance and Non-Merger

All covenants, agreements, representations and warranties of the Partnership made herein or in any other Transaction Document to which such Person is a party or in any certificate or other document signed by any of its directors or officers of the general partnership of the Partnership and delivered by or on behalf of the Partnership pursuant hereto or thereto are material, shall be deemed to have been relied upon by the Holder notwithstanding any investigation heretofore or hereafter made by the Holder or counsel to or any employee or other representative of any of the Holder and shall survive the execution and delivery of this Debenture and the other Transaction Documents until the Partnership shall have satisfied and performed all of its obligations under the Transaction Documents.

6.6 Payment Agreements for Debenture

Notwithstanding anything contained herein, the Partnership may enter into an agreement with the Holder providing for the payment to such Holder of the Principal Amount and interest on this Debenture at a place and in a manner other than the place and manner specified herein as the place and manner for such payment. Any payment of the principal of and interest on this Debenture at such other place and in such other manner pursuant to such agreement shall, notwithstanding any other provisions of this Debenture, be valid and binding on the Partnership and the Holder.

6.7 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as hereinafter

provided. Any such notice, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the day of sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below. This section shall also govern notice of change of address. Notices and other communications shall be addressed as follows:

(a) to the Partnership at:

Petrocapita Oil and Gas Limited Partnership
Suite 2210, 8561 – 8A Avenue SW, Calgary AB T3H 0V5

Attention: Richard Mellis

with a copy (which does not constitute notice) to:

Norton Rose Fulbright Canada LLP
200 Bay Street, Suite 3800
Toronto, ON

M5J 2Z4

Attention: Tommy Wong

Facsimile: 416.216.3930

(b) to the Holder at:

Safeway Holdings (Alberta) Ltd.
10120 West Flamingo Road #4-240, Las Vegas, NV, 89147

Attention: Bill Kujat

with a copy (which does not constitute notice) to:

Attention:

or, for each party, to any other address or any other telecopier number which may be designated by such party in a written notice transmitted to the other parties.

6.8 Amendment

No amendment of any provision of this Debenture or any Transaction Document is effective unless it is in writing and signed by the Partnership and the Holder.

6.9 Waivers, etc.

The Holder shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Holder. Any such waiver shall be enforceable only to the extent specifically set forth therein. A singular or partial exercise or waiver by the Holder of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Holder would otherwise have on any future occasion, whether similar in kind or otherwise.

6.10 Assignment

- (a) This Debenture will become effective when executed by the parties and thereafter will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
- (b) The Partnership shall not be entitled to assign or transfer this Debenture or any of the Partnership's rights, duties or obligations hereunder without the prior written consent of the Holder.
- (c) The Holder shall have no right to assign or transfer this Debenture without the prior written consent of the Partnership.

6.11 Severability

If any provision of this Debenture is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Debenture and the remaining provisions will continue in full force and effect, without amendment.

6.12 Headings, etc.

The division of this Debenture into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Debenture.

6.13 Number and Gender

In this Debenture, unless there is something in the subject matter or context inconsistent therewith,

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

6.14 Currency

Except as otherwise specifically stated, all amounts in referred to in this Debenture are stated and are to be paid in lawful money of Canada.

6.15 Governing Law

- (a) This Debenture is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Each of the parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Alberta in any action or proceeding arising out of or relating to this Debenture. Each of the parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

6.16 Debenture to Govern

If there is any conflict or inconsistency between the terms of this Debenture and the terms of the Security Documents, the provisions hereof shall prevail to the extent of such conflict or inconsistency.

6.17 Further Assurances

The Partnership shall, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Holder or its counsel as may be necessary or desirable to complete the transactions contemplated by this Debenture and carry out its provisions and intention.

6.18 Time of Essence

Time is of the essence in this Debenture and the time for performance of the obligations of the Partnership under this Debenture may be strictly enforced by the Holder.

6.19 Entire Agreement

This Debenture, the Transaction Documents constitute the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter thereof, whether oral or written. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties relating to the subject matter hereof except as specifically set forth in this Debenture and the Transaction Documents.

6.20 Independent Legal Advice

The Holder acknowledges that the Holder has been afforded a sufficient opportunity to review this Debenture with its own legal counsel, tax and financial advisors and has either (a) consulted with its own legal counsel, tax and financial advisors regarding the implications of this Debenture for it and accordingly fully understands and agrees to all terms contained herein, or (b) declined to consult with its own legal counsel, tax and financial advisors on the basis that its directors and officers have read this Debenture and are sufficiently familiar with legal documentation and financial matters so as to understand and agree to all terms contained herein, and such directors and officers did not rely on the information provided by any other person or persons to reach such understanding.

6.21 Counterparts

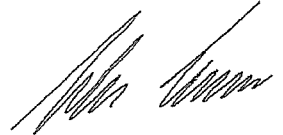
This Debenture may be executed in any number of separate counterparts and all such signed counterparts constitute one and the same agreement. Delivery by facsimile or other electronic means of an originally executed signature page to this Debenture by a party is as effective as personal delivery of such signature page.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the Partnership and the Holder have executed this Debenture as of the date and year first above written.

PETROCAPITA OIL & GAS L.P., by its general partner, PETROCAPITA GP I LTD.

Per:




Name: Alex Lemmens

Title: President

SAFEWAY HOLDINGS (ALBERTA) LTD.

Per:



Name: Bill Kujat

Title: President

SCHEDULE A - DEFINITIONS

In this Debenture, unless the context otherwise requires, the following words and expressions have the following meanings:

Administrator means Petrocapita GP I Ltd., the administrator of Petrocapita Income Trust.

Business Day means any day, other than a Saturday, Sunday or statutory or civic holiday in Calgary, Alberta.

Debenture means this debenture and all schedules attached hereto, as same may be amended, restated or replaced from time to time; the expressions **hereof**, **herein**, **hereto**, **hereunder**, **hereby** and similar expressions refer to this **Debenture** as a whole and not to any particular article, section, schedule, or other portion hereof.

deemed year has the meaning attributed thereto in Section 6.2.

Default means the occurrence of any event or condition which would constitute an Event of Default.

Event of Default has the meaning attributed thereto in Section 4.1.

Governmental Authority means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, board, arbitrator, tribunal, bureau or agency, domestic or foreign, (b) any subdivision or authority of any of the above, or (c) any quasi-governmental or private body exercising any regulatory, expropriation or tax authority under or for the account of any of the above.

Holder has the meaning attributed thereto in the first paragraph of this Debenture.

Laws means any and all (a) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards of any Governmental Authority, and (c) policies, guidelines and protocols to the extent they have force of law.

Maturity Date means April 29, 2021.

Obligations means all indebtedness, liabilities and other obligations of the Partnership to the Holder hereunder to which it is a party, whether actual or contingent, direct or indirect, matured or not, now existing or hereafter arising.

Person means a natural person, partnership, limited partnership, limited liability partnership, syndicate, sole proprietorship, corporation or company (with or without share capital), limited liability company, stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority.

Principal Amount has the meaning attributed to such term in the first paragraph of this Debenture, as decreased pursuant to the terms and conditions of this Debenture.

Security Documents means the security agreement between Petrocapita Oil and Gas L.P. and Safeway Holdings (Alberta) Ltd. dated April 29, 2016 securing Obligations of the Partnership;

Senior Debt means the principal of and the interest and premium (and any other amounts payable thereunder), if any, on (i) moneys borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments and bank debt, and any liability evidenced by bonds, debentures, notes or similar instruments) by others, or for any payment obligation under any hedging, swap or other derivative agreement of others, including, without limitation,

any subsidiary of the Partnership for payment of which the Partnership is responsible or liable, whether absolutely or contingently; (ii) any and all credit facilities currently existing or hereafter entered into between the Partnership and any financial institution or other lender, or between any subsidiary of the Partnership and any financial institution or other lender for payment of which the Partnership is responsible or liable, whether absolutely or contingently; and (iii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations.

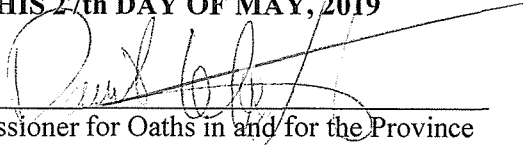
Senior Lender means a holder or holders of Senior Debt and includes any representative or representatives or trustee or trustees of any such holder or holders.

Senior Security means all mortgages, liens, pledges, charges (whether fixed or floating), security interests or other encumbrances of any kind, contingent or absolute, held by or on behalf of any Senior Lender and in any manner securing any Senior Debt.

Transaction Documents means this Debenture, the Term Sheet agreement among Petrocapita Oil and Gas L.P., Safeway Holdings (Alberta) Ltd., Prairie Dog Canada and Taku Gas Ltd., the Security Documents and all other documentation related to this transaction.

Partnership has the meaning attributed thereto in the first paragraph of this Debenture.

**THIS IS EXHIBIT "C" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**


A Commissioner for Oaths in and for the Province
of Alberta

**David LeGeyt
Barrister & Solicitor**

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) SEPTEMBER 1, 2017, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

SECURED DEBENTURE

CDN\$2,000,000

Date: September 1, 2017

For value received, Petrocapita Oil and Gas L.P. (the **Partnership**), hereby acknowledges itself indebted to and unconditionally promises to pay to or to the order of Safeway Holdings (Alberta) Ltd. (the **Holder**), in accordance with the provisions of this debenture (the **Debenture**), the aggregate principal sum of TWO MILLION (\$2,000,000) (the **Principal Amount**) and interest accrued thereon in accordance with Section 1.1 hereof, in lawful money of Canada.

Unless otherwise indicated, capitalized terms used in this Debenture have the respective meanings attributed thereto in **Schedule A**.

ARTICLE 1 PAYMENTS

1.1 Principal and Interest Payments

- (a) Interest shall accrue in respect of the outstanding Principal Amount at the rate of 12.5% per annum, subject to the terms hereof, both before and after the Maturity Date or repayment in full. Interest will be paid quarterly in arrears until the first anniversary of the date of this Debenture.
- (b) On the eighteenth monthly anniversary of the date of this Debenture, the Partnership shall pay the outstanding Principal Amount and accrued interest so that the whole of the outstanding Principal Amount shall be paid in full by the Maturity Date.

1.2 Payments Generally

- (a) The Partnership shall, on not more than 60 days notice and not less than 30 days prior notice, have the right at any time to prepay all or any part of the amount owing hereunder or so much thereof as remains from time to time unpaid without notice, bonus or penalty.
- (b) All payments received under this Debenture shall be applied first to the payment of any expenses as described in Section 1.3 below, second to the payment of interest, and third to the payment of the Principal Amount.
- (c) Unless otherwise specifically permitted in this Debenture, all payments made pursuant to this Debenture (in respect of principal or otherwise) shall be made by the Partnership to the Holder by way of cheque mailed to the address specified therefor by the Holder on or about the due date therefor. Any payments received after such time shall be considered, for all purposes, as having been made on the next following Business Day unless the Holder otherwise agrees in writing.

1.3 Payment of Expenses

The Partnership shall pay forthwith upon demand to the Holder all expenses, including the reasonable fees, disbursements and other charges of its counsel (on a solicitor and his own client basis), experts or agents which the Holder may incur in connection with (i) the exercise, enforcement or protection of any of the rights of the Debenture hereunder or (ii) the failure of the Partnership to perform or observe any of the provisions hereof.

ARTICLE 2 SECURITY

2.1 Security

This Debenture shall be secured by the Security Documents, granted by the Partnership in favour of the Holder.

ARTICLE 3 COVENANTS

3.1 Covenants

So long as any of the Obligations remain outstanding, the Partnership shall:

- (a) pay or cause to be paid all of its Obligations falling due hereunder on the dates and in the manner specified herein;
- (b) maintain its existence and conduct its business in compliance in all material respects with all applicable Laws in accordance with prudent standards; and
- (c) promptly notify the Holder in writing of the occurrence of any Default or Event of Default of which it is aware.

ARTICLE 4 EVENTS OF DEFAULT AND REMEDIES

4.1 Events of Default

The Partnership shall be in Default, without notice or delay, upon the occurrence of one of the following **Events of Default** occurring:

- (a) the Partnership Defaults in the payment when due under this Debenture;
- (b) the Partnership is in Default under any other material terms and conditions of this Debenture and such Default continues for a period of 30 days;
- (c) a proceeding (or any similar action) is commenced against the Partnership or any of its subsidiaries seeking (i) its bankruptcy, reorganization, liquidation, dissolution, arrangement or winding up, or similar relief, (ii) the appointment of a receiver, receiver manager, interim receiver or trustee (or any Person performing similar functions) in respect of itself or of all or any substantial part of its assets, or (iii) the seizure or the attachment of, or the enforcement of remedies on, any part of its assets having a value of more than \$1,000,000, and, in each case, such proceeding (or similar action) is not dismissed or withdrawn after a period of 30 days for movable or personal property or 60 days for immovable or real property, provided that such grace period shall apply only if

such proceeding (or action) is diligently contested in good faith and does not disrupt the business or normal operations of the Partnership;

- (d) the Partnership becomes unable to pay its debts generally as such debts become due or is adjudicated bankrupt or insolvent; or
- (e) the Partnership (i) applies for or consents to or is the subject of an order for the appointment of a receiver, receiver manager, interim receiver or trustee (or any Person performing similar functions) in respect of itself or of all or a substantial part of its assets, (ii) makes a general assignment for the benefit of its creditors, (iii) takes advantage of any Law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding up, or (iv) takes any action for the purpose of effecting any of the foregoing.

4.2 Remedies Upon Default

Upon the occurrence of any Event of Default (for greater certainty, after giving effect to any cure period contemplated in Section 4.1), the Holder may declare all Obligations of the Partnership to be immediately due and payable and the Holder may take such actions and commence such proceedings as may be permitted under applicable Law (whether or not provided for herein or in the Security Documents) at such times and in such manner as the Holder in its sole discretion may consider expedient, all without, except as may be required by applicable Law, any additional notice, presentment, demand, protest, notice of protest, dishonour or any other action.

4.3 Remedies Cumulative

No right, power or remedy conferred upon or reserved to the Holder herein is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall to the extent permitted by applicable Law, be cumulative and shall be in addition to every other right, power or remedy given hereunder or now or hereafter existing by Law or by statute.

ARTICLE 5 SUBORDINATION OF DEBENTURE

5.1 Subordination

The Partnership has no Senior Debt as at the date of this Debenture and, should the Partnership wish to incur any, it will seek the prior written approval of the Holder. Upon the prior written approval of the Holder, the Obligations, whether on account of principal, interest or otherwise shall be subordinated and postponed on terms agreed to between the Holder and a Senior Lender. Any security interest now or thereafter securing the Obligations shall thereby rank after and be postponed and subordinated to any Senior Security.

5.2 Subordination Agreement

Subject to Section 5.1 above, upon request of the Partnership, the Holder shall enter into a contractual subordination agreement or agreements with the Partnership and a Senior Lender as may be required by any Senior Lender to fully subordinate and postpone the Obligations and the security interests granted by the Partnership pursuant to Section 5.1 of this Debenture to the Senior Debt and the Senior Security.

ARTICLE 6 GENERAL

6.1 Schedules, etc.

"Schedule A – Definitions" attached hereto forms part of this Debenture.

6.2 Interest Act (Canada)

Whenever a rate of interest or other rate per annum hereunder is calculated on the basis of a year (the **deemed year**) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

6.3 Set-Off

The Partnership has the right to satisfy any amount from time to time owing by it to the Holder under this Debenture by way of set-off against any amount from time to time owing by the Holder to the Partnership or its affiliates, including pursuant to the Transaction Documents. The Partnership agrees to promptly notify the Holder after any such set-off and application made by it provided that the failure to give such notice does not affect the validity of such set-off and application.

6.4 Actions on Days Other Than Business Days

Except as otherwise specifically provided herein, where any payment is required to be made or any other action is required to be taken on a particular day and such day is not a Business Day and, as a result, such payment cannot be made or action cannot be taken on such day, then this Debenture shall be deemed to provide that such payment shall be made or such action shall be taken on the immediately preceding Business Day.

6.5 Reliance and Non-Merger

All covenants, agreements, representations and warranties of the Partnership made herein or in any other Transaction Document to which such Person is a party or in any certificate or other document signed by any of its directors or officers of the general partner of the Partnership and delivered by or on behalf of the Partnership pursuant hereto or thereto are material, shall be deemed to have been relied upon by the Holder notwithstanding any investigation heretofore or hereafter made by the Holder or counsel to or any employee or other representative of any of the Holder and shall survive the execution and delivery of this Debenture and the other Transaction Documents until the Partnership shall have satisfied and performed all of its obligations under the Transaction Documents.

6.6 Payment Agreements for Debenture

Notwithstanding anything contained herein, the Partnership may enter into an agreement with the Holder providing for the payment to such Holder of the Principal Amount and interest on this Debenture at a place and in a manner other than the place and manner specified herein as the place and manner for such payment. Any payment of the principal of and interest on this Debenture at such other place and in such other manner pursuant to such agreement shall, notwithstanding any other provisions of this Debenture, be valid and binding on the Partnership and the Holder.

6.7 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as hereinafter

provided. Any such notice, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the day of sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below. This section shall also govern notice of change of address. Notices and other communications shall be addressed as follows:

(a) to the Partnership at:

Petrocapita Oil and Gas L.P.
Suite 1400, 717 – 7th Avenue SW, Calgary AB T2P 0Z3

Attention: Richard Mellis

with a copy (which does not constitute notice) to:

Norton Rose Fulbright Canada LLP
200 Bay Street, Suite 3800
Toronto, ON

M5J 2Z4

Attention: Tommy Wong

Facsimile: 416.216.3930

(b) to the Holder at:

Safeway Holdings (Alberta) Ltd.
Suite 450, 707-7th Avenue SW, Calgary AB, T2P 3H6

Attention: Bill Kujat

with a copy (which does not constitute notice) to:

Attention:

or, for each party, to any other address or any other telecopier number which may be designated by such party in a written notice transmitted to the other parties.

6.8 Amendment

No amendment of any provision of this Debenture or any Transaction Document is effective unless it is in writing and signed by the Partnership and the Holder.

6.9 Waivers, etc.

The Holder shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Holder. Any such waiver shall be enforceable only to the extent specifically set forth therein. A singular or partial exercise or waiver by the Holder of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Holder would otherwise have on any future occasion, whether similar in kind or otherwise.

6.10 Assignment

- (a) This Debenture will become effective when executed by the parties and thereafter will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
- (b) The Partnership shall not be entitled to assign or transfer this Debenture or any of the Partnership's rights, duties or obligations hereunder without the prior written consent of the Holder.
- (c) The Holder shall have no right to assign or transfer this Debenture without the prior written consent of the Partnership.

6.11 Severability

If any provision of this Debenture is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Debenture and the remaining provisions will continue in full force and effect, without amendment.

6.12 Headings, etc.

The division of this Debenture into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Debenture.

6.13 Number and Gender

In this Debenture, unless there is something in the subject matter or context inconsistent therewith,

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

6.14 Currency

Except as otherwise specifically stated, all amounts in referred to in this Debenture are stated and are to be paid in lawful money of Canada.

6.15 Governing Law

- (a) This Debenture is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Each of the parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Alberta in any action or proceeding arising out of or relating to this Debenture. Each of the parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

6.16 Debenture to Govern

If there is any conflict or inconsistency between the terms of this Debenture and the terms of the Security Documents, the provisions hereof shall prevail to the extent of such conflict or inconsistency.

6.17 Further Assurances

The Partnership shall, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Holder or its counsel as may be necessary or desirable to complete the transactions contemplated by this Debenture and carry out its provisions and intention.

6.18 Time of Essence

Time is of the essence in this Debenture and the time for performance of the obligations of the Partnership under this Debenture may be strictly enforced by the Holder.

6.19 Entire Agreement

This Debenture and the Transaction Documents constitute the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter thereof, whether oral or written. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties relating to the subject matter hereof except as specifically set forth in this Debenture and the Transaction Documents.

6.20 Independent Legal Advice

The Holder acknowledges that the Holder has been afforded a sufficient opportunity to review this Debenture with its own legal counsel, tax and financial advisors and has either (a) consulted with its own legal counsel, tax and financial advisors regarding the implications of this Debenture for it and accordingly fully understands and agrees to all terms contained herein, or (b) declined to consult with its own legal counsel, tax and financial advisors on the basis that its directors and officers have read this Debenture and are sufficiently familiar with legal documentation and financial matters so as to understand and agree to all terms contained herein, and such directors and officers did not rely on the information provided by any other person or persons to reach such understanding.

6.21 Counterparts

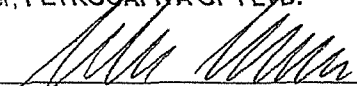
This Debenture may be executed in any number of separate counterparts and all such signed counterparts constitute one and the same agreement. Delivery by facsimile or other electronic means of an originally executed signature page to this Debenture by a party is as effective as personal delivery of such signature page.

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IN WITNESS WHEREOF the Partnership and the Holder have executed this Debenture as of the date and year first above written.

PETROCAPITA OIL AND GAS L.P., by its general partner, PETROCAPITA GP I LTD.

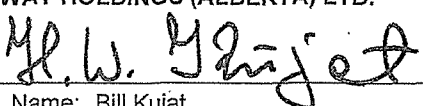
Per:


Name: Alex Lemmens

Title: President

SAFEWAY HOLDINGS (ALBERTA) LTD.

Per:


Name: Bill Kujat

Title: President

SCHEDULE A - DEFINITIONS

In this Debenture, unless the context otherwise requires, the following words and expressions have the following meanings:

Business Day means any day, other than a Saturday, Sunday or statutory or civic holiday in Calgary, Alberta.

Debenture means this debenture and all schedules attached hereto, as same may be amended, restated or replaced from time to time; the expressions **hereof**, **herein**, **hereto**, **hereunder**, **hereby** and similar expressions refer to this **Debenture** as a whole and not to any particular article, section, schedule, or other portion hereof.

deemed year has the meaning attributed thereto in Section 6.2.

Default means the occurrence of any event or condition which would constitute an Event of Default.

Event of Default has the meaning attributed thereto in Section 4.1.

Governmental Authority means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, board, arbitrator, tribunal, bureau or agency, domestic or foreign, (b) any subdivision or authority of any of the above, or (c) any quasi-governmental or private body exercising any regulatory, expropriation or tax authority under or for the account of any of the above.

Holder has the meaning attributed thereto in the first paragraph of this Debenture.

Laws means any and all (a) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards of any Governmental Authority, and (c) policies, guidelines and protocols to the extent they have force of law.

Maturity Date means March 1, 2019.

Obligations means all indebtedness, liabilities and other obligations of the Partnership to the Holder hereunder to which it is a party, whether actual or contingent, direct or indirect, matured or not, now existing or hereafter arising.

Person means a natural person, partnership, limited partnership, limited liability partnership, syndicate, sole proprietorship, corporation or company (with or without share capital), limited liability company, stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority.

Principal Amount has the meaning attributed to such term in the first paragraph of this Debenture, as decreased pursuant to the terms and conditions of this Debenture.

Security Documents means the (i) the security agreement between Petrocapita Oil and Gas L.P. and Safeway Holdings (Alberta) Ltd. dated April 29, 2016 (the "**Original Security Agreement**") and (ii) the security agreement dated September 1, 2017 between the Partnership and the Holder, securing, inter alia, the Obligations;

Senior Debt means the principal of and the interest and premium (and any other amounts payable thereunder), if any, on (i) moneys borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments and bank debt, and any liability evidenced by bonds, debentures, notes or similar instruments) by others, or for any payment obligation under any hedging, swap or other derivative agreement of others, including, without limitation,

any subsidiary of the Partnership for payment of which the Partnership is responsible or liable, whether absolutely or contingently; (ii) any and all credit facilities currently existing or hereafter entered into between the Partnership and any financial institution or other lender, or between any subsidiary of the Partnership and any financial institution or other lender for payment of which the Partnership is responsible or liable, whether absolutely or contingently; and (iii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations.

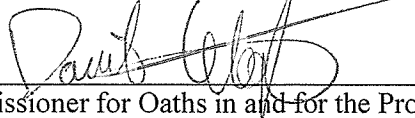
Senior Lender means a holder or holders of Senior Debt and includes any representative or representatives or trustee or trustees of any such holder or holders.

Senior Security means all mortgages, liens, pledges, charges (whether fixed or floating), security interests or other encumbrances of any kind, contingent or absolute, held by or on behalf of any Senior Lender and in any manner securing any Senior Debt.

Transaction Documents means this Debenture, the Term Sheet agreement among Petrocapita Oil and Gas L.P. and Safeway Holdings (Alberta) Ltd., the Security Documents and all other documentation related to this transaction.

Partnership has the meaning attributed thereto in the first paragraph of this Debenture.

**THIS IS EXHIBIT "D" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



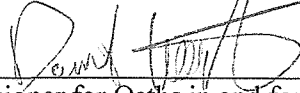
A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

PETROCAPITA INCOME TRUST
 SAFEWAY HOLDINGS
 INTEREST PAYABLE

12.5%	# DAYS	\$ 5,000,000	\$ 2,000,000	Total
2018-03-31	90	\$ 154,109.59	\$ 61,643.83	\$ 215,753.42
2018-06-30	91	155,821.91	62,328.77	218,150.68
2018-09-30	92	157,534.25	63,013.70	220,547.95
2018-12-31	92	157,534.25	63,013.70	220,547.95
2018		625,000.00	250,000.00	875,000.00
2019-02-28	59		40,410.96	40,410.96
*2019-03-31	90	154,109.59		154,109.59
		\$ 779,109.59	\$ 290,410.96	\$1,069,520.55

**THIS IS EXHIBIT "E" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

THIS SECURITY AGREEMENT is dated April 29, 2016 and made between:

- (1) **PETROCAPITA OIL & GAS L.P.**, a limited partnership formed under the laws of the Province of Alberta (the **Partnership**); and
- (2) **SAFeway HOLDINGS (ALBERTA) LTD.**, a corporation formed under the laws of the Province of Alberta (the **Lender**).

RECITALS:

- (A) The Lender and the Partnership have entered into an agreement defined by a binding term sheet (the **Term Sheet**) dated as of the date hereof, pursuant to which a representative of the Lender has agreed to purchase, on behalf of the Partnership certain assets of the Palliser from its Receiver Manager (the **Purchase Agreement**).
- (B) Pursuant to the Term Sheet, the purchase price of the assets along with additional capital for general corporate purposes will be paid in cash and secured by the issuance of a secured debenture (the **Debenture**), with a principal amount equal to \$ 5,000,000, by the Partnership to the Lender.
- (C) As a condition to entering into the Purchase Agreement, the Partnership has agreed to execute and deliver this security agreement to and in favour of the Lender as security for the payment and performance of the Partnership's obligations (the **Obligations**) to the Lender under the Term Sheet and other Transaction Documents to which it is a party.
- (D) The Partnership considers it to be in its best interest to execute this security agreement.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Partnership and the Lender agree as follows.

**ARTICLE 1
SECURITY**

1.1 Statutory and Other References

Terms defined in the *Personal Property Security Act* (Alberta) (as amended from time to time, the **PPSA**) and used in this security agreement have the same meanings. Where a reference is made to the Lender, it includes, as applicable, any nominee appointed by the Lender to hold or otherwise take possession of the Collateral.

1.2 Grant of Security

The Partnership grants to the Lender a security interest in, and assigns, mortgages, charges, hypothecates and pledges to the Lender, the following personal property and undertaking of the Partnership now owned or hereafter acquired (collectively, the **Collateral**):

- (a) The equipment, machinery, vehicles and other goods described in Schedule A (Petrocapita), Schedule B (Purchase and Sale Agreement - Palliser) and all licences and other rights and all records, files, charts, plans, drawings, specifications, manuals and documents relating thereto;
- (b) in respect of any sale or disposition of the Collateral described in Section 1.2(a) above, accounts due or accruing due to the Partnership and all agreements, books, invoices, documents and papers recording, evidencing or relating thereto;

- (c) substitutions and replacements of, and increases, additions and, where applicable, accessions to, the property described in Sections 1.2(a)-(b) inclusive; and
- (d) proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Sections 1.2(a)-(c) inclusive or the proceeds of such proceeds.

1.3 Obligations Secured

- (a) The security interest, assignment, mortgage, charge, hypothecation and pledge granted hereby (collectively, the **Security Interest**) secures the payment and performance of the Obligations.
- (b) All expenses, costs and charges incurred by or on behalf of the Lender in connection with this security agreement, the Security Interest or the realization of the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of, or of taking or defending any action in connection with, taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral or other lawful exercises of the powers conferred by the Term Sheet and the other Transaction Documents are payable on demand and added to and form a part of the Obligations.

1.4 Attachment, Perfection, Possession, Control and Scope

- (a) The Partnership acknowledges that (i) value has been given, (ii) it has rights in the Collateral or the power to transfer rights in the Collateral to the Lender (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this security agreement.
- (b) The Security Interest does not extend to consumer goods.

1.5 Care and Custody of Collateral

- (a) The Lender has no obligation to keep Collateral in its possession identifiable.
- (b) The Lender may, after the Security Interest has become enforceable, (i) notify any person obligated on an account, chattel paper or instrument to make payments to the Lender whether or not the Partnership was previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

ARTICLE 2 ENFORCEMENT

2.1 Enforcement

The Security Interest shall be and become enforceable against the Partnership immediately upon demand being made by the Lender under the Debenture.

2.2 Remedies

Whenever the Security Interest becomes enforceable, the Lender may at any time in its sole discretion realize upon the Collateral and enforce its right by:

- (a) entering onto any premises where Collateral consisting of tangible personal property may be located;

- (b) entering into possession of the Collateral by any method permitted by law;
- (c) selling or leasing all or any part of the Collateral;
- (d) holding, storing or keeping idle or operating all or any part of the Collateral;
- (e) collecting any proceeds arising in respect of the Collateral;
- (f) collecting, realizing, selling, or otherwise dealing with, the accounts;
- (g) Issuing any instructions or entitlement orders to an issuer or securities intermediary;
- (h) instructing a financial institution to transfer funds held by it to an account maintained by the Lender;
- (i) appointing by instrument in writing a receiver (which term as used in this security agreement includes a receiver and manager) or agent of all or any part of the Collateral and removing or replacing from time to time any receiver or agent;
- (j) instituting proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;
- (k) instituting proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;
- (l) filing proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Partnership; and
- (m) exercising any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

2.3 Additional Rights

In addition to the remedies set forth in Section 2.2, the Lender may, in its sole discretion, either directly or through its agents or nominees, whenever the Security Interest has become enforceable:

- (a) require the Partnership, at the Partnership's expense, to assemble the Collateral to the extent reasonably practicable at a place or places designated by notice in writing and the Partnership agrees to so assemble the Collateral;
- (b) require the Partnership, by notice in writing, to disclose to the Lender the location or locations of the Collateral and the Partner agrees to make such disclosure when so requested;
- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Partnership or otherwise;
- (d) borrow for the purpose of maintenance, preservation or protection of the Collateral and grant security interests in the Collateral, whether or not in priority to the Security Interest, to secure repayment;
- (e) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and discharges in respect of the Collateral

and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Partnership; and

- (f) at any public or private sale, bid for and purchase any or all of the Collateral offered for sale and upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Partnership or any other person with respect to such holding, retention or disposition, except as required by law.

2.4 Concerning a Receiver

- (a) Any receiver appointed by the Lender shall be vested with all rights and remedies which could have been exercised by the Lender in respect of the Partnership or the Collateral and such other powers and discretions as are granted in the instrument of appointment and any supplemental instruments. The choice of receiver and its remuneration are within the sole and unfettered discretion of the Lender.
- (b) Any receiver appointed by the Lender shall act as agent for the Lender for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Partnership. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Partnership or as agent for the Lender as the Lender may determine in its discretion. The Partnership agrees to ratify and confirm all actions of the receiver acting as agent for the Partnership, and to release and indemnify the receiver in respect of all such actions.
- (c) The Lender, in appointing or refraining from appointing any receiver, shall not incur any liability to the receiver, the Partnership or otherwise and is not responsible for any misconduct or negligence of such receiver.

2.5 Exercise of Remedies

Any remedy may be exercised separately or in combination and is in addition to, and not in substitution for, any other rights or remedies the Lender may have, however created. The Lender is not bound to exercise any right or remedy, and the exercise of rights and remedies is without prejudice to any other rights of the Lender in respect of the Obligations including the right to claim for any deficiency.

2.6 Appointment of Attorney

The Partnership irrevocably appoints the Lender (and its officers) as attorney of the Partnership (with full power of substitution) to do, make and execute, in the name of and on behalf of the Partnership, upon the occurrence and during the continuance of an Event of Default all such further acts, documents, matters and things which the Lender may deem necessary or advisable to accomplish the purposes of this security agreement including the execution, endorsement and delivery of documents and any notices, receipts, assignments or verifications of the accounts. All acts of the attorney are hereby ratified and approved, and the attorney shall not be liable for any act, failure to act or any other matter or thing, except to the extent caused by its own gross negligence or wilful misconduct. This power of attorney is irrevocable, is coupled with an interest, has been given for valuable consideration (the receipt and adequacy of which is acknowledged) and survives, and does not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Partnership. This power of attorney extends to and is binding upon the Partnership's successors and permitted assigns.

2.7 Dealing with the Collateral

- (a) The Lender is not obliged to exhaust its recourse against the Partnership or any other person or against any other security they may hold in respect of the Obligations before

realizing upon or otherwise dealing with the Collateral in such manner as the Lender considers desirable.

- (b) The Lender may grant extensions or other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Partnership and with other persons, guarantors, sureties or security as they may see fit without prejudice to the Obligations, the liability of the Partnership or the rights of the Lender and in respect of the Collateral.
- (c) The Lender is not (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral, (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any persons in respect of the Collateral, (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal with the Collateral, or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.
- (d) To the extent that applicable law imposes duties on the Lender to exercise remedies in a commercially reasonable manner, and without prejudice to the ability of the Lender to dispose of the Collateral in any such manner, the Partnership acknowledges and agrees that it is not commercially unreasonable for the Lender to, and the Lender may, in its discretion (i) incur expenses reasonably deemed significant by the Lender to prepare the Collateral for disposition (ii) exercise collection remedies directly or through the use of collection agencies, (iii) dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (iv) dispose of Collateral to a customer or client of the Lender, (v) contact other persons, whether or not in the same business as the Partnership, for expressions of interest in acquiring all or any portion of the Collateral, (vi) hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the Collateral is of a specialized nature, (vii) establish an upset or reserve bid or price in respect of the Collateral, and (viii) establish such terms as to credit or otherwise as the Lender may determine.

2.8 Application of Proceeds

Any and all moneys realized by the Lender pursuant to this security agreement shall be applied by the Lender to such part of to the Obligations as the Lender in its sole discretion determines. The Lender may, at all times and from time to time, change any application so made in accordance with the Term Sheet and the other Transaction Documents.

2.9 No Waiver

No delay or omission by the Lender, at any time or times, to require strict performance by the Partnership of any provision of this security agreement waives, affects or diminishes any right of the Lender thereafter to demand strict compliance and performance therewith.

2.10 Dealings by Third Parties

- (a) No person dealing with the Lender or an agent or receiver is required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such person is purporting to exercise have become exercisable, (iii) whether any money remains due to the Lender by the Partnership, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale or lease is made, (v) the propriety or regularity of any sale or other dealing by the Lender with the Collateral, or (vi) how any money paid to the Lender has been applied.

- (b) Any purchaser of Collateral shall hold the Collateral absolutely, free from any claim or right of any kind whatever, including any equity of redemption, of the Partnership. The Partnership waives (to the fullest extent permitted by law) as against any such purchaser, all rights of redemption, stay or appraisal which the Partnership has or may have under any rule of law or statute now existing or hereafter adopted.

ARTICLE 3 GENERAL

3.1 Discharge

The Security Interest will be discharged upon, but only upon, (a) full and indefeasible payment and performance of the Obligations, (b) the Lender having no obligations under the Debenture and the other Transaction Documents, and (c) at the request and expense of the Partnership. In that connection, the Lender will execute and deliver to the Partnership such releases and discharges as the Partnership may reasonably require.

3.2 Waiver of Delivery

To the extent permitted by applicable law, the Partnership waives its right to receive a copy of any financing statement or financing change statement registered by or on behalf of the Lender, or any verification statement with respect to any financing or financing change statement registered by or on behalf of the Lender.

3.3 No Merger

This security agreement shall not operate by way of merger of any of the Obligations and no judgment recovered by the Lender will operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Lender in respect of the Obligations.

3.4 Supplemental Security

This security agreement is in addition to and without prejudice to all other security now held or which may hereafter be held by the Lender.

3.5 Capitalized Terms

- (a) Capitalized terms used in this security agreement and not otherwise defined have the respective meanings given to them in the Debenture.
- (b) Any reference to this security agreement, the Term Sheet, the Debenture or any other Transaction Document refers to this security agreement or such Term Sheet, the Debenture or other Transaction Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented.

3.6 Notices, etc.

Any notice, consent, waiver or other communication given under this security agreement must be in writing and delivered in accordance with the provisions of the Term Sheet, the Debenture or other Transaction Documents.

3.7 Amendment

No amendment of any provision of this security agreement is effective unless it is in writing and signed by the Lender and the Partnership.

3.8 Waivers, etc.

The Lender shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A singular or partial exercise or waiver by the Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

3.9 Assignment

- (a) This security agreement will become effective when executed by the parties and thereafter will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
- (b) The Partnership shall not be entitled to assign or transfer this security agreement or any of the Partnership's rights, duties or obligations hereunder without the prior written consent of the Lender.
- (c) The Lender shall have no right to assign or transfer this security agreement without the prior written consent of the Lender.

3.10 Severability

If any provision of this security agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this security agreement and the remaining provisions will continue in full force and effect, without amendment.

3.11 Headings, etc.

The division of this security agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this security agreement.

3.12 Number and Gender

In this security agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

3.13 Currency

Except as otherwise specifically stated, all amounts in referred to in this security agreement are stated and are to be paid in lawful money of Canada.

3.14 Governing Law

- (a) This security agreement is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Each of the parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Alberta in any action or proceeding arising out of or relating to this security agreement. Each of the parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

3.15 Debenture to Govern

If there is any conflict or inconsistency between the terms of this security agreement and the terms of the Debenture, the provisions of the Debenture shall prevail to the extent of such conflict or inconsistency.

3.16 Further Assurances

The Partnership shall from time to time, whether before or after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Lender may reasonably require for (a) protecting the Collateral, (b) perfecting the Security Interest, (c) obtaining control of the Collateral, (d) exercising all powers, authorities and discretions conferred upon the Lender, and (e) otherwise enabling the Lender to obtain the full benefits of this security agreement and the rights and powers herein granted. The Partnership shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Lender may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

3.17 Time of Essence

Time is of the essence in this security agreement and the time for performance of the obligations of the Partnership under this security agreement may be strictly enforced by the Lender.

3.18 Entire Agreement

This security agreement and the other Transaction Documents (as defined in the Debenture) constitute the entire agreement between the parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter thereof, whether oral or written. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the parties relating to the subject matter hereof except as specifically set forth in this security agreement and the other Transaction Documents (as defined in the Debenture).

3.19 Independent Legal Advice

The Lender acknowledges that the Lender has been afforded a sufficient opportunity to review this security agreement with its own legal counsel, tax and financial advisors and has either (a) consulted with its own legal counsel, tax and financial advisors regarding the implications of this security agreement for it and accordingly fully understands and agrees to all terms contained herein, or (b) declined to consult with its own legal counsel, tax and financial advisors on the basis that its directors and officers have read this security agreement and are sufficiently familiar with legal documentation and financial matters so as to understand and agree to all terms contained herein, and such directors and officers did not rely on the information provided by any other person or persons to reach such understanding.

3.20 Counterparts

This security agreement may be executed in any number of separate counterparts and all such signed counterparts constitute one and the same agreement. Delivery by facsimile or other electronic means of an originally executed signature page to this security agreement by a party is as effective as personal delivery of such signature page.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the Partnership and the Lender have executed and delivered this security agreement.

PETROCAPITA OIL & GAS L.P., by its general partner, PETROCAPITA GP I LTD.

Per:

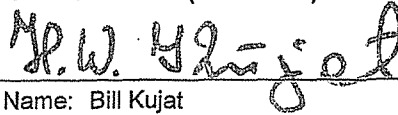


Name: Alex Lemmens

Title: President

SAFEWAY HOLDINGS (ALBERTA) LTD.

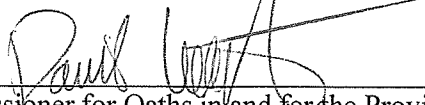
Per:



Name: Bill Kujat

Title: President

**THIS IS EXHIBIT "F" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

THIS SECURITY AGREEMENT is dated September 1, 2017 and made between:

- (1) **PETROCAPITA OIL AND GAS L.P.**, (the "Partnership") a limited partnership formed under the laws of the Province of Alberta; and
- (2) **SAFeway HOLDINGS (ALBERTA) LTD.**, a corporation formed under the laws of the Province of Alberta (the Lender).

RECITALS:

- (A) The Lender and the Partnership have entered into an agreement defined by a binding term sheet (the **Term Sheet**) dated as of the date hereof, pursuant to which the Lender has agreed to fund the re-activation of certain assets of the Palliser purchased from its Receiver Manager (the **Purchase Agreement**) by the administrator of the Partnership.
- (B) Pursuant to the Term Sheet, the additional capital for re-activation and general corporate purposes will be paid in cash and such debt shall be evidenced by the issuance of a secured debenture (the **Debenture**), with a principal amount equal to \$ 2,000,000, by the Partnership to the Lender.
- (C) As a condition to entering into the Purchase Agreement, the Partnership has agreed to execute and deliver this security agreement to and in favour of the Lender as security for the payment and performance of the Partnership's obligations (the **Obligations**) to the Lender under the Term Sheet and the other Transaction Documents to which it is a party.
- (D) The Partnership considers it to be in its best interest to execute this security agreement.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Partnership and the Lender agree as follows.

**ARTICLE 1
SECURITY**

1.1 Statutory and Other References

Terms defined in the *Personal Property Security Act (Alberta)* (as amended from time to time, the **PPSA**) and used in this security agreement have the same meanings. Where a reference is made to the Lender, it includes, as applicable, any nominee appointed by the Lender to hold or otherwise take possession of the Collateral.

1.2 Grant of Security

The Partnership hereby grants a security interest to, and assigns, mortgages, hypothecates and pledges to the Lender in the following real and personal property and undertaking (collectively, the **Collateral**):

- (a) in all of the Partnership's right, title, estate and interest, whether freehold, leasehold or other, and whether now owned or hereafter acquired, in, to, under and in respect of the properties list in **Schedule "A"** (Petrocapita) and **Schedule "B"** (Purchase and Sale Agreement – Palliser) attached hereto, including without limitation the P&NG Interests, the tangible Interests and the miscellaneous Interests;
- (b) in all present and after acquired personal property of the Partnership; and

- (c) on all of the real and personal property, assets and undertaking of the Partnership (not validly subjected to the security interest pursuant to subsections 1,2(a) or (b) above) for the time being, both present and future of whatsoever nature and kind and wheresoever situated.

1.3 Obligations Secured

- (a) The security interest, assignment, mortgage, charge, hypothecation and pledge granted hereby (collectively, the **Security Interest**) secures the payment and performance of the Obligations.
- (b) All expenses, costs and charges incurred by or on behalf of the Lender in connection with this security agreement, the Security Interest or the realization of the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of, or of taking or defending any action in connection with, taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral or other lawful exercises of the powers conferred by the Term Sheet and the other Transaction Documents are payable on demand and added to and form a part of the Obligations.

1.4 Attachment, Perfection, Possession, Control and Scope

- (a) The Partnership acknowledges that (i) value has been given, (ii) it has rights in the Collateral or the power to transfer rights in the Collateral to the Lender (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this security agreement.
- (b) The Security Interest does not extend to consumer goods.

1.5 Care and Custody of Collateral

- (a) The Lender has no obligation to keep Collateral in its possession identifiable.
- (b) The Lender may, after the Security Interest has become enforceable, (i) notify any person obligated on an account, chattel paper or instrument to make payments to the Lender whether or not the partnership was previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

ARTICLE 2 ENFORCEMENT

2.1 Enforcement

The Security Interest shall be and become enforceable against the Partnership immediately upon demand being made by the Lender under the Debenture.

2.2 Remedies

Whenever the Security Interest becomes enforceable, the Lender may at any time in its sole discretion realize upon the Collateral and enforce its right by:

- (a) entering onto any premises where Collateral consisting of tangible personal property may be located;

- (b) entering into possession of the Collateral by any method permitted by law;
- (c) selling or leasing all or any part of the Collateral;
- (d) holding, storing or keeping idle or operating all or any part of the Collateral;
- (e) collecting any proceeds arising in respect of the Collateral;
- (f) collecting, realizing, selling, or otherwise dealing with, the accounts;
- (g) issuing any instructions or entitlement orders to an issuer or securities intermediary;
- (h) instructing a financial institution to transfer funds held by it to an account maintained by the Lender;
- (i) appointing by instrument in writing a receiver (which term as used in this security agreement includes a receiver and manager) or agent of all or any part of the Collateral and removing or replacing from time to time any receiver or agent;
- (j) instituting proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;
- (k) instituting proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;
- (l) filing proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Partnership; and
- (m) exercising any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

2.3 Additional Rights

In addition to the remedies set forth in Section 2.2, the Lender may, in its sole discretion, either directly or through its agents or nominees, whenever the Security Interest has become enforceable:

- (a) require the Partnership, at the Partnership's expense, to assemble the Collateral to the extent reasonably practicable at a place or places designated by notice in writing and the Partnership agrees to so assemble the Collateral;
- (b) require the Partnership, by notice in writing, to disclose to the Lender the location or locations of the Collateral and the Partnership agrees to make such disclosure when so requested;
- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Partnership or otherwise;
- (d) borrow for the purpose of maintenance, preservation or protection of the Collateral and grant security interests in the Collateral, whether or not in priority to the Security Interest, to secure repayment;
- (e) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and discharges in respect of the Collateral

and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Partnership; and

- (f) at any public or private sale, bid for and purchase any or all of the Collateral offered for sale and upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Partnership or any other person with respect to such holding, retention or disposition, except as required by law.

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- (a) Any receiver appointed by the Lender shall be vested with all rights and remedies which could have been exercised by the Lender in respect of the Partnership or the Collateral and such other powers and discretions as are granted in the instrument of appointment and any supplemental instruments. The choice of receiver and its remuneration are within the sole and unfettered discretion of the Lender.
- (b) Any receiver appointed by the Lender shall act as agent for the Lender for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Partnership. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Partnership or as agent for the Lender as the Lender may determine in its discretion. The Partnership agrees to ratify and confirm all actions of the receiver acting as agent for the Partnership, and to release and indemnify the receiver in respect of all such actions.
- (c) The Lender, in appointing or refraining from appointing any receiver, shall not incur any liability to the receiver, the Partnership or otherwise and is not responsible for any misconduct or negligence of such receiver.

2.5 Exercise of Remedies

Any remedy may be exercised separately or in combination and is in addition to, and not in substitution for, any other rights or remedies the Lender may have, however created. The Lender is not bound to exercise any right or remedy, and the exercise of rights and remedies is without prejudice to any other rights of the Lender in respect of the Obligations including the right to claim for any deficiency.

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The Partnership irrevocably appoints the Lender (and its officers) as attorney of the Partnership (with full power of substitution) to do, make and execute, in the name of and on behalf of the Partnership, upon the occurrence and during the continuance of an Event of Default all such further acts, documents, matters and things which the Lender may deem necessary or advisable to accomplish the purposes of this security agreement including the execution, endorsement and delivery of documents and any notices, receipts, assignments or verifications of the accounts. All acts of the attorney are hereby ratified and approved, and the attorney shall not be liable for any act, failure to act or any other matter or thing, except to the extent caused by its own gross negligence or wilful misconduct. This power of attorney is irrevocable, is coupled with an interest, has been given for valuable consideration (the receipt and adequacy of which is acknowledged) and survives, and does not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Partnership. This power of attorney extends to and is binding upon the Partnership's successors and permitted assigns.

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realizing upon or otherwise dealing with the Collateral in such manner as the Lender considers desirable.

- (b) The Lender may grant extensions or other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Partnership and with other persons, guarantors, sureties or security as they may see fit without prejudice to the Obligations, the liability of the Partnership or the rights of the Lender and in respect of the Collateral.
- (c) The Lender is not (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral, (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any persons in respect of the Collateral, (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal with the Collateral, or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.
- (d) To the extent that applicable law imposes duties on the Lender to exercise remedies in a commercially reasonable manner, and without prejudice to the ability of the Lender to dispose of the Collateral in any such manner, the Partnership acknowledges and agrees that it is not commercially unreasonable for the Lender to, and the Lender may, in its discretion (i) incur expenses reasonably deemed significant by the Lender to prepare the Collateral for disposition (ii) exercise collection remedies directly or through the use of collection agencies, (iii) dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (iv) dispose of Collateral to a customer or client of the Lender, (v) contact other persons, whether or not in the same business as the Partnership, for expressions of interest in acquiring all or any portion of the Collateral, (vi) hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the Collateral is of a specialized nature, (vii) establish an upset or reserve bid or price in respect of the Collateral, and (viii) establish such terms as to credit or otherwise as the Lender may determine.

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No delay or omission by the Lender, at any time or times, to require strict performance by the Partnership of any provision of this security agreement waives, affects or diminishes any right of the Lender thereafter to demand strict compliance and performance therewith.

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- (b) Any purchaser of Collateral shall hold the Collateral absolutely, free from any claim or right of any kind whatever, including any equity of redemption, of the Partnership. The Partnership waives (to the fullest extent permitted by law) as against any such purchaser, all rights of redemption, stay or appraisal which the Partnership has or may have under any rule of law or statute now existing or hereafter adopted.

ARTICLE 3 GENERAL

3.1 Discharge

The Security Interest will be discharged upon, but only upon, (a) full and indefeasible payment and performance of the Obligations, (b) the Lender having no obligations under the Debenture and the other Transaction Documents, and (c) at the request and expense of the Partnership. In that connection, the Lender will execute and deliver to the Partnership such releases and discharges as the partnership may reasonably require.

3.2 Waiver of Delivery

To the extent permitted by applicable law, the Partnership waives its right to receive a copy of any financing statement or financing change statement registered by or on behalf of the Lender, or any verification statement with respect to any financing or financing change statement registered by or on behalf of the Lender.

3.3 No Merger

This security agreement shall not operate by way of merger of any of the Obligations and no judgment recovered by the Lender will operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Lender in respect of the Obligations.

3.4 Supplemental Security

This security agreement is in addition to and without prejudice to all other security now held or which may hereafter be held by the Lender.

3.5 Capitalized Terms

- (a) Capitalized terms used in this security agreement and not otherwise defined have the respective meanings given to them in the Debenture.
- (b) Any reference to this security agreement, the Term Sheet, the Debenture or any other Transaction Document refers to this security agreement or such Term Sheet, the Debenture or other Transaction Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented.

3.6 Notices, etc.

Any notice, consent, waiver or other communication given under this security agreement must be in writing and delivered in accordance with the provisions of the Term Sheet, the Debenture or other Transaction Documents.

3.7 Amendment

No amendment of any provision of this security agreement is effective unless it is in writing and signed by the Lender and the Partnership.

3.8 Waivers, etc.

The Lender shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A singular or partial exercise or waiver by the Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

3.9 Assignment

- (a) This security agreement will become effective when executed by the parties and thereafter will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
- (b) The Partnership shall not be entitled to assign or transfer this security agreement or any of the Partnership's rights, duties or obligations hereunder without the prior written consent of the Lender.
- (c) The Lender shall have no right to assign or transfer this security agreement without the prior written consent of the Lender.

3.10 Severability

If any provision of this security agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this security agreement and the remaining provisions will continue in full force and effect, without amendment.

3.11 Headings, etc.

The division of this security agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this security agreement.

3.12 Number and Gender

In this security agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

3.13 Currency

Except as otherwise specifically stated, all amounts in referred to in this security agreement are stated and are to be paid in lawful money of Canada.

3.14 Governing Law

- (a) This security agreement is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Each of the parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Alberta in any action or proceeding arising out of or relating to this security agreement. Each of the parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

3.15 Debenture to Govern

If there is any conflict or inconsistency between the terms of this security agreement and the terms of the Debenture, the provisions of the Debenture shall prevail to the extent of such conflict or inconsistency.

3.16 Further Assurances

The Partnership shall from time to time, whether before or after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Lender may reasonably require for (a) protecting the Collateral, (b) perfecting the Security Interest, (c) obtaining control of the Collateral, (d) exercising all powers, authorities and discretions conferred upon the Lender, and (e) otherwise enabling the Lender to obtain the full benefits of this security agreement and the rights and powers herein granted. The Partnership shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Lender may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

3.17 Time of Essence

Time is of the essence in this security agreement and the time for performance of the obligations of the Partnership under this security agreement may be strictly enforced by the Lender.

3.18 Entire Agreement

This security agreement and the other Transaction Documents (as defined in the Debenture) constitute the entire agreement between the parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter thereof, whether oral or written. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the parties relating to the subject matter hereof except as specifically set forth in this security agreement and the other Transaction Documents (as defined in the Debenture).

3.19 Independent Legal Advice

The Lender acknowledges that the Lender has been afforded a sufficient opportunity to review this security agreement with its own legal counsel, tax and financial advisors and has either (a) consulted with its own legal counsel, tax and financial advisors regarding the implications of this security agreement for it and accordingly fully understands and agrees to all terms contained herein, or (b) declined to consult with its own legal counsel, tax and financial advisors on the basis that its directors and officers have read this security agreement and are sufficiently familiar with legal documentation and financial matters so as to understand and agree to all terms contained herein, and such directors and officers did not rely on the information provided by any other person or persons to reach such understanding.

3.20 Counterparts

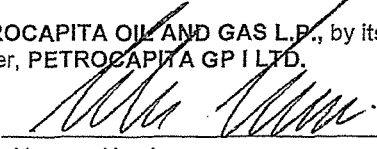
This security agreement may be executed in any number of separate counterparts and all such signed counterparts constitute one and the same agreement. Delivery by facsimile or other electronic means of an originally executed signature page to this security agreement by a party is as effective as personal delivery of such signature page.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the Partnership and the Lender have executed and delivered this security agreement.

PETROCAPITA OIL AND GAS L.P., by its general partner, PETROCAPITA GP I LTD.

Per:

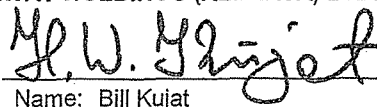


Name: Alex Lemmens

Title: President

SAFEWAY HOLDINGS (ALBERTA) LTD.

Per:



Name: Bill Kujat

Title: President

SCHEDULE "A"
PROPERTIES

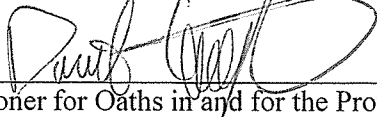
(see attached)

SCHEDULE "B"

PROPERTIES

(see attached)

**THIS IS EXHIBIT "G" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27th DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

David LeGeyt
Barrister & Solicitor

Search ID #: Z11461501

Transmitting Party

ELDOR-WAL REGISTRATIONS (1987) LTD.

1200, 10123 99 st NW
EDMONTON, AB T5J 3H1

Party Code: 50073881
Phone #: 780 429 5969
Reference #:

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Both Exact and Inexact Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 15113018958

Registration Type: LAND CHARGE

Registration Date: 2015-Nov-30

Registration Status: Current

Registration Term: Infinity

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 PETROCAPITA OIL AND GAS L.P.
2210, 8561 8A AVENUE S.W.
CALGARY, AB T3H 0V5

Secured Party / Parties

Block

Status

Current

1 PETROCAPITA INCOME TRUST
2210, 8561 8A AVENUE S.W.
CALGARY, AB T3H 0V5

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 15113019146

Registration Date: 2015-Nov-30

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Nov-30 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 PETROCAPITA OIL AND GAS L.P.
2210, 8561 8A AVENUE S.W.
CALGARY, AB T3H 0V5

Secured Party / Parties

Block

Status

Current

1 PETROCAPITA INCOME TRUST
2210, 8561 8A AVENUE S.W.
CALGARY, AB T3H 0V5

Collateral: General

Block

Description

Status

1 All present and after acquired personal property of the Debtor.

Current

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 16112939805

Registration Date: 2016-Nov-29

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2021-Nov-29 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status

Current

1 PETROCAPITA OIL AND GAS L.P.
1400, 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Secured Party / Parties

Block

Status

Current

1 ROYAL BANK OF CANADA
36 YORK MILLS ROAD, 4TH FLOOR
TORONTO, ON M2P 0A4

Collateral: General

Block

Description

Status

1	ALL MONEY OR AMOUNTS ON DEPOSIT FROM TIME TO TIME WITH ANY OF	Current
2	ROYAL BANK OF CANADA, ROYAL BANK MORTGAGE CORPORATION, ROYAL	Current
3	TRUST CORPORATION OF CANADA OR THE ROYAL TRUST COMPANY.	Current
4	PROCEEDS: A SECURITY INTEREST IS CLAIMED IN ALL PRESENT AND	Current
5	AFTER-ACQUIRED GOODS (INCLUDING TRADE-INS), CHATTEL PAPER,	Current
6	SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND	Current
7	INTANGIBLES OF EVERY ITEM OR KIND THAT MAY BE DERIVED FROM	Current
8	THE SALE OR OTHER DISPOSITION OF THE COLLATERAL DESCRIBED	Current
9	ABOVE, ALL INSURANCE PROCEEDS AND ANY PROCEEDS OF ANY OF THE	Current
10	FOREGOING.	Current

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07 Time of Search: 11:57:52

Registration Number: 16120915603

Registration Date: 2016-Dec-09

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2021-Dec-09 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 PETROCAPITA OIL AND GAS L.P.
1400 , 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Current

Secured Party / Parties

Block

Status

1 ROYAL BANK OF CANADA
36 YORK MILLS ROAD, 4TH FLOOR
TORONTO, ON M2P 0A4

Current

Collateral: General

Block

Description

Status

1 PRIORITY AGREEMENT DATED DECEMBER 07,2016 BETWEEN PETROCAPITA

Current

2 INCOME TRUST AND ROYAL BANK OF CANADA IN FAVOUR OF SECURITY

Current

3 AGREEMENT BETWEEN ROYAL BANK OF CANADA AND PETROCAPITA OIL

Current

4 AND GAS L.P. REG 16112939805

Current

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 17050822284

Registration Date: 2017-May-08

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-May-08 23:59:59

Inexact Match on: Debtor No: 1

Inexact Match on: Debtor No: 2

Debtor(s)

Block

1 PETROCAPITA OIL & GAS L.P.
1400, 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Status
Current

Block

2 PETROCAPITA GP I LTD.
1400, 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Status
Current

Secured Party / Parties

Block

1 SAFEWAY HOLDINGS (ALBERTA) LTD.
450, 707 7TH AVENUE SW
CALGARY, AB T2P 3H6

Status
Current

Collateral: General

Block

Description

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY

Status
Current

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 17050822415

Registration Date: 2017-May-08

Registration Type: LAND CHARGE

Registration Status: Current

Registration Term: Infinity

Inexact Match on: Debtor No: 1

Inexact Match on: Debtor No: 2

Debtor(s)

Block

1 PETROCAPITA OIL & GAS L.P.
1400, 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Status

Current

Block

2 PETROCAPITA GP I LTD.
1400, 717 7TH AVENUE SW
CALGARY, AB T2P 0Z3

Status

Current

Secured Party / Parties

Block

1 SAFEWAY HOLDINGS (ALBERTA) LTD.
450, 707 7TH AVENUE SW
CALGARY, AB T2P 3H6

Status

Current

Search ID #: Z11461501

Business Debtor Search For:

PETROCAPITA OIL AND GAS LP

Search ID #: Z11461501

Date of Search: 2019-May-07

Time of Search: 11:57:52

Registration Number: 18120602135

Registration Date: 2018-Dec-06

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2021-Dec-06 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 PETROCAPITA OIL & GAS
202-5004 18TH STREET
LLOYDMINSTER, AB T9V 1V4

Current

Secured Party / Parties

Block

Status

1 SUPERIOR PROPANE, A DIVISION OF SUPERIOR PLUS LP
PO BOX 4568
TORONTO, ON M5W 0J5

Current

Collateral: General

Block

Description

Status

1 SERIAL NUMBER EQUIPMENT TYPE DEFAULT INVENTORY CUSTOMER NUMBER
19418A 6 - TYPE 6- 750 - 1500 USWG TANKS 976798 229290 01 6 - TYPE 6- 750 - 1500
USWG TANKS 976798 231964 01 6 - TYPE 6- 750 - 1500 USWG TANKS 976798 238590
6 - TYPE 6- 750 - 1500 USWG TANKS 976798 307022 6 - TYPE 6- 750 - 1500 USWG
TANKS 976798 33422A 6 - TYPE 6- 750 - 1500 USWG TANKS 976798 36241A 6 - TYPE
6- 750 - 1500 USWG TANKS 976798 36723A 6 - TYPE 6- 750 - 1500 USWG TANKS
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Current

Search ID #: Z11461501

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Search ID #: Z11461501

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Search ID #: Z11461501

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- 9 1500 USWG TANKS 3109130 9SF068975 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 9SF068976 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 9SF073971 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 N5044 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 Q0900552 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 Q9917882 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 Q9923443 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00004599 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00004603 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00004604 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00004606 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00007672 4 - TYPE 4- 150 - 700 USWG TANKS 3109130 W00009375 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130 W00020751 6 - TYPE 6- 750 - 1500 USWG TANKS 3109130

Search ID #: Z11461501

Note:

The following is a list of matches closely approximating your Search Criteria,
which is included for your convenience and protection.

Debtor Name / Address	Reg.#
PETRO KEY PETROLEUM INC 104 WOLF RIDGE PLACE EDMONTON, AB T5T 5M9	05051317419

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
PETROCAPITA BOX 11473, RPO 10 LLOYDMINSTER, AB T9V3B7	19012924434

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
PETROCAPITA GP I LTD. PO BOX 11473 LLOYDMINSTER, AB T9V3B7	14060317678

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
PETROCAPITA GP I LTD. 1400, 717 7TH AVENUE SW CALGARY, AB T2P 0Z3	17050822284

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
PETROCAPITA GP I LTD. 1400, 717 7TH AVENUE SW CALGARY, AB T2P 0Z3	17050822415

LAND CHARGE

Debtor Name / Address	Reg.#
PETROCAPITA GPI LTD. 1400, 717 - 7 AVENUE SW CALGARY, AB T2P 0Z3	18041637068

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
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Search ID #: Z11461501

PETROCAPITA INCOME TRUST
#2210, 8561 8A AVENUE S.W.
CALGARY, AB T3H 0V5

15121817906

SECURITY AGREEMENT

Debtor Name / Address

PETROCAPITA INCOME TRUST
1400, 717 - 7 AVENUE SW
CALGARY, AB T2P 0Z3

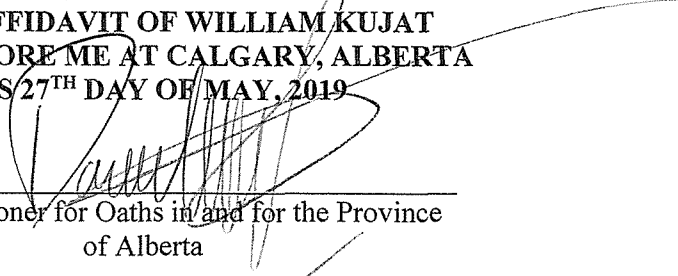
Reg.#

18041637068

SECURITY AGREEMENT

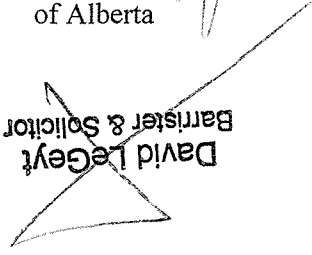
Result Complete

**THIS IS EXHIBIT "H" REFERRED TO
IN THE AFFIDAVIT OF WILLIAM KUJAT
SWORN BEFORE ME AT CALGARY, ALBERTA
THIS 27TH DAY OF MAY, 2019**



A Commissioner for Oaths in and for the Province
of Alberta

**David LeGeyt
Barrister & Solicitor**


**David LeGeyt
Barrister & Solicitor**

Burnet,
Duckworth
& Palmer LLP
Law Firm

Reply to: David LeGeyt
Direct Phone: (403) 260-0210
Direct Fax: (403) 260-0332
dlegeyt@bdplaw.com

Assistant: Lindsey Hackman
Direct Phone: (403) 806-7877
Our File: 54227-2

VIA COURIER

April 24, 2019

Petrocapita Oil and Gas L.P.
Suite 1400, 717 – 7th Avenue SW
Calgary, Alberta T2P 0Z3

Attention: Richard Mellis

Re: Safeway Holdings (Alberta) Ltd. – Obligations of Petrocapita Oil and Gas L.P. ("Petrocapita")

We are counsel to Safeway Holdings (Alberta) Ltd. ("Safeway") in connection with a secured debenture in the principal amount of \$5,000,000.00 dated April 29, 2016 between Safeway and Petrocapita (the "**First Secured Debenture**") and a secured debenture in the principal amount of \$2,000,000.00 dated September 1, 2017 between Safeway and Petrocapita (the "**Second Secured Debenture**"). Reference is also made to a general security agreement dated April 29, 2016 (the "**First Security Agreement**") and a general security agreement dated September 1, 2017 (the "**Second Security Agreement**").

Petrocapita is in default of the First Secured Debenture, the First Security Agreement, the Second Secured Debenture, and the Second Security Agreement, and all amounts owing to Safeway under the First Secured Debenture and the Second Secured Debenture are immediately due and payable. The default of Petrocapita includes, but is not limited to, the failure to make interest payments owing under the First Secured Debenture and the failure to make interest payments and repay the principal and interest owing under the Second Secured Debenture on its maturity date of March 1, 2019.

On behalf of Safeway, we hereby demand repayment of all amounts due and owing by Petrocapita to Safeway under the First Secured Debenture, namely the amount of \$5,779,109.59 as of March 31, 2019, and we also hereby demand all amounts due and owing by Petrocapita to Safeway under the Second Secured Debenture, namely the amount of the \$2,290,410.96 as of March 31, 2019. We also hereby demand all accrued and accruing interest and legal costs on a solicitor and own client fully indemnity basis associated with the foregoing amounts (the "**Indebtedness**").

The Indebtedness will continue to accrue interest at the rates agreed to, and costs will continue to accrue, until payment of all amounts owing is received. Payment may be made by way of certified cheque or bank draft to the following address:

Safeway Holdings (Alberta) Ltd.
c/o Burnet, Duckworth & Palmer LLP
2400, 525-8th Avenue SW
Calgary, Alberta
T2P 1G1

Attention: David LeGeyt

9564621.2



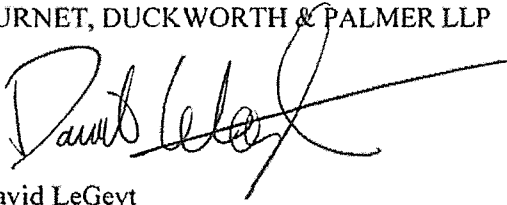
If full payment, as set forth above, is not received by close of business on May 6, 2019, Safeway will take whatever steps it deems appropriate to seek repayment of the said amount. To this end we enclose for service upon you a Notice of Intention to Enforce Security ("NOI") in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada). If you are prepared to waive the ten day notice period, please endorse the Consent and Waiver located on page 2 of the NOI and return to the undersigned.

Please note that Safeway reserves the right to proceed against Petrocapita: (i) prior to the time stipulated above in the event that it determines that its position has been further jeopardized; and (ii) anytime, or from time to time after any dates stipulated above have passed, and in either case without the necessity of serving a new demand for payment.

If you have any questions, please contact the undersigned.

Yours truly,

BURNET, DUCKWORTH & PALMER LLP

A handwritten signature in black ink, appearing to read "David LeGeyt", with a long horizontal flourish extending to the right.

David LeGeyt

DLG/lh

Encl.

cc: Bill Kujat (via email)

FORM 86

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

To: Petrocapita Oil and Gas L.P. an insolvent person (the "Borrower")

TAKE NOTICE THAT:

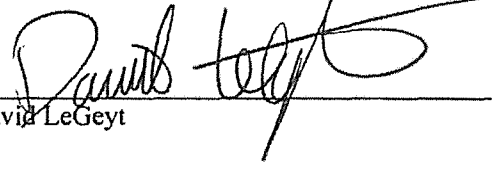
1. Safeway Holdings (Alberta) Ltd. ("Safeway"), a secured creditor of the Borrower, intends to enforce its security on the property of the Borrower as set out below:
 - (a) all present and after acquired real and personal property of the Borrower; and
 - (b) all proceeds of the foregoing collateral.(the "Security").
2. The total amount of indebtedness secured by the Security is, as of March 31, 2019, the sum of CAD\$8,069,520.50, plus all accrued and accruing interest and legal costs.

Safeway will not have the right to enforce its Security until after the expiry of the 10-day period following the sending of this notice, unless the Borrower consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 24 day of April, 2019.

BURNET, DUCKWORTH & PALMER LLP,
solicitors and agents for Safeway Holdings (Alberta)
Ltd.

Per:


David LeGeyt

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

Acknowledges receipt of the Notice of Intention to Enforce Security;

Waives the ten days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and

Consents to the immediate enforcement by Safeway Holdings (Alberta) Ltd. of the Security referred to herein.

DATED this _____ day of _____, 2019.

PETROCAPITA OIL AND GAS L.P.

Witness