

COURT FILE NUMBER 2001 - 01210

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF GMT CAPITAL CORP.

DEFENDANTS STRATEGIC OIL AND GAS LTD. and STRATEGIC TRANSMISSION LTD.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **BENNETT JONES LLP**
 4500 Bankers Hall East
 855-2nd Street SW
 Calgary, Alberta T2P 4K7

Attention: Ken Lenz, Q.C.
 Telephone No.: 403-298-3317
 Fax No.: 403-265-7219
 Client File No.: 87591.2

AFFIDAVIT OF HAROLD RANDALL

Sworn on January 22, 2020

I, HAROLD RANDALL, of Atlanta, Georgia, USA, SWEAR AND SAY THAT:

1. I am the Chief Operating Officer of the Plaintiff, GMT Capital Corp. ("**GMT**"), in these proceedings, and as such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true.
2. GMT is an investor and either the general partner, manager of the general partner or investment advisor and manager for Bay Resource Partners, L.P., Bay II Resources Partners, L.P., Bay Resources Partners Offshore Master Fund, L.P. who, along with Thomas Claugus collectively advanced \$14,550,000 to Strategic Oil and Gas Ltd.

("Strategic") pursuant to an issuance of 12% Senior Secured Notes due May 27, 2020 (the "Notes"). GMT is authorized to bring these proceedings on behalf of all these persons. The party that advanced the last \$450,000 of the total \$15,000,000 in Notes is related to GMT and agrees with the relief being sought. Attached hereto and marked as **Exhibit "1"** is a copy of the Note Purchase Agreement.

3. There is as of January 1, 2020, a total of \$14,550,000 plus interest owing to the Plaintiff pursuant to the Notes.
4. It is a default under the Notes if Strategic either suspends the conduct of its business, ceases meeting its obligations as they come due in an aggregate amount of at least \$5,000,000, or resorts to a creditor protection statute.
5. On April 10, 2019, the Defendants filed for protection under the Companies' Creditors Arrangement Act, R.S.C., 1985, c. C-36 (the "CCAA") and ceased meeting their obligations as they came due. The Defendant Strategy Transmission Ltd. is a wholly-owned subsidiary of Strategic, which holds legal title to a pipeline, but otherwise has no assets, revenue or expenses. I am advised there are approximately \$10,000,000 of unsecured creditors who have not been paid.
6. The Defendants have further advised that they do not intend to renew the stay of proceedings granted pursuant to the CCAA, which will automatically expire on January 31, 2020 and intend to cease operations as soon as practical, consistent with ensuring the safe and orderly transition of the assets of Strategic to a Receiver.
7. On January 22, 2020, a demand letter and Notice of Intent to Enforce Security (the "NOI") was sent to Strategic by email in accordance with the Notes, declaring the default, accelerating the balance, and advising that a Receiver may be appointed. Strategic consented to early enforcement of the security and I am advised consents to the appointment of a Receiver. Copies of the demand letter and NOI are attached hereto as **Exhibit "2"**.

- 8. It is appropriate in these circumstances that the stay of proceedings be lifted *nunc pro tunc* so that the demand, acceleration, NOI and these proceedings be deemed in order notwithstanding the stay.
- 9. GMT and Strategic agree that the appointment of a Receiver is appropriate to ensure that operating and non-operating oil and gas assets are safety transitioned.
- 10. KPMG Inc. has consented to act as Receiver, and a copy of that Consent will be filed with the Court.

SWORN BEFORE ME at the City of)
 Atlanta, in the State of Georgia, United States)
 this 22 day of January, 2020.)

Heather Kaiserlian)
 _____)
 Notary Public in and for)
 the State of Georgia)

Harold Randall)
 _____)
 HAROLD RANDALL)



EXHIBIT 1

Primary Document

STRATEGICOIL & GAS LTD.

Cdn. \$15,000,000
12% Senior Secured Notes due May 27, 2020

NOTE PURCHASE AGREEMENT

Dated November 27, 2018

THIS IS EXHIBIT " 1 "
referred to in the Affidavit of
Harold Randall
Sworn before me this 20th
day of January 2020

Heather Kaiserlian



TABLE OF CONTENTS

SECTION 1. AUTHORIZATION OF NOTES.....	1
SECTION 2. SALE AND PURCHASE OF NOTES.	1
SECTION 3. PARI PASSU.....	2
SECTION 4. CLOSING.....	2
SECTION 5. CONDITIONS TO CLOSING.....	2
Section 5.1 Representations and Warranties.....	3
Section 5.2 Performance; No Default.....	3
Section 5.3 Compliance Certificates.....	3
Section 5.4 Purchase Permitted By Applicable Law, Etc.....	3
Section 5.5 Sale of Other Notes.....	3
Section 5.6 Proceedings and Documents.....	3
Section 5.7 Certain Documents.....	4
Section 5.8 Registration of Security.....	4
SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.....	4
Section 6.1 Organization; Power and Authority.....	4
Section 6.2 Authorization, Etc.....	4
Section 6.3 Compliance with Laws, Other Instruments, Etc.....	5
Section 6.4 Governmental Authorizations, Etc.....	5
Section 6.5 Litigation; Observance of Agreements, Statutes and Orders.....	5
Section 6.6 Taxes.....	5
Section 6.7 Title to Property; Leases.....	6
Section 6.8 Private Offering by the Company.....	6
Section 6.9 Use of Proceeds.....	6
Section 6.10 Existing Debt; Future Security Interests.....	6
Section 6.11 Ranking of Obligations.....	7
SECTION 7. REPRESENTATIONS OF THE PURCHASERS.....	7
Section 7.1 Purchase for Investment.....	7
SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.....	8
Section 8.1 Maturity.....	8
Section 8.2 Voluntary Repayments:.....	8
Section 8.3 Purchase of Notes.....	8
SECTION 9. AFFIRMATIVE COVENANTS.....	8
Section 9.1 Compliance with Law.....	8

Section 9.2	Insurance.....	9
Section 9.3	Maintenance of Property.....	9
Section 9.4	Payment of Taxes and Claims.....	10
Section 9.5	Corporate Existence, Etc.....	10
Section 9.6	Books and Records.....	10
Section 9.7	Priority of Obligations.....	10
Section 9.8	Securities Filings.....	10
Section 9.9	Security; Release of Security.....	11
SECTION 10. NEGATIVE COVENANTS.....		13
Section 10.1	Limitation on Distributions.....	13
Section 10.2	Limitation on Encumbrances.....	13
Section 10.3	Limitation on Debt.....	13
Section 10.4	Mergers, Amalgamation and Consolidations.....	13
Section 10.5	Asset Dispositions.....	14
Section 10.6	Material Accounts Receivable.....	14
Section 10.7	Change in Business.....	14
Section 10.8	Transactions with Affiliates.....	14
Section 10.9	Material Investments and Financial Assistance.....	15
Section 10.10	Sale/Lease-Back Transaction.....	15
Section 10.11	Change in Organization, Name, Location or Fiscal Year.....	15
Section 10.12	Permitted Subordinated Convertible Debentures.....	15
SECTION 11. EVENTS OF DEFAULT.....		15
SECTION 12. REMEDIES ON DEFAULT, ETC.....		18
Section 12.1	Acceleration.....	18
Section 12.2	Other Remedies.....	19
Section 12.3	Rescission.....	19
Section 12.4	No Waivers or Election of Remedies, Expenses, Etc.....	19
SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.....		19
Section 13.1	Registration of Notes.....	19
Section 13.2	Transfer and Exchange of Notes.....	20
Section 13.3	Replacement of Notes.....	20
SECTION 14. PAYMENTS ON NOTES.....		21
Section 14.1	Place of Payment.....	21
Section 14.2	Payment by Wire Transfer.....	21
SECTION 15. AMENDMENT AND WAIVER.....		21
Section 15.1	Amendment.....	21

Section 15.2	Solicitation of Holders of Notes.....	22
Section 15.3	Binding Effect, Etc.....	22
Section 15.4	Notes Held by Company, Etc.....	22
SECTION 16. NOTICES; ENGLISH LANGUAGE.....		23
SECTION 17. MISCELLANEOUS.....		23
Section 17.1	Successors and Assigns.....	23
Section 17.2	Severability.....	23
Section 17.3	Construction, Etc.....	24
Section 17.4	Counterparts.....	24
Section 17.5	Governing Law.....	24
Section 17.6	Jurisdiction and Process; Waiver of Jury Trial.....	24
Section 17.7	Obligation to Make Payment in Canadian Dollars.....	25
Section 17.8	Permitted Encumbrances.....	25
Section 17.9	Interest.....	25
Schedule A	Purchaser Schedule	
Schedule B	Defined Terms	
Schedule 6.10	Existing Debt	
Exhibit 1	Form of 12% Senior Secured Note due May 27, 2020	

STRATEGIC OIL & GAS LTD.
1100, 645-7th Avenue SW
Calgary, AB T2P 4G8

Cdn.\$15,000,000 12% Senior Secured Notes due May 27, 2020

November 27, 2018

TO EACH OF THE PURCHASERS LISTED IN THE PURCHASER SCHEDULE HERETO:

Ladies and Gentlemen:

Strategic Oil & Gas Ltd., an Alberta corporation (the "Company"), agrees with each of the Purchasers as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of Cdn.\$15,000,000 aggregate principal amount of 12% Senior Secured Notes, Series 1 due May 27, 2020 (the "Notes", such term to include any such notes issued in substitution therefor pursuant to Section 13). The Notes shall be substantially in the form set out in Exhibit 1. Certain capitalized and other terms used in this Agreement are defined in Schedule B and, for purposes of this Agreement, the rules of construction set forth in Section 17.3 shall govern. References to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 4, Notes in the principal amount specified opposite such Purchaser's name in the Purchaser Schedule attached hereto as Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

In addition, the Company has agreed to issue common shares purchase warrants ("Warrants") to purchasers on the basis of \$5,000,000 dollars of warrants at a strike price not lower than the 20 day volume weighted average trading price of the common shares ("Common Shares") of the Company on the date of issuance or the market price on the date of announcement of the closing of the Note offering, expiring 5 years from the date of issuance. As well, the Purchasers will be entitled to a financing origination fee (the "Origination Fee") of 2% of the aggregate value of the Notes under this purchase Agreement (but not, for greater certainty, under subsequent Note purchase agreements that may be permitted hereunder). Each Purchaser shall receive their pro-rata entitlement to Warrants and the Origination Fee based on their percentage of the aggregate principal amount of Notes purchased.

In the absence of any express voluntary prepayment right contemplated in Section 8.2 in such Note, no Note shall be redeemable or repayable by the Company at the Company's election at any time prior to the Maturity Date.

SECTION 3. PARI PASSU.

Each Note (including any 12% Senior Secured Notes, Series 2, described in the definition of Permitted Encumbrances and Permitted Indebtedness) will rank *pari passu* with one another, regardless of: (i) the dates of issuance of the Notes; or (ii) the date of advance of funds to the Company under such Note or the date of issuance of such Note.

SECTION 4. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Dentons Canada LLP, 1500, 850-2nd Street S.W. Calgary, Alberta at 4:00 P.M., Calgary time, at a closing (the "Closing") on November 27, 2018. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least Cdn. \$50,000 as such Purchaser may request, provided that the minimum amount purchased by any one Purchaser is agreed to be \$150,000) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to:

CANADIAN DOLLAR WIRE INSTRUCTIONS

Destination Bank/Account with Institution: Royal Bank of Canada, Toronto, ON
SWIFT BIC: ROYCCAT2
Beneficiary Account Number: 000091257294
Bank Code: 003
Beneficiary Name: Strategic Oil & Gas Ltd.

If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 4, or any of the conditions specified in Section 5 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of any of the conditions specified in Section 5 not having been fulfilled to such Purchaser's satisfaction or such failure by the Company to tender such Notes.

SECTION 5. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 5.1 Representations and Warranties.

The representations and warranties of the Company in the Note Documents shall be correct when made and at the time of the Closing (except to the extent of changes caused by the transactions herein contemplated).

Section 5.2 Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in the Note Documents required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 6.9) no Default or Event of Default shall have occurred and be continuing.

Section 5.3 Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Section 5.1 and 5.2 have been fulfilled.

(b) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Note Documents executed by it.

Section 5.4 Purchase Permitted By Applicable Law, Etc.

On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, (b) not violate any applicable law or regulation and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 5.5 Sale of Other Notes.

Contemporaneously with the Closing, the Company shall sell to each other Purchasers and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in the Purchaser Schedule.

Section 5.6 Proceedings and Documents.

All corporate, partnership and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be

satisfactory to such Purchaser, and such Purchaser shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser may reasonably request.

Section 5.7 Certain Documents.

Such Purchaser shall have received the following:

- (a) the Note(s) to be purchased by such Purchaser at the Closing;
- (b) Evidence of the registration of the Security referred to in Section 9.9;
- (c) certified copies of the resolutions of the Board of Directors of the Company authorizing the execution and delivery of the Note Documents, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Note Documents;
- (d) an Officer's Certificate of the Company certifying the names and true signatures of the officers of authorized to sign the Note Documents;
- (e) certified copies of the constating documents of the Company; and
- (f) a certificate of status for the Company.

Section 5.8 Registration of Security.

All actions necessary or desirable in each relevant jurisdiction to perfect the Security Interests created by the Security (including the filing of all appropriate financing statements, the registration of all Security where necessary, the recording of all appropriate documents with public officials and the payment of all fees and taxes in relation thereto) shall have been taken in accordance with the provisions of the Note Documents and applicable law.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 6.1 Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and, where legally applicable, in good standing under the laws of Alberta and is in good standing in each jurisdiction in which such qualification is required by law. The Company has the corporate power and authority to own or hold under lease the Property it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the other Note Documents and to perform the provisions hereof and thereof.

Section 6.2 Authorization, Etc.

- (a) The Note Documents executed by the Company have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon

execution and delivery thereof each other Note Document to which it is a party will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 6.3 Compliance with Laws, Other Instruments, Etc.

The execution, delivery and performance by the Company of this Agreement and the other Note Documents will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Security Interest in respect of any Property of the Company under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, memorandum and articles of association, regulations or by-laws, or any other agreement or instrument to which the Company is bound or by which the Company or any its Properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental/Judicial Body applicable to the Company, or (c) violate any provision of any statute or other rule or regulation of any Governmental/Judicial Body applicable to the Company.

Section 6.4 Governmental Authorizations, Etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental/Judicial Body is required in connection with the execution, delivery or performance by the Company of this Agreement or the other Note Documents. It is not necessary to ensure the legality, validity, enforceability or admissibility into evidence in Alberta of the Note Documents that any thereof or any other document be filed, recorded or enrolled with any Governmental/Judicial Body, or that any such agreement or document be stamped with any stamp, registration or similar transaction tax.

Section 6.5 Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Property of the Company in any court or before any arbitrator of any kind or before or by any Governmental/Judicial Body that, individually or in the aggregate, could reasonably be expected to have a Material Impairment.

(b) The Company is not in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental/Judicial Body or is in violation of any applicable law, ordinance, rule or regulation (including Environmental Laws) of any Governmental/Judicial Body, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Impairment.

Section 6.6 Taxes.

(a) The Company has filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and

assessments levied upon it or its property, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which, individually or in the aggregate, is not Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Impairment. The charges, accruals and reserves on the books of the Company in respect of federal, national, state, provincial or other taxes for all fiscal periods are adequate.

Section 6.7 Title to Property; Leases.

The Company has good and sufficient title to its Properties that individually or in the aggregate are Material, in each case free and clear of Security Interests prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 6.8 Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 6 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 6.9 Use of Proceeds.

The Company will apply the proceeds of the sale of the Notes to fund operations and for its general business purposes.

Section 6.10 Existing Debt; Future Security Interests.

(a) The Company does not have any outstanding Debt except as disclosed in Schedule 6.10 or as permitted by Section 10.3. The Company is not in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company and no event or condition exists with respect to any Debt of the Company that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 6.10, the Company has not agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Security Interest not permitted by Section 10.2.

(c) The Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt of the Company, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of the Company, except as specifically indicated in Schedule 6.10.

Section 6.11 Ranking of Obligations.

The payment obligations of the Company under the Note Documents executed by it rank in priority to all of its other senior secured and unsubordinated Debt (subject only to Permitted Encumbrances which may rank either *pari passu*, or, which under applicable law may rank in priority thereto).

SECTION 7. REPRESENTATIONS OF THE PURCHASERS.

Section 7.1 Purchase for Investment.

(a) Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control.

(b) Each Purchaser severally represents that it is, and each other person on behalf of which it is purchasing Notes as fiduciary or agent is, an Institutional Accredited Investor or Individual Accredited Investor, as the case may be; or

(c) Each Purchaser severally represents that it is, and each other person on behalf of which it is purchasing Notes as fiduciary or agent is, an "accredited investor" pursuant to the paragraph of the definition of "accredited investor" in National Instrument 45-106 of the Canadian Securities Administrators that is specified in its Purchaser Schedule, and that it is, and each other person on behalf of which it is purchasing Notes as fiduciary or agent is, not a registrant under applicable Canadian securities laws. Each Purchaser understands that the Notes have not been qualified for sale to the public under applicable Canadian securities laws, and that any resale of the Notes in Canada must be made in accordance with an exemption from the prospectus requirements of applicable Canadian securities laws, which vary depending on the province. Each Purchaser understands that the Notes have not been and will not be registered under the Securities Act or any state securities laws and may be reoffered, resold or otherwise transferred, directly or indirectly, only if registered pursuant to the Securities Act or if an exemption or exclusion from the registration requirements of the Securities Act and applicable state securities laws is available.

Except for any Purchaser making the representation set forth in (c)Section 7.1(b), each Purchaser acknowledges that the Notes shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR THE SECURITIES LAWS OF

ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE SOLD OR TRANSFERRED, DIRECTLY OR INDIRECTLY, ABSENT REGISTRATION UNDER THE 1933 ACT OR PURSUANT TO AVAILABLE EXEMPTIONS THEREFROM.

Each Purchaser acknowledges that the Notes shall bear a legend substantially in the following form:

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE MARCH 28, 2018.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1 Maturity.

As provided therein, the entire unpaid principal balance (together with any accrued but unpaid interest thereon) of each Note shall be due and payable on the Maturity Date thereof.

Section 8.2 Voluntary Repayments:

Any right of the Company to voluntarily repay the outstanding principal amount of any Notes (or any portion thereof) shall be set out in the Notes. Notwithstanding the terms of any Note, any such voluntary reduction of any outstanding principal of any Notes shall only be effective if, on or prior to the date of such voluntary repayment, the Company has paid all accrued Interest and other expenses, charges and fees in respect of all Notes.

Section 8.3 Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment of Notes pursuant to this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1 Compliance with Law.

The Company will comply with all laws, ordinances or governmental rules or regulations to which it is subject (including Environmental Laws and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of its Properties or to the conduct of its business, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or

maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Impairment.

Section 9.2 Insurance.

The Company will:

(a) keep its Property that is of an insurable nature and of a character usually insured by companies owning or operating the same or similar Property in such jurisdiction in which such Property is located, insured with financially sound and reputable insurers (satisfactory to the Required Holders) against loss or damage by fire and other causes customarily insured against by similar companies owning or operating the same or similar Property in each jurisdiction in which such Property is located and within customary limits of coverage and with customary deductibles, and ensure such policy names the Company as first loss payee and an additional insured and that no such policy shall be materially altered or allowed to lapse without at least 30 days' prior written notice being provided to the Required Holders; and

(b) maintain, with reputable insurers (satisfactory to the Required Holders) third party public liability and Property damage insurance covering all of its operations with limits of coverage usually carried by companies owning or operating the same or a similar type and size of business in each jurisdiction in which such Property is operated, ensure that such policy names the Company as first loss payee and an additional insured and that no such policy shall be materially altered or allowed to lapse without at least 30 days prior written notice being provided to the Required Holders.

Section 9.3 Maintenance of Property.

The Company will:

(a) defend its Property against any Person claiming or attempting to claim the same, or asserting any interest adverse to its interest therein and keep at an appropriate office accurate and complete records of its Property;

(b) carry on business and operate its assets in a proper and efficient manner and in accordance with good practices consistent with accepted industry standards and, in all material respects, pursuant to applicable agreements, regulations, and laws;

(c) if the Required Holders, acting reasonably, determine any of the Company's obligations or other liabilities in respect of matters dealing with the protection or contamination of the environment or the maintenance of health and safety standards, whether contingent or actual, would reasonably be expected to have a Material Impairment then, at the request of the Required Holders, the Company will at its own cost, prepare and provide any information or document which the Required Holders may reasonably require with respect thereto, including any study or report prepared by a firm acceptable to the Required Holders, acting reasonably. In the event that such studies or reports reveal any breach of Environmental Laws, the Company shall effect the necessary work to ensure that it is in compliance with the Environmental Laws within a period acceptable to the Required Holders; and

(d) perform its obligations under the Note Documents and all other material agreements and contracts, including payment of rentals, royalties, Taxes or other charges in respect thereof which are necessary to maintain all such agreements in good standing in all respects, except to the extent failure to so perform would not reasonably be expected to have a Material Impairment, provided that this covenant will not restrict the Company's right to surrender leases or terminate agreements which are uneconomic to maintain.

Section 9.4 Payment of Taxes and Claims.

The Company will file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges or levies imposed on it or its assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Security Interest (other than a Permitted Encumbrance) on Property of the Company, provided that the Company does not need to pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company on a timely basis in good faith and in appropriate proceedings, and the Company has established adequate reserves therefor in accordance with GAAP on the books of the Company or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims could not, individually or in the aggregate, reasonably be expected to have a Material Impairment.

Section 9.5 Corporate Existence, Etc.

Subject to Section 10.4, the Company will at all times preserve and keep its corporate existence in full force and effect.

Section 9.6 Books and Records.

The Company will maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental/Judicial Body Authority having legal or regulatory jurisdiction over the Company, as the case may be. The Company will keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets.

Section 9.7 Priority of Obligations.

The Company will ensure that its and its payment obligations under the Note Documents will at all times rank in priority, with all other senior secured and unsecured Debt of the Company, as applicable (subject only to Permitted Encumbrances which under applicable law rank in priority thereto).

Section 9.8 Securities Filings.

The Company will, if required by applicable laws, within 10 days of each Closing file a report of the sale of its Notes to the respective Purchasers prepared on Form 45-106F1 under National Instrument 45-106 (such report to be executed in accordance with that Instrument) and any other forms required to be filed by the securities regulatory authorities of the provinces and territories of Canada in

connection with the issuance of such Notes, together with payment of the prescribed fee in connection therewith.

Section 9.9 Security; Release of Security.

To secure the payment, performance and satisfaction in full of the indebtedness, liabilities and obligations of the Company under the Notes, including on account of principal, interest or otherwise, the Company hereby (subject to the exceptions contained herein):

(a) grants to and in favour of GMT Capital Corp., as agent (and no fiduciary relationship shall be implied by such agency relationship) on behalf of the holders, a continuing security interest in and to all of the Company's present and after-acquired personal property; and

(b) assigns, transfers, mortgages, pledges and charges as and by way of a floating charge to and in favour of GMT Capital Corp., as agent (and not fiduciary) on behalf of the holders, in and to all of its undertaking and all the property and assets, rights and things both present and future, legal or equitable, of which the Company may be possessed or to which it may be entitled or which may hereafter be acquired by the Company, including all its right, title, estate and interest in and to any and all real, personal or mixed property, now owned or hereafter acquired by the Company and all proceeds and all products of, and all accessions to, any of the foregoing;

to have and to hold as continuing collateral security for the benefit of the Secured Parties for the payment and performance by the Company of all Secured Obligations.

(c) all such other guarantees and all such other mortgages, debentures, pledge agreements, assignments and other security agreements as may be required by the Required Holders, acting reasonably (each in form and substance satisfactory to the Required Holders, acting reasonably) in order to, or to more effectively, charge or grant Security Interests in and against all of the Property, present or future, of the Company (other than Excluded Property); and

(d) thereafter, the Company shall execute and deliver all such other guarantees and all such other mortgages, debentures, pledge agreements, assignments and other security agreements as may be required by the Required Holders, acting reasonably (each in form and substance satisfactory to the Required Holders, acting reasonably) in order to, or to more effectively, charge or grant Security Interests in and against all of the Property, present or future, of the Company (other than Excluded Property);

(e) GMT Capital Corp., as agent (and not fiduciary) on behalf of the holders, shall register, file or record, or cause to be filed, registered and recorded, the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the Security applicable to it including any land registry offices. On the date hereof, the Security shall be registered in Alberta. GMT Capital Corp., as agent (and not fiduciary) on behalf of the holders, at the expense of the Company, shall amend and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect or to preserve the priority established by any prior registration, filing or recording thereof.

(f) If the Required Holders, acting reasonably, determine that there has been a Material Impairment or that a Default or Event of Default has occurred and is continuing and the Required Holders consider it necessary for their adequate protection, the Company will forthwith grant or cause to be granted to the Secured Parties, a fixed charge in all or any of the Company's Property, present or future (other than the Excluded Property).

(g) The forms of Security required by the Required Holders shall be prepared based upon the laws of the Province of Alberta and the laws of the applicable jurisdictions where such Security is registered, in effect at the date thereof and hereof, as applicable. The Required Holders shall have the right to require that:

(i) any such Security be amended to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the holders the Security Interests intended to be created thereby; and

(ii) the Company execute and deliver to the holders such other and further debentures, mortgages, trust deeds, assignments and security agreements as may be reasonably required to ensure the Secured Parties have and hold, subject to Permitted Encumbrances, first priority Security Interests on and against all of the Company's Property, present or future (other than Excluded Property).

(h) Each item or part of the Security shall for all purposes be treated as separate and continuing collateral security and shall be deemed to have been given in addition to and not in place of any other item or part of the Security or any other security now held or hereafter acquired by the Secured Parties. No item or part of the Security shall be merged or be deemed to have been merged in or by this Agreement or any documents, instruments or acknowledgements delivered hereunder, or any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any security, instrument or agreement shall be independent of and not create a merger with any other right available to Secured Parties under any security, instruments or agreements held by them or at law or in equity.

(i) The Required Holders may grant extensions of time or other indulgences, take and give up securities (including the Security or any part or parts thereof), accept compositions, grant releases, postponements and discharges and otherwise deal with the Company and other parties and with securities (including the Security and each part thereof) as the Required Holders may see fit, and may apply all amounts received from the Company or others or from securities (including the Security or any part thereof) upon such part of the liabilities of the Company hereunder or under any of the Security as the Required Holders think best, without prejudice to or in any way limiting the liability of any Company under the Note Documents.

(j) The Security and the security created by any other document constituted or required to be created shall be effective, and the undertakings as to the Security herein or in any other Note Document shall be continuing, whether any Notes are then outstanding or any amounts thereby secured or any part thereof shall be owing before or after, or at the same time as, the creation of such Security Interests or before or after or upon the date of execution of any amendments to this Agreement.

(k) Subject to the release of Security for Permitted Dispositions, the Security or any part thereof shall not be discharged, released or postponed except by a written release and discharge signed by the Required Holders with the prior written consent of all of the holders. If all of the Secured Obligations have been indefeasibly repaid, paid, satisfied and discharged, as the case may be, in full and this Agreement has been fully cancelled, then the holders shall provide a direction that the Security be released and discharged.

(l) If no Event of Default or Default exists and the Company has repaid the Principal and all Interest owing under the Notes on Maturity, the holders agree that the holders will release and discharge the Security Interests created by the Security.

(m) Neither GMT Capital Corp. nor any receiver shall: (a) be responsible or liable for any debts contracted by it, for damages to persons or property, for salaries or for non-fulfilment of contracts during any period when GMT Capital Corp. or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Company of any obligations or covenants imposed upon the Company; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other persons. The Company hereby waives any provision of applicable laws permitted to be waived by it which imposes higher or greater obligations upon GMT Capital Corp. or any receiver than aforesaid.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1 Limitation on Distributions.

The Company will not make any Distributions other than Permitted Distributions.

Section 10.2 Limitation on Encumbrances.

The Company will not create, assume, suffer to exist or permit to be created or levied upon any Property of the Company, any Security Interests except for Permitted Encumbrances without the express written consent of the Required Holders.

Section 10.3 Limitation on Debt.

The Company will not incur Debt other than Permitted Indebtedness.

Section 10.4 Mergers, Amalgamation and Consolidations.

The Company will not merge, amalgamate, consolidate or enter into any transaction in the nature of a hostile takeover with any other Person or wind up or liquidate its assets other than (a) amalgamations of the Company; (b) amalgamations of a Subsidiary with another Subsidiary; or (c) windups and dissolutions of Subsidiaries into the Company or into another Subsidiary.

Section 10.5 Asset Dispositions.

The Company will not sell, lease, transfer or otherwise dispose of (collectively a "Disposition"), any Property, in one or a series of transactions, to any Person, other than:

(a) Permitted Dispositions; and

(b) Dispositions not otherwise permitted by Section 10.5(a), provided that (i) the aggregate net book value of all assets so disposed of in any fiscal year pursuant to this Section 10.5(b) does not exceed the Threshold Amount and (ii) no Default or Event of Default shall exist before or after such Disposition.

Notwithstanding the foregoing, the Company may make a Disposition and the assets subject to such Disposition shall not be subject to or included in the foregoing limitation or Threshold Amount if, within 180 days after the date of such Disposition, the Net Proceeds Amounts with respect to such Disposition are reinvested in the acquisition and or development of oil and/or gas assets to be used in the business of the Company (including expenditures to develop oil and gas assets on acreage owned by the Company) provided that pending any such reinvestment or application, the assets subject to such Disposition shall continue to be included in the limitation and computation contained in Section 10.5(b)(i).

Notwithstanding the foregoing, the Company will not directly or indirectly, make any Disposition if such Disposition could reasonably be expected to have a Material Impairment.

Section 10.6 Material Accounts Receivable.

The Company will not sell or discount any material accounts receivable, other than in the ordinary course of business.

Section 10.7 Change in Business.

The Company will not make a material change in the nature of the Company's business which would reasonably be expected to have a Material Impairment.

Section 10.8 Transactions with Affiliates.

The Company will not except as otherwise specifically permitted hereunder, enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its shareholders or with any of its Affiliates, or with any of its or their directors or officers except a transaction or agreement or arrangement which is in the ordinary course of business of the Company and which is upon fair and reasonable terms not less favourable to the Company than it would obtain in comparable arms-length transaction unless otherwise agreed to by the Required Holders; provided that such restriction will not apply to any further financing transaction between the Company and Bay Resource Partners, LP, Bay II Resource Partners, LP, Bay Resource Partners Offshore Master Fund, LP, Thomas E. Claugus and their Affiliates ("Collectively, "GMT") or any transaction with GMT Exploration Ltd. in respect of the Company's Zama property.

Section 10.9 Material Investments and Financial Assistance.

The Company will not:

(a) provide direct or indirect financial assistance to any Person which is out of the ordinary course of business; or

(b) make any investments outside the Western Canadian Sedimentary Basin which are out of the ordinary course of business,

other than Permitted Investments.

Section 10.10 Sale/Lease-Back Transaction.

The Company will not, except as allowed under Permitted Encumbrances and subject to the limitations set out in Permitted Encumbrances, enter into any sale/lease-back transactions in excess of the Threshold Amount without the express written consent of GMT .

Section 10.11 Change in Organization, Name, Location or Fiscal Year.

Other than in respect of a transaction in connection with a Permitted Disposition, the Company will not (i) amend, supplement, modify or restate in any material respect its articles or certificate of incorporation, bylaws or other equivalent organizational documents, or amend or change its jurisdiction of incorporation, organization or formation, if in each case to do so would reasonably be expected to have an adverse effect on Noteholders, or (ii) amend or change its name, trade name or the jurisdiction of its chief executive office without giving the prior written notice of such change to the Note holders.

Section 10.12 Permitted Subordinated Convertible Debentures.

The Company will not make any payment in respect of any interest, fees, principal or other amounts payable under or in respect of existing Subordinated Convertible Debentures during the continuance of a Default, Event of Default or acceleration of any Secured Obligations which has not been rescinded, or during the enforcement of the rights and remedies of any secured parties or any other Note Documents, or if a Default or Event of Default would reasonably be expected to be caused by or result from any such payment.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise, and such default has not been cured for a period of 30 days; or

(b) the Company defaults in the payment of any interest on any Note for more than ten Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a) and (b) or the Company defaults in the performance of or compliance with any term contained in any other Note Document and in any case such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(c)); or

(d) (i) the Company is in default (as principal or as guarantor or other surety) in the payment of any principal of or interest on any Debt that is outstanding in an aggregate principal amount of at least the Threshold Amount beyond any period of grace provided with respect thereto, or (ii) the Company is in default in the performance of or compliance with any term of any evidence of any Debt, in an aggregate outstanding principal amount of at least the Threshold Amount or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Debt has become, or has been declared (or one or more Persons are entitled to declare such Debt to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or

(ii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), (x) the Company has become obligated to purchase or repay Debt before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least the Threshold Amount, or (y) one or more Persons have the right to require the Company to purchase or repay such Debt; or

(e) the Company shall:

(i) become insolvent, or suspend the conduct of its business, or declare any general moratorium on payment of its indebtedness or interest thereon, or propose a compromise or arrangement between it and any of its creditors;

(ii) make an assignment of its Property for the general benefit of its creditors whether or not under the *Bankruptcy and Insolvency Act* (Canada), or make a proposal (or file a notice of its intention to do so) whether or not under such Act;

(iii) institute any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization (other than as permitted under Section 10.4), administration, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts under any other statute, rule or regulation relating to bankruptcy, winding-up, insolvency, reorganization, administration, plans of arrangement, relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the

Companies' Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada) and any applicable Business Corporations Act or Companies Act);

(iv) apply for the appointment of, or the taking of possession by, a receiver, interim receiver, administrative receiver, receiver/manager, custodian, administrator, trustee, liquidator or other similar official for it or any material part of its Property; or

(v) take any overt action to approve, consent to or authorize any of the actions described in this Section 11(e) or in Section 11(f) below; or

(f) any petition shall be filed, application made or other proceeding instituted against or in respect of the Company:

(i) seeking to adjudicate it an insolvent, or a declaration that an act of bankruptcy has occurred;

(ii) seeking a receiving order against it including under the *Bankruptcy and Insolvency Act (Canada)*;

(iii) seeking liquidation, dissolution, winding-up, reorganization (other than as permitted under Section 10.4), administration, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts under any statute, rule or regulation relating to bankruptcy, winding-up, insolvency, reorganization, administration, plans of arrangement, relief or protection of debtors (including the *Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada)* and any applicable *Business Corporations Act or Companies Act*); or

(iv) seeking the entry of an order for relief or the appointment of a receiver, interim receiver, administrative receiver, receiver/manager, custodian, administrator, trustee, liquidator or other similar official for it or any material part of its Property,

and such petition, application or proceeding shall continue undismissed, or unstayed and in effect, for a period of 10 Business Days after the institution thereof, provided that, if an order, decree or judgment which is not stayed has been granted (whether or not entered or subject to appeal) against the Company thereunder in the interim, such grace period shall cease to apply; or

(g) any receiver, receiver manager or similar officer is appointed over the Company, or over all or substantially all of the Property and assets of the Company and such receiver, receiver manager or similar official is not removed or discharged within 10 Business Days of such appointment; provided that such grace period shall cease to apply if the Company consents to such appointment, fails to diligently object and contest the appointment with appropriate proceedings, or if such receiver, receiver manager or similar official is not effectively stayed from realizing on the Property of the Company; or

(h) any event occurs with respect to the Company which under the laws of any jurisdiction is analogous to any of the events described in Section 11(e), (f) or (g), provided that the

applicable grace period, if any, which shall apply shall be the one applicable to the relevant proceeding which most closely corresponds to the proceeding described in Section 11(e), (f) or (g); or

(i) in respect of assets or properties of the Company having a value in the aggregate exceeding the Threshold Amount, proceedings are taken to enforce any Security Interest or order by taking possession of, seizing or levying against such assets or properties of the Company, or such assets or property shall become subject to any charging order or equitable execution of a court, writ of enforcement, writ of execution or distress warrant, and such proceedings, charging order or equitable execution of a court, writ of enforcement, writ of execution or distress warrant continue undismissed or unstayed and in effect for a period of 10 Business Days; or

(j) a judgment or judgments are entered against the Company in an aggregate amount exceeding the Threshold Amount and such judgments continue undischarged or unstayed and in effect for a period of 10 Business Days; or

(k) excepting security registrations, any material portion of the Security or any material part of this Agreement or any other Note Document becomes or continues to be invalid or unenforceable and is not cured to the satisfaction of the Required Holders, acting reasonably.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1 Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(e), (f) or (g) (other than an Event of Default described in clause (ii) of Section 11(e) or described in clause (vi) of Section 11(e) by virtue of the fact that such clause encompasses clause (ii) of Section 11(e)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the rate payable in the applicable Notes during the continuance of an Event of Default) shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

Section 12.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3 Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the rate payable in the applicable Notes during the continuance of an Event of Default, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4 No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any other Note Document upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. The Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may

execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2 Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 15) for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 10 Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in aggregate value of less than \$150,000 and in denominations of less than Cdn.\$50,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than Cdn.\$500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 7.1. Notwithstanding the foregoing, no transfer or exchange of the Notes shall be registered by the Company unless the Company is satisfied that such transfer or exchange is permitted under applicable securities laws

Section 13.3 Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 16(a)(iii) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note, and:

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$15,000,000 or which is a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within 10 Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on

such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1 Place of Payment.

Subject to Section 14.2, payments of principal and interest becoming due and payable on the Notes shall be made in Calgary, Alberta at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2 Payment by Wire Transfer.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in Schedule A or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

SECTION 15. AMENDMENT AND WAIVER.

Section 15.1 Amendment.

The Note Documents may be amended, and the observance of any term thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest on the Notes, or (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver.

Section 15.2 Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of a Note with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or any other Note Documents. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 15 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of any other Note Document unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) Consent in Contemplation of Transfer. Any consent given pursuant to this Section 15 or any other Note Document by a holder of a Note that has transferred or has agreed to transfer its Note to (i) the Company or (ii) any Subsidiary or any other Affiliate, in either case in connection with such consent, shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 15.3 Binding Effect, Etc.

Any amendment or waiver consented to as provided in this Section 15 or in any other Note Document applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any other Note Document shall operate as a waiver of any rights of any holder of such Note.

Section 15.4 Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or any other Note Document, or have directed the taking of any action provided herein or in any other Note Document to be taken upon the direction of the

holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company shall be deemed not to be outstanding.

SECTION 16. NOTICES; ENGLISH LANGUAGE.

(a) All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized international commercial delivery service (charges prepaid), or (b) by a recognized international commercial delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 16 will be deemed given only when actually received.

(b) Each document, instrument, financial statement, report, notice or other communication delivered in connection with this Agreement shall be in English or accompanied by an English translation thereof.

SECTION 17. MISCELLANEOUS.

Section 17.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Note) whether so expressed or not, except that, subject to Section 10.8, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Notes without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 17.2 Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 17.3 Construction, Etc.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and, for purposes of the Notes, shall also include any such notes issued in substitution therefor pursuant to Section 13, (b) subject to Section 17.1, any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

Section 17.4 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 17.5 Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the Province of Alberta excluding choice-of-law principles of the law of such Province that would permit the application of the laws of a jurisdiction other than such Province.

Section 17.6 Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company and holder irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Alberta over any suit, action or proceeding arising out of or relating to the Note Documents. To the fullest extent permitted by applicable law, the Company and the holder irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the

laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company and the holder agrees, to the fullest extent permitted by applicable laws, that a final judgment in any suit, action or proceeding of the nature referred to in Section 17.6(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the Province of Alberta (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) Nothing in this Section 17.6 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

Section 17.7 Obligation to Make Payment in Canadian Dollars.

(a) Payment Currency – Principal and interest on the Notes shall be payable in Canadian Dollars. Unless otherwise specified herein or in the invoice relating thereto, all other amounts payable under this Agreement shall be payable in Canadian Dollars.

Section 17.8 Permitted Encumbrances.

Nothing in the definition of “Permitted Encumbrance” or this Agreement shall cause the Secured Obligations to be subordinated in priority of payment to any such Permitted Encumbrance or cause any security interests in favour of any secured parties to rank subordinate to any such Permitted Encumbrance.

Section 17.9 Interest.

(a) In respect of any overdue amounts hereunder or under the Notes where no provision is made herein or therein for payment of interest thereon, the Company shall pay interest on such overdue amounts on demand, calculated from the date such unpaid amount is due until such unpaid amount is paid in full, at a rate of 12% per annum.

(b) In no event shall any interest or fee to be paid hereunder or under a Note exceed the maximum rate permitted by applicable laws. In the event any such interest rate or fee exceeds such maximum rate, such rate shall be adjusted downward to the highest rate (expressed as a percentage per annum) or fee that the parties could validly have agreed to by contract on the date hereof under applicable laws. It is further agreed that any excess actually received by a holder of a Note shall be credited against the principal of the Notes (or, if the principal shall have been or would thereby be paid in full, the remaining amount shall be credited or paid to the Company).

(c) All interest (including interest on overdue interest) payable by the Company hereunder and under the Notes shall accrue from day to day, computed as provided herein, and shall be payable after as well as before maturity, demand, default and judgment.

(d) Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months. Solely for purposes of the *Interest Act* (Canada), the yearly rate of interest to which interest calculated for a period of less than one year on the basis of a year of 360 days consisting of twelve 30-day periods is equivalent is such rate of interest multiplied by a fraction of which (i) the numerator is the product of (A) the actual number of days in the year commencing on the first day of such period, multiplied by (B) the sum of (y) the product of 30 multiplied by the number of complete months elapsed in such period and (z) the actual number of days elapsed in any incomplete month in such period; and (ii) the denominator is the product of (a) 360 multiplied by (b) the actual number of days in such period.

(e) The theory of "deemed reinvestment" shall not apply to the computation of interest and no allowance, reduction or deduction shall be made for the deemed reinvestment of interest in respect of any payments. Calculation of interest shall be made using the nominal rate method, and not the effective rate method, of calculation.

(f) To the extent permitted by law, Section 6 of the *Judgment Interest Act* (Alberta) is hereby waived and shall not apply to this Agreement or the Notes.

(g) Any interest payment due on the day prior to the maturity date of each Note shall include one additional days' interest, calculated as if such interest due date was such final maturity date.

* * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

STRATEGIC OIL & GAS LTD.

By: _____

Name:

Title:


AARON THOMPSON, CA
CHIEF FINANCIAL OFFICER

[Signature Page to Note Purchase Agreement]

This Agreement is hereby accepted and agreed to as of the date thereof.

BAY RESOURCE PARTNERS, L.P. by GMT
Capital Corp., as General Partner

By: Harold Randall
Name: Harold Randall
Title: COO

BAY II RESOURCE PARTNERS, L.P. by GMT
Capital Corp., as General Partner

By: Harold Randall
Name: Harold Randall
Title: COO

BAY RESOURCE PARTNERS OFFSHORE
MASTER FUND, L.P. by GMT Capital Offshore
Management, LLC, as General Partner

By: GMT Capital Corp., as Manager

By: Harold Randall
Name: Harold Randall
Title: COO

THOMAS E. CLAUGUS by GMT Capital Corp.,
as investment advisor and agent

By: Harold Randall
Name: Harold Randall
Title: COO

GMT CAPITAL CORP.

By: Harold Randall
Name: Harold Randall
Title: COO

[Signature Page to Note Purchase Agreement]

SCHEDULE A TO NOTE PURCHASE AGREEMENT

PURCHASER SCHEDULE

Registration:	Address	Notes (CAD)	Tax ID
GMT Capital Corp.	550 S, 2300 Windy Ridge Parkway Atlanta, GA USA 30339	549,000.00	58-2021147
Bay Resource Partners, L.P.	550 S, 2300 Windy Ridge Parkway Atlanta, GA USA 30339	3,764,000.00	58-1932774
Bay II Resources Partners, L.P.	550 S, 2300 Windy Ridge Parkway Atlanta, GA USA 30339	2,928,000.00	58-2503649
Bay Resources Partners Offshore Master Fund, L.P.	550 S, 2300 Windy Ridge Parkway Atlanta, GA USA 30339	6,766,000.00	98-0607278
Thomas E. Claugus	550 S, 2300 Windy Ridge Parkway Atlanta, GA USA 30339	543,000.00	288-42- 3547
Total		14,550,000.00	

Each Purchaser represents and warrants that it is an Accredited Investor pursuant to paragraph (a) of Section 1.1. of NI 45-106.

SCHEDULE B TO NOTE PURCHASE AGREEMENT

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“**Affiliate**” means, at any time,

(a) with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and

(b) with respect to the Company, shall include (i) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company, (ii) for the purposes of Section 10.8 and the definition of “Distribution” herein, any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 20% or more of any class of voting or equity interests, and (ii) for all other purposes, any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests.

Unless the context otherwise clearly requires, any reference to an “**Affiliate**” is a reference to an Affiliate of the Company.

“**Agreement**” means this Note Purchase Agreement among the Company and the Purchasers dated November 27, 2018, including all Schedules and Exhibits attached to this Agreement.

“*Bankruptcy and Insolvency Act (Canada)*” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, including the regulations made and, from time to time, in force under that Act.

“*Business Corporations Act (Alberta)*” means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations made, from time to time, in force under that Act.

“**Business Day**” means, any day other than a Saturday, a Sunday or a day on which commercial banks in Calgary, Alberta and Toronto, Ontario are required or authorized to be closed.

“**Canadian Dollars**” or “**Canadian \$**” or “**Cdn.\$**” or “**\$**” each means such currency of Canada which, as at the time of payment or determination, is legal tender in Canada for the payment of public or private debts.

“**Change of Control**” means the occurrence of any of the following events:

(i) any Person or Persons acting jointly or in concert (within the meaning of the *Securities Act* (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or direction over (whether such right is exercisable

immediately or only after the passage of time) more than 30% of the issued and outstanding Voting Shares of the Company; or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the Company cease, for any reason, to constitute at least a majority of the board of directors of the Company, unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period ("**Incumbent Directors**") and in particular, any new director who assumes office in connection with or as a result of an actual or threatened proxy or other election contest of the board of directors of the Company shall never be an Incumbent Director.

"**Closing**" is defined in Section 4.

"**Collateral**" means the Property that is the subject of the Security Interests created by the Security.

"**Companies' Creditors Arrangement Act (Canada)**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, including the regulations made and, from time to time, in force under that Act.

"**Compliance Certificate**" means the certificate required to be completed and delivered by the Company from time to time pursuant to Section 9.1.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "**Controlled**" and "**Controlling**" shall have meaning correlative to the foregoing.

"**Debt**" means, as at any date of determination, all obligations, liabilities and indebtedness of the Company which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Company for such date as indebtedness for borrowed money and, whether or not so classified, shall include (without duplication):

- (a) indebtedness of the Company and Subsidiaries for borrowed money;
- (b) obligations of the Company and Subsidiaries arising pursuant to bankers' acceptances (including payment and reimbursement obligations in respect thereof);
- (c) obligations of the Company and Subsidiaries arising pursuant to letters of credit to the extent they support obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;
- (d) obligations of the Company and Subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness for borrowed money of any other Person or the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition and all other obligations incurred for the purpose of

or having the effect of providing financial assistance to another Person in respect of indebtedness or such other obligations;

(e) in respect of any capital lease entered into by the Company or a Subsidiary as lessee, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the lease payments of the lessee, including all rent and payments to be made by the lessee in connection with the return of the leased property, during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended); provided that Debt shall not include the obligations of the Company or a Subsidiary in respect of any lease characterized as an operating lease under GAAP (excluding Financing Leases, to the extent that they are included in the calculation of the then current asset value of the Company) or which is a premises lease, and which in each case is entered into in the ordinary course of business on prevailing commercial terms or in respect of P&NG Leases;

(f) all obligations of the Company and Subsidiaries representing the deferred purchase price of any property, and all obligations of the Company and Subsidiaries created or arising under any conditional sales agreement or other title retention agreement, other than capital leases and operating leases;

(g) deferred revenues of the Company and Subsidiaries relating to third party obligations;

(h) the redemption amounts of any equity of the Company and Subsidiaries (each a **“Redeeming Party”**) where the holder of such equity is not the Company and has the option to require the redemption of such equity for cash or property, other than equity of any of the Redeeming Parties, and payment of the redemption amounts;

(i) all losses actually incurred under any Financial Instruments that are due and owing, but for certainty, Debt shall not include the impact of any mark to market unrealized losses in respect of Financial Instruments recorded in accordance with GAAP; and

(j) without duplication of any of the matters referenced above, obligations of the Company and Subsidiaries under Sale/Lease-Backs.

“Default” means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

“Distribution” means:

(a) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any equity of the Company;

(b) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any equity of the Company or any securities, instruments or contractual rights capable of being

converted into, exchanged or exercised for equity of the Company, including options, warrants, conversion or exchange privileges and similar rights;

(c) the making of any loan or advance or any provision of credit to any equityholder of the Company;

(d) the payment of any principal, interest, fees or other amounts on or in respect of:

(i) any loans, advances or other debt; or

(ii) any securities issued by the Company which is in accordance with GAAP, are classified as part of equity but the terms of which entitle the holder thereof to receive payments of money,

owing at any time by the Company to any equityholder of the Company, to Affiliates of the Company or to equityholders of Affiliates of the Company.

“Environmental Laws” means all applicable federal, provincial, regional, municipal or local laws, including those at common law or in equity, with respect to the environment or environmental or occupational health and safety matters contained in statutes, regulations, rules, ordinances, orders judgments, approvals, notices, permits or policies, guidelines or directives having the force of law.

“Event of Default” is defined in Section 11.

“Excluded Property” means all amounts on deposit from time to time with Royal Bank of Canada up to \$5 million securing the LC Facilities.

“GAAP” means generally accepted accounting principles which are in effect from time to time in Canada, which as of the date hereof is IFRS.

“Governmental/Judicial Body” means:

(a) any government, parliament or legislature, any regulatory or administrative authority, agency, commission or board and any other statute, rule or regulation making entity having jurisdiction in the relevant circumstances,

(b) any Person acting under the authority of any of the foregoing or under a statute, rule, policy or regulation thereof, and

(c) any judicial, administrative or arbitral court, authority, tribunal or commission having jurisdiction in the relevant circumstances.

“Hazardous Materials” means any substance or mixture of substances which, if Released, would likely cause, immediately or at some future time, harm or degradation to the environment or to human health or safety and includes any substance determined to be a pollutant, contaminant, waste, hazardous waste, hazardous chemical, hazardous substance, toxic substance or dangerous good under any Environmental Laws.

“**holder**” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1, provided, however, that if such Person is a nominee, then for the purposes of Sections 8, 12, Section 15.2 and Section 16 and any related definitions in this Schedule A, “holder” shall mean the beneficial owner of such Note whose name and address appears in such register.

“**IFRS**” means International Financial Reporting Standards including International Accounting Standards.

“**Income Tax Act (Canada)**” means the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c. 1, including the regulations made and, from time to time, in force under that Act.

“**Individual Accredited Investor**” means an individual who is an “accredited investor” under the Securities act and under NI 45-106.

“**Institutional Accredited Investor**” means an institutional “accredited investor” (as such term is defined in Rule 501 (a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act, or any successor law, rule or regulation).

“**Institutional Investor**” means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its Affiliates) more than five percent of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“**LC Facilities**” means the Canadian-dollar and US-dollar letter of credit facilities and the Visa facility made available under the amended and restated Facility agreement dated November 22, 2016 between the Company and Royal Bank of Canada.

“**Material**” means material in relation to the business, operations, affairs, financial condition, Properties or prospects of the Company.

“**Material Impairment**” means any matter, event or circumstance which individually or in the aggregate could materially harm:

- (a) the business, financial condition, operations or assets of the Company;
- (b) the ability of the Company to pay or perform its obligations under the Notes or the ability of the Company to pay or perform any of its obligations or contingent obligations under any Note Document;
- (c) the validity or enforceability of this Agreement or any other Note Document; or

(d) the priority ranking of any Security Interests granted by the Note Documents or the rights or remedies intended or purported to be granted to the holders under or pursuant to the Note Documents.

“Maturity Date” is defined in the first paragraph of each Note.

“Net Proceeds Amount” means, with respect to any Disposition, an amount equal to the difference of:

(a) the aggregate amount of consideration (valued at the fair market value thereof by the Company in good faith) received by the Company in respect of such Disposition, minus

(b) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by the Company in connection with such Disposition.

“NI 45-106” means National Instrument 45-106, *Prospectus Exemptions* of the Canadian Securities Administrators.

“Note Documents” means this Agreement, the Notes, the Security and any other instruments or agreements entered into by the parties to the Agreement relating to the Notes or delivered by the Company pursuant to the terms of this Agreement.

“Notes” is defined in Section 1.

“Officer’s Certificate” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“P&NG Leases” means, collectively, any and all documents of title including leases, reservations, permits, licences, unit agreements, assignments, trust declarations, participation, exploration, farm-out, farm-in, royalty, purchase or other agreements by virtue of which the Company is entitled to explore for, drill for, recover, take or win Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Company (as applicable), or to share in the production or proceeds of production or any part thereof or proceeds of royalty, production, profits or other interests out of, referable to or payable in respect of Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Company (as applicable), and the rights of the Company thereunder.

“P&NG Rights” means all of the right, title, estate and interest, whether contingent or absolute, legal or beneficial, present or future, vested or not, and whether or not an “interest in land”, of the Company in and to any of the following, by whatever name the same are known:

(a) rights to explore for, drill for and produce, take, save or market Petroleum Substances;

(b) rights to a share of the production of Petroleum Substances;

(c) rights to a share of the proceeds of, or to receive payments calculated by reference to the quantity or value of, the production of Petroleum Substances;

(d) rights to acquire any of the rights described in paragraphs (a) through (c) of this definition;

(e) interests in any rights described in paragraphs (a) through (d) of this definition;
and

(f) all extensions, renewals, replacements or amendments of or to the foregoing items described in paragraphs (a) through (e) of this definition;

and including interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interests and fractional or undivided interests in any P&NG Leases and in any of the foregoing and freehold, leasehold or other interests.

“**Payment**” is defined in Section 6.8.

“**Permitted Contest**” means action taken by the Company in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Security Interest, provided that:

(a) such Person has established reasonable reserves therefor in accordance with GAAP;

(b) proceeding with such contest does not have, and would not reasonably be expected to have, a Material Impairment; and

(c) proceeding with such contest will not create a material risk of sale, forfeiture or loss of, or interference with the use or operation of, a material part of the Property of the Company or the Material Subsidiaries.

“**Permitted Disposition**” means any of the following:

(a) a sale or disposition by such Person of P&NG Rights (and related tangibles) resulting from any pooling, unit or farmout agreement entered into in the ordinary course of business and in accordance with sound industry practice when, in the reasonable judgment of such Person, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such P&NG Rights provided that if such pooling, unitization or farmout is in respect of the Company's oil and gas properties, the economic interest of Company resulting from such pooling, unitization or farmout does not materially reduce the Company's asset value;

(b) a sale of up to 15% of the Company's assets (based on asset values listed in the Company's most recent audited balance sheet) and related tax pools for proceeds of not less than \$15 million;

(c) a sale or disposition by such Person in the ordinary course of business and in accordance with sound industry practice of tangible personal property that is obsolete, no longer useful for its intended purpose or being replaced in the ordinary course of business;

(d) a sale or disposition of current production from P&NG Rights made in the ordinary course of business; and

(e) abandonment or surrender of uneconomic oil and gas assets in accordance with sound industry practice;

provided that: (i) any such sales or dispositions are (except in the case of (d) above) arms-length and at fair market value; (ii) Default or Event of Default has occurred and is continuing; (iii) any such sales or dispositions would not result in a Default or Event of Default.

“Permitted Encumbrance” means as at any particular time any of the following encumbrances on the property or any part of the property of the Company:

(a) Security Interests for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;

(b) Security Interests arising in connection with worker’s compensation, unemployment insurance, pension and employment laws not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;

(c) public and statutory liens and similar liens arising by operation of law not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest,

(d) Security Interests under or pursuant to any judgment rendered, or claim filed, against the Company, which the Company shall be contesting at the time by a Permitted Contest;

(e) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against the Company or which relate to obligations not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;

(f) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons or other minor defects, encumbrances and restrictions which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Company;

(g) Security Interests given by the Company to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or other authority in connection with the operations of the Company, all in the ordinary course of its business which individually or in the aggregate do not materially detract from the value of the asset concerned or materially impair its use in the operation of the business of the Company;

(h) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;

(i) the Security;

(j) security interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of P&NG Rights, related production or processing facilities in which such Person has an interest or the transmission of Petroleum Substances as security in favour of any other Person conducting the exploration, development, operation or transmission of the property to which such liens relate, for the Company's portion of the costs and expenses of such exploration, development, operation or transmission, provided that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;

(k) Security Interests for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of the Company's P&NG Rights, provided that such liens do not materially detract from the value of any material part of the property of the Company;

(l) any Security Interest or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of the Company, or any part thereof, that is a Permitted Disposition;

(m) the right reserved or vested in any municipality or governmental or other public authority by the terms of any P&NG Leases in which the Company has any interest or by any statutory provision to terminate any P&NG Leases in which the Company has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;

(n) obligations of the Company to deliver Petroleum Substances, chemicals, minerals or other products to buyers thereof in the ordinary course of business;

(o) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under P&NG Leases in which the Company have any interest;

(p) any Sale/Lease-Back or any Security Interests created, incurred or assumed to secure any Purchase Money Obligations or capital leases; provided, the aggregate at any time of the obligations under all Sale/Lease-Backs, Purchase Money Obligations and capital leases shall not exceed the Threshold Amount;

(q) inchoate liens or any rights of distress reserved in or exercisable under any real property lease or sublease to which the Company is a lessee which secure the payment of rent or compliance with the terms of such lease or sublease, provided that such rent is not then overdue and the Company is then in compliance in all material respects with such terms;

(i) in respect of commodity agreements, such security interests only secure the obligations of the Company to deliver Petroleum Substances at a future date pursuant to such Commodity Agreement and the oil and gas properties of the Company can reasonably be expected to produce sufficient Petroleum Substances in the ordinary course of business to fulfil such obligation;

(ii) the obligations secured by such Security Interests are not due or delinquent; and

(iii) the aggregate amount of cash or marketable securities so pledged or subjected to Security Interests does not exceed at any time an amount equal to the Threshold Amount;

(r) security granted the up to \$20 million of 12% Senior Secured Notes, Series 2, ranking *pari passu* with the Notes and issued on the same terms as the Notes;

(s) security granted in respect of the LC Facilities;

(t) all such other claims and encumbrances as are specifically disclosed by notice in writing from the Company to the holders to the extent that the Required Holders, by specific notice in writing to the Company, consent to such claims and encumbrances as Permitted Encumbrances;

“Permitted Indebtedness” means, with respect to the Company and the Material Subsidiaries:

(a) the indebtedness of the Company and Material Subsidiaries under the Note Documents;

(b) all amounts owing under the LC Facilities;

(c) up to \$20 million of 12% Senior Secured Notes, Series 2, ranking *pari passu* with the Notes and issued on the same terms as the Notes;

(d) Intercorporate indebtedness;

(e) the indebtedness secured by Permitted Encumbrances subject, if applicable, to any maximum amounts set out in the definition of “Permitted Encumbrances”;

(f) unsecured indebtedness of the Company under Permitted Subordinated Convertible Debentures, provided that such indebtedness has first been subordinated to the Secured Obligations on terms and conditions satisfactory to the Required Holders; and

(g) all other unsecured indebtedness (other than indebtedness for borrowed money which for the purposes hereof shall include Financing Leases) incurred by the Company and Material

Subsidiaries in the ordinary course of business, without breach of this Agreement and without creating a Default or Event of Default, and provided the same is not past due and payable unless the Company is in good faith contesting the same without otherwise creating a Default or Event of Default.

“Permitted Subordinated Convertible Debentures” means any existing or new unsecured convertible subordinated debentures or notes created, issued or assumed by the Company.

“Person” means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

“Petroleum Substances” means crude oil, crude bitumen, synthetic crude oil, petroleum, natural gas, natural gas liquids, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing, including hydrogen sulphide and sulphur.

“Property” means, in respect of any Person, its property, assets and undertaking for the time being, both real and personal, tangible and intangible.

“Purchaser” is defined in the addressee line to this Agreement, provided, however, that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 13.3 shall cease to be included within the meaning of “Purchaser” of such Note for the purposes of this Agreement upon such transfer.

“Qualified Institutional Buyer” means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

“Related Fund” means, with respect to any holder of any Note, any fund or entity that (a) invests in Securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

“Release” means any release, spill, emission, leak, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment of Hazardous Materials including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or sub-surface strata.

“Required Holders” means, at any time, the holders of [NTD: 51%] of the principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

“Responsible Officer” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

"Secured Obligations" means the Security and Security Interests granted pursuant to this Agreement.

"Secured Parties" means the holders of the Notes for whom the Security Interest has been created.

"Security" means collectively, all security and documents granted or required pursuant to Section 9, including the Security listed in Section 9.9 any additional Security required from the Company's Subsidiaries from time to time pursuant to Section 9.9(d) and all amendments, extensions, renewals and replacements thereof from time to time.

"Security Interest" means mortgages, charges, pledges, liens, hypothecs, assignments by way of security, conditional sales or other title retentions, security created under the *Bank Act* (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event, (a) rights of set-off created for the purpose of securing (directly or indirectly) any indebtedness, (b) the rights of lessors under capital leases and any other lease financing, and (c) absolute assignments of accounts receivable, but excluding the rights of lessors under operating leases (as determined under GAAP as in effect at December 31, 2010).

"Securities" or "Security" shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Subsidiary" means:

(a) any corporation of which at least a majority of the outstanding shares having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries, or any combination thereof;

(b) any partnership of which, at the time, the Company or one or more of its Subsidiaries, or any combination thereof:

(i) directly, indirectly or beneficially own or control at least 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and

(ii) is a general partner or is a partner who has authority to bind the partnership; or

(c) any other Person of which at least a majority of the income, capital, beneficial or ownership interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or any combination thereof.

“**Taxes**” means all taxes, levies, imposts, value added taxes, goods and services taxes, stamp taxes, duties, deductions, withholdings and similar impositions payable, levied, collected, withheld or assessed as of the date of this Agreement or at any time in the future under applicable laws and all interest and penalties thereon, and “**Tax**” shall have a corresponding meaning.

“**Threshold Amount**” means \$5 million:

“**U.S. Dollars**” or “**U.S. \$**” each means such currency of the United States of America which, as at the time of payment or determination, is legal tender therein for the payment of public or private debts.

“**U.S. Economic Sanctions Laws**” means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the U.S. Trading with the Enemy Act, the U.S. International Emergency Economic Powers Act, the U.S. Iran Sanctions Act, the U.S. Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

“**Voting Shares**” means:

(a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:

- (i) carrying voting rights in all circumstances; or
- (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

Schedule 6.10 – Existing Debt

STRATEGIC OIL & GAS LTD.
(SRF: 909742074)

Product	Applicant	Beneficiary	Issue Date	Expiry Date	Cur	Amount	Final Maturity Date	Auto Extend
FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	HER MAJESTY THE QUEEN IN RIGHT OF C	11/24/2016	11/23/2018	CAD	245,466.50		
FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	GOVERNMENT OF ALBERTA	11/24/2016	11/23/2018	CAD	1,230.00		YES - UNLIMITED
NON FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	GOVERNMENT OF THE NORTHWEST TERRITO	02/16/2017	02/15/2019	CAD	1,600,000.00		YES - UNLIMITED
NON FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	GOVERNMENT OF THE NORTHWEST TERRITO	02/16/2017	02/15/2019	CAD	1,309,860.00		YES - UNLIMITED
FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	GOVERNMENT OF THE NORTHWEST TERRITO	03/15/2017	03/14/2019	CAD	1,000,000.00		YES - UNLIMITED
NON FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	ALBERTA ENERGY REGULATOR ("AER")	04/13/2017	04/12/2019	CAD	220,000.00		YES - UNLIMITED
NON FINANCIAL GUARANTEE	STRATEGIC OIL & GAS LTD.	ENMAX COMMERCIAL SERVICES INC.	04/18/2017	04/17/2019	CAD	45,300.00		YES - UNLIMITED

	4,421,876.50
Visa	50,000
Total guarantees	4,471,876.50

EXHIBIT 1 TO NOTE PURCHASE AGREEMENT

[FORM OF NOTE]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE SOLD OR TRANSFERRED, DIRECTLY OR INDIRECTLY, ABSENT REGISTRATION UNDER THE 1933 ACT OR PURSUANT TO AVAILABLE EXEMPTIONS THEREFROM.

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER NOVEMBER 27, 2018.

STRATEGIC OIL & GAS LTD.

12% Senior Secured Note Due May 27, 2020

No. []

[Date]

Cdn.\$[]

FOR VALUE RECEIVED, the undersigned, STRATEGIC OIL & GAS LTD., a corporation organized and existing under the laws of Alberta (the "Company"), hereby promises to pay to [], or registered assigns, the principal sum of [] CANADIAN DOLLARS (or so much thereof as shall not have been prepaid) on May 27, 2020 (the "Maturity Date"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 12% per annum from the date hereof, payable quarterly, on the 27th day of February, May, August and November, respectively in each year, commencing with February 27, 2019, until the principal hereof shall have become due and payable.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months. Solely for purpose of the *Interest Act* (Canada), the yearly rate of interest to which interest calculated for a period of less than one year on the basis of a year of 360 days consisting of twelve 30-day periods is equivalent is such rate of interest multiplied by a fraction of which (i) the numerator is the product of (A) the actual number of days in the year commencing on the first day of such period, multiplied by (B) the sum of (y) the product of 30 multiplied by the number of complete months elapsed in such period and (z) the actual number of days elapsed in any incomplete month in such period; and (ii) the denominator is the product of (a) 360 multiplied by (b) the actual number of days in such period. All interest payable by the Company hereunder shall accrue from day to day, computed as described herein and shall be payable after as well as before maturity, demand, default and judgment. The theory of

“deemed reinvestment” shall not apply to the computation of interest hereunder and no allowance, reduction or deduction shall be made for the deemed reinvestment of interest in respect of any payments hereunder. Calculation of interest hereunder shall be made using the nominal rate method, and not the effective rate method, of calculation.

Payments of principal and interest with respect to this Note are to be made in lawful money of Canada at the principal office of the Company in Calgary, Alberta or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Agreement referred to below.

This Note is one of a series of Senior Secured Notes (the “Notes”) issued pursuant to the Note Purchase Agreement, dated as of November 27, 2018 (as from time to time amended, the “Agreement”), between, among others, the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed that the Notes have been issued on a *Pari Passu* basis in accordance with Section 3 of the Agreement, and (ii) made the representation set forth in Section 7 of the Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the Province of Alberta excluding choice-of-law principles of the law of such Province that would permit the application of the laws of a jurisdiction other than such Province.

STRATEGIC OIL & GAS LTD.

By: _____
Name:
Title:

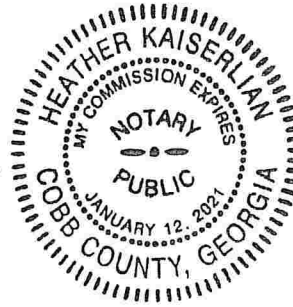
EXHIBIT 2



Bennett Jones

Bennett Jones LLP
4500 Bankers Hall East, 855 2nd Street SW
Calgary, Alberta, T2P 4K7 Canada
T: 403.298.3100
F: 403.265.7219

Ken T. Lenz, Q.C.
Partner
Direct Line: 403.298.3317
e-mail: lenzk@bennettjones.com
Our File No.: 87591.2



THIS IS EXHIBIT " 2 "
referred to in the Affidavit of
Harold Randall
Sworn before me this 22nd
day of January 2020
Heather Kaiserlian

January 22, 2020

Via Email

Mr. Bill Lancaster, President
Strategic Oil and Gas Ltd.
1100, 645 - 7th Avenue SW
Calgary, AB T2P 4G8

Dear Mr. Lancaster:

Re: Demand on Cdn 15,000,000 12% Senior Secured Notes Due May 27, 2020 (the "Secured Notes")

We are counsel for GMT Capital Corp. in relation to the Secured Notes granted by Strategic Oil and Gas Ltd. ("Strategic"). The Secured Notes are in default, among other defaults, because Strategic has expressed an intention to cease carrying on business by not renewing the stay of proceedings provided by the *Companies' Creditors Arrangement Act* upon its expiry.

We hereby demand immediate repayment in the total amount of \$14,550,000 plus interest from January 1, 2020 and costs on a solicitor-client basis. We enclose with this letter a Notice of Intent to Enforce Security and put you on notice that our client is entitled to take steps to appoint a receiver in accordance with that notice. If you are prepared to waive the balance of the 10-day notice period, I would ask you to acknowledge that fact by signing the document where indicated and returning it to our office. In any event, please acknowledge service, by return email at your early convenience.

I look forward to your reply.

Yours truly,

Ken T. Lenz

KTL/dmk

cc: Client



Bennett Jones

Bennett Jones LLP
 4500 Bankers Hall East, 855 2nd Street SW
 Calgary, Alberta, T2P 4K7 Canada
 T: 403.298.3100
 F: 403.265.7219

Ken T. Lenz, Q.C.
 Partner
 Direct Line: 403.298.3317
 e-mail: lenzk@bennettjones.com
 Our File No.: 87591.2

THIS IS EXHIBIT " 2 "
 referred to in the Affidavit of
Harold Randall
 Sworn before me this 22nd
 day of January 2020

January 22, 2020

Via Email

Mr. Bill Lancaster, President
 Strategic Oil and Gas Ltd.
 1100, 645 – 7th Avenue SW
 Calgary, AB T2P 4G8

Dear Mr. Lancaster:

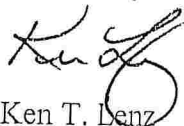
Re: Demand on Cdn 15,000,000 12% Senior Secured Notes Due May 27, 2020 (the "Secured Notes")

We are counsel for GMT Capital Corp. in relation to the Secured Notes granted by Strategic Oil and Gas Ltd. ("**Strategic**"). The Secured Notes are in default, among other defaults, because Strategic has expressed an intention to cease carrying on business by not renewing the stay of proceedings provided by the *Companies' Creditors Arrangement Act* upon its expiry.

We hereby demand immediate repayment in the total amount of \$14,550,000 plus interest from January 1, 2020 and costs on a solicitor-client basis. We enclose with this letter a Notice of Intent to Enforce Security and put you on notice that our client is entitled to take steps to appoint a receiver in accordance with that notice. If you are prepared to waive the balance of the 10-day notice period, I would ask you to acknowledge that fact by signing the document where indicated and returning it to our office. In any event, please acknowledge service, by return email at your early convenience.

I look forward to your reply.

Yours truly,


 Ken T. Lenz

KTL:/dmk

cc: Client

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1))

To: STRATEGIC OIL AND GAS LTD. (the "Debtor")

TAKE NOTICE THAT:

1. GMT CAPITAL CORP., a secured creditor, intends to enforce its security on the property of the insolvent person described below:
 - (a) all present and after-acquired personal property of the Debtor.
2. The security that is to be enforced is in the form of:
 - (a) Senior Secured Notes due May 27, 2020;
3. As of January 1, 2020, the total amount of indebtedness secured by the security described herein was \$14,550,000, plus costs and recoverable expenses, with additional interest and costs accruing thereafter.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

DATED at Calgary, Alberta this 22nd day of January, 2020.

GMT CAPITAL CORP.
by their agents and solicitors,
BENNETT JONES LLP

Per: _____

Ken Lehz

The Debtor hereby consents to the immediate enforcement by the Secured Creditor of its security against the Debtor.

Dated at Denver, Colorado on the 22 day of January, 2020.

Strategic Oil and Gas Ltd.

Per: _____