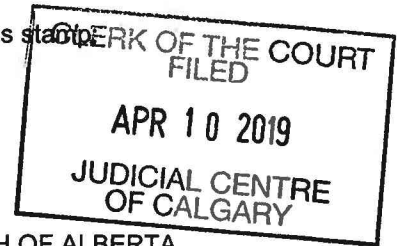


Clerk's stamp



COURT FILE NUMBER

1901- 05089

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended

IN THE MATTER OF THE BUSINESS CORPORATIONS
ACT, R.S.A. 2000, c. B-9, as amended

AND IN THE MATTER OF THE PLAN OF COMPROMISE
OR ARRANGEMENT OF STRATEGIC OIL & GAS LTD.
and STRATEGIC TRANSMISSION LTD.

APPLICANTS

STRATEGIC OIL & GAS LTD. and STRATEGIC
TRANSMISSION LTD.

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

Dentons Canada LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8

Attention: David W. Mann and Afshan Naveed
Ph. (403) 268-7097 / 403-268-7015 Fx. (403) 268-3100
File No.: 575553-3

AFFIDAVIT OF REMI ANTHONY BERTHELET

Sworn on April 9, 2019

I, Remi Anthony (Tony) Berthelet, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I have been the President & Chief Executive Officer of Strategic Oil & Gas Ltd. ("**Strategic**") since May 2018 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 have stated the source of the information and verily believe the same to be true.

2. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

I. RELIEF REQUESTED

3. This Affidavit is made in support of an Application by Strategic and Strategic Transmission Ltd. ("STL") (collectively, the "Applicants") for an Order (the "Initial Order") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), granting the following relief, among other things:
 - (a) declaring that the Applicants are companies to which the CCAA applies;
 - (b) staying all proceeding and remedies taken or that might be taken in respect of the Applicants or any of their property, except as otherwise set forth in the Initial Order or otherwise permitted by law;
 - (c) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and business;
 - (d) appointing KPMG Inc., as Monitor (the "Monitor" or "KPMG") of the Applicants in these proceedings;
 - (e) granting the Administration Charge (defined herein) and the Directors' Charge (defined herein);
 - (f) authorizing the Applicants to pay the reasonable fees and disbursements of the Applicants professional advisors, including Applicants' legal counsel, the Monitor and the Monitor's legal counsel;
 - (g) approving a KERP (defined herein) for the benefit of key executives and employees of Strategic and the KERP Charge (defined herein);
 - (h) reserving a charge for the benefit of interim financing if and when such financing may be required and this Honourable Court may approve any such financing;
 - (i) sealing on the Court file certain confidential information referred to herein;
 - (j) requesting that aid, recognition and assistance of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to the Initial Order; and
 - (k) deeming service of the Application for the Initial Order to be good and sufficient.

II. BACKGROUND

Strategic

4. Strategic is a publically traded junior oil and gas Alberta company incorporated under the *Alberta Business Corporations Act* and is listed on the TSX Venture Exchange in Canada under the symbol "SOG". Attached hereto and marked as **Exhibit "A"** is a copy of the Alberta Corporate Registries Search, dated April 4, 2019, with respect to Strategic.
5. Strategic's head office is located in Calgary, Alberta and its primary operations are located in northern Alberta, specifically in the Marlowe area of Alberta.

6. Attached hereto and marked as **Exhibit "B"** is a copy of the Alberta Personal Property Registry Search, dated April 8, 2019, with respect to Strategic.

STL

7. STL was incorporated under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Strategic. Attached hereto and marked as **Exhibit "C"** is a copy of the Federal Corporation Search with respect to STL.
8. In 2013, Strategic acquired all the outstanding common shares of STL, in conjunction with the acquisition of oil and gas assets in northwest Alberta and the Northwest Territories (the "NWT").
9. STL holds legal title to the section of pipeline that crosses the Alberta border into the Cameron Hills area of the NWT. Beyond holding legal title to the pipeline, STL has no assets, revenue or expenses.
10. Attached hereto and marked as **Exhibit "D"** is a copy of the Alberta Personal Property Registry Search dated April 8, 2019 with respect to STL.

Directors and Senior Management

Strategic

11. The officers of Strategic are:
 - (a) I am the President and Chief Executive Officer ("CEO");
 - (b) Aaron Thompson is the Chief Financial Officer ("CFO"); and
 - (c) Amanda Reitenbach is the Vice-President of Development and Operations ("VP").
12. Strategic currently has 7 directors and they are:
 - (a) Myself;
 - (b) Thomas Claugus of Marietta, Georgia, USA;
 - (c) Michael M. Graham of Crossfield, Alberta;
 - (d) John Harkins of The Woodlands, Texas, USA;
 - (e) James Riddell of Calgary, Alberta;
 - (f) Richard Skeith of Calgary, Alberta; and
 - (g) Michael Watzky of Short Hills, New Jersey, USA.

STL

13. Aaron Thompson and I are the sole directors of STL, which is a non-operating company.

14. Making this application and seeking the relief being sought has been duly authorized by the Board of Directors of the Applicants. Attached hereto and marked as **Exhibit "E"**, are copies of the resolutions of the Directors of Strategic and STL.

Employees

Strategic

15. Strategic is an operating oil and gas company with 15 full time employees (with 10 in the office in Calgary and 5 in the field) and 1 full time contractor. Staffing can generally be broken down into executive/senior management, finance, operations, and safety/compliance. The senior management team works in the Calgary head office.
16. Monthly payroll is approximately \$195,000, which includes payroll, Canada Pension Plan and other deductions amounting to approximately \$75,000. Strategic uses a payroll service and is fully current with all of its employees, their respective benefits, and all withholdings and remittance obligations.
17. Strategic has reduced its staff by 17 people over the past 11 months in an effort to minimize costs. The remaining staff is essential to continue operations, maintain compliance with regulatory requirements, and run a successful reorganization of the business. For these reasons, part of Strategic's application under the CCAA seeks a retention plan for these remaining key individuals. The retention plan is discussed in more detail below.

STL

18. STL does not have any employees.

III. BUSINESS AND OPERATIONS

General

19. Strategic's operations are focused on oil and gas development in northern Alberta.
20. Strategic maintains control over its resource base through high working interest ownership in wells, construction and operation of its own processing facilities and a significant undeveloped land and opportunity base. Strategic owns and operates a number of different oil and gas properties in Alberta and the NWT, all of which are described in more detail below.

Operations

Alberta

Prospects

21. The Marlowe area assets are located in northwestern Alberta, approximately 100 km north of the town of High Level, Alberta and include the Bistcho, Dizzy, Larne, Jackpot, Lessard, Ratz and prospects. Strategic is the operator in this area with 92.03% working interest in the acreage.

Light Oil

22. The field currently produces light oil from the Slave Point, Muskeg Stack and Keg River zones.

Gas Fields

23. Gas is produced from the Slave Point, Sulphur Point, Muskeg Stack and Keg River zones.

Facilities

24. Strategic is the 100% owner and operator of 2 sour gas plants and 2 oil batteries. These facilities provide Strategic with ample capacity to process fluids, water, and raw natural gas from its fields.
25. All production is pipelined to 100% Strategic-owned processing facilities that include a sour service natural gas plant rated to 40 mmcf/d and fluid handling and treating facilities for oil production.

Pipelines

26. Strategic is also the 100% owner and operator of 500km+ of pipeline infrastructure. Processing facilities are tied into an extensive gathering system that carries products from pipeline-connected wells to facilities for processing.
27. Gas sales are directly tied into the Nova pipeline system at the plant gate and processed gas is directly connected to TransCanada's NGTL system. Produced water and acid gas are both disposed of into a water disposal scheme and an acid gas injection scheme.
28. Oil sales are connected to the Rainbow pipeline system via a company-owned oil sales pipeline completed in March 2014.
29. Processed light oil is pipeline-connected to sales points via 100km+ of Strategic owned and operated sales pipeline. Processed light oil can alternatively reach sales destinations via truck.

Roads

30. Strategic owns, operates, and maintains 50+ km of high grade roads that provide all season access to its facilities, pipeline connections, and well sites. Roads are maintained year-round.

2015

31. In 2015, in response to low commodity prices:
- (a) Strategic curtailed its 2015 Muskeg drilling program, shut in non-economic oil and gas assets at Bistcho and Cameron Hills and terminated 35 percent of its office and field staff;
 - (b) staff reductions were primarily related to the suspension of operations, realignment of the management team structure and the reduction in budgeted capital spending in 2015 compared to previous years; and

- (c) Strategic drilled one horizontal oil well at Marlowe prior to curtailing its drilling program. Corporate production averaged 2,509 barrels of oil equivalent per day ("boe/d") for the year.

2016

- 32. In the first quarter of 2016, Strategic completed its budgeted four well winter drilling program.
- 33. In the second half of 2016, Strategic completed a four-well horizontal development drilling program off one pad in the Muskeg development corridor at West Marlowe. Three wells were completed and put on production in the fourth quarter, while the fourth encountered operational issues during the drilling phase.
- 34. Average production in 2016 declined to 1,808 boe/d due to reduced drilling activity.

2017

- 35. Strategic executed a \$30 million capital spending plan in the first half of 2017, which included drilling five horizontal Muskeg wells and the construction of a four kilometre pipeline to tie-in the 14-35 Muskeg well drilled in the first quarter of 2016.
- 36. The pipeline project was completed in early February 2017 and the five new wells were on-stream in May 2017.
- 37. Strategic continued to develop the Muskeg play in the second half of the year, drilling another two horizontal wells. In addition, it evaluated a second prospective formation in the multi-zone light oil prospect at Marlowe by drilling a horizontal Slave Point oil well.
- 38. Average production for 2017 increased to 2,436 boe/d due to Muskeg drilling activities in late 2016 and 2017.

2018

- 39. In the first quarter of 2018, Strategic drilled two Muskeg horizontal wells as part of its \$9 million capital spending program for the first half of 2018. Strategic reduced drilling costs by an average of \$0.2 million per well from 2017 levels by using a monobore well design, and increased its completion stage intensity in order to enhance well productivity. The capital program also included minor facility and reclamation projects.
- 40. Production for the first nine months of 2018 was 2,019 boe/d.

NWT

- 41. The Cameron Hills assets are located in the southwestern part of the NWT, near the Alberta Border. Strategic has an average 86% working interest in the Cameron Hills assets. As discussed above, the Cameron Hills assets have not been operating since 2015.

ARO – Alberta and NWT

42. In accordance with its wider asset retirement obligations (“ARO”), Strategic has developed an ARO plan spanning 2019-2028 (the “ARO Plan”).
43. The ARO Plan includes wellbores, facilities and pipelines.

Well Licenses

44. At present, Strategic has a total of 418 wellbores in Alberta and NWT. Of Strategic’s 362 wellbores in Alberta, 114 are currently flowing, pumping or commingled, 11 are disposal or injection wells, 120 have been abandoned, 77 have been suspended, 30 are drilled and cased, and 10 are zonally abandoned in accordance with Strategic’s obligations under the Alberta Energy Regulator (“AER”) regulations. Strategic’s ARO Plan for 2019 has been completed with the 5 scheduled wells abandoned as per the Area Based Closure approval granted by the AER.
45. At present, of its 56 wellbores in NWT, zero are currently producing, 7 are abandoned, 11 are drilled and cased, 37 are suspended, and 1 is a suspended injection well in accordance with Strategic’s obligations under the Office of the Regulator of Oil and Gas Operations (“OROGO”) regulations. Strategic’s ARO Plan for 2019 has been completed with 18 of 21 scheduled wells abandoned or suspended as per the approvals granted by OROGO. The remaining 3 wells were granted extensions to April 1, 2020 for suspension by OROGO.

Facilities Licenses

46. At present, of its 133 facilities licences, 22 are operating, 7 have been abandoned, 53 have been suspended, and 51 are undefined in accordance with Strategic’s obligations under the AER guidelines. There is only 1 facility in NWT that has been suspended in accordance with OROGO regulations.

Pipeline Licenses

47. At present, of its 71 pipeline licences in Alberta with 360 pipeline segments, there are 129 operating segments, 177 discontinued segments, 53 abandoned segments, and 1 removed segment in accordance with AER regulations. All 30 pipelines in NWT have been discontinued in accordance with OROGO regulations.

Recent Sales Activity

48. In June 2018, Strategic entered into a purchase and sale agreement with a Calgary based company (the “Proposed Purchaser”) to sell all of its working interest in petroleum and natural gas assets in the Maxhamish area of Northern British Columbia and Conrad area of Southern Alberta, including its interest in all associated wells, pipelines and facilities (the “June Transaction”).
49. Although the June Transaction closed and the Proposed Purchaser acquired the beneficial interest in the assets, the Proposed Purchaser was unable to meet the Liability Management Ratio requirements of the AER in order to facilitate the transfer of the licenses associated with the wells, pipelines and facilities for the Conrad area assets (the “License Transfers”).

50. Accordingly, Strategic continues to hold such licenses in trust for such Proposed Purchaser although it does not operate such assets nor does it hold the mineral rights associated therewith.
51. Notwithstanding additional negotiations with, and requests of, the Proposed Purchaser, Strategic has been unable to ensure the License Transfers are processed by the AER. As a result and to limit further risk to Strategic, it has been forced to unwind the June Transaction by finalizing a new purchase and sale agreement for the Maxhamish assets only with a 2.5% gross overriding royalty payable to Strategic with the Conrad assets to be retained by Strategic.
52. A fully executed purchase and sale agreement with respect to the unwinding of the June Transaction was received on April 8, 2019.

Process to Identify a Strategic Alternative

53. In August 2018, due to insufficient funding, Strategic formed a special committee of its Board of Directors and commenced a process to identify strategic alternatives available to it. RBC Dominion Securities Inc., a member company of RBC Capital Markets, was engaged as a financial advisor to the special committee in connection with a potential transaction involving (i) a sale of Strategic's assets to one or more parties, (ii) a partial sale of any of Strategic's assets to one or more parties by way of joint venture, farm-in, partial working interest sale, variable production payment structure or other partial monetization structure, (iii) a sale of Strategic and its subsidiaries to any party, (iv) a restructuring, or (v) financing.
54. The strategic alternatives process resulted in refinancing with an existing stakeholder under the LOI, discussed in more detail in paragraph 65 below. This outcome allowed the business to continue operations, but did not provide a long-term financial solution for Strategic.

Reserve Summary

55. Strategic's oil, natural gas and natural gas liquids ("NGL") reserves were evaluated by an independent engineering firm, McDaniel and Associates Consultants Ltd. as at December 31, 2018 (the "Reserve Report").
56. Based on the Reserve Report, as at December 31, 2018, Strategic had approximately:
 - (a) 10,473 thousand barrels ("Mbbbl") of estimated proven plus probable ("2P") reserves in light and medium crude oil. Of this total, 2,476 Mbbbl are proved developed producing reserves, 345 Mbbbl are classified as proved developed non-producing reserves, 2,304 Mbbbl are classified as proved and undeveloped reserves and 5,348 Mbbbl are classified as probable reserves;
 - (b) 30,394 million cubic feet ("MMcf") of estimated 2P reserves of natural gas. Of this total, approximately 5,278 MMcf are classified as proved developed producing reserves, 905 Mbbbl are classified as proved developed non-producing reserves, 8,871 MMcf are classified as proved and undeveloped reserves and 15,339 MMcf are classified as probable reserves; and
 - (c) The 2P reserves have a net present value discounted at 10% ("NPV 10") of \$107.2 million. Of this total, proved developed producing reserves have a NPV 10 of \$21.5

million, proved developed non-producing reserves have a NPV 10 of \$5.7 million, proved undeveloped reserves have a NPV 10 of \$20.2 million and probable reserves have an NPV 10 of \$59.7 million.

57. The estimated future development costs ("FDC") required to convert undeveloped and non-producing reserves to producing reserves are \$140.4 million. This includes 46 Muskeg and 1 Keg River proved and probable undeveloped locations at Marlowe, of which 19 Muskeg and 1 Keg River are booked as proved undeveloped locations. The Reserve Report anticipates these wells to be drilled over the next 5 years. Estimated finding and development costs for proved undeveloped reserves and proved plus probable undeveloped reserves are \$16.21/boe and \$15.65/boe, respectively.
58. As of December 31, 2018, Strategic's reserve life index was 10.0 years for proved reserves and 18.7 years for proved and probable reserves.

IV. ASSETS AND LIABILITIES

59. As required by Canadian securities laws, Strategic's public financial reporting is done on a consolidated basis in accordance with generally accepted accounting principles. A copy of Strategic's draft, unaudited, consolidated financial statements for the years ending December 31, 2018 and 2017 are attached hereto and marked as **Exhibit "F"**.

Assets

60. As at December 31, 2018, Strategic had total consolidated assets with a book value of approximately \$140.3 million, comprised of consolidated current assets of \$18.6 million, and consolidated non-current assets of approximately \$121.7 million.
61. Current assets as at December 31, 2018 included cash and cash equivalents of approximately \$12.4 million, term deposits and letters of credit of approximately \$4.5 million (discussed further below), trade and other receivables of approximately \$1.6 million, and inventory of approximately \$0.1 million.
62. Non-current assets as of December 31, 2018 included primarily investments in property, plant and equipment of approximately \$112.4 million and investment in exploration and evaluation assets of approximately \$9.3 million.

Liabilities

63. As at April 1, 2019, Strategic has estimated total consolidated liabilities of approximately \$97.4 million which primarily consist of:

Secured Debt

- (a) first lien notes of approximately \$15 million, plus accrued interest on the first lien notes of approximately \$0.2 million, pursuant to the LOI, as discussed in more detail below;
- (b) the LC Facility with Royal Bank of Canada ("RBC") of which \$4.4 million has been drawn upon and is secured by the term deposits, as discussed in more detail below;

Unsecured Debt

- (c) accounts payable and accrued liabilities of approximately \$11.0 million; and
- (d) as at April 1, 2019, Strategic estimates its decommissioning and reclamation liabilities to be approximately \$66.8 million, as discussed in more detail below.

Letter of Intent

- 64. In October 2018, Strategic entered into a non-binding letter of intent with Bay Resource Partners, L.P., Bay II Resource Partners, L.P., Bay Resource Partners Offshore Master Fund, L.P., and other affiliates (collectively "**GMT Capital**") (the "**LOI**") to provide up to \$30 million of capital to Strategic by way of: (i) a first tranche of \$15 million in 1.5 year first lien secured notes bearing interest at 12% per annum and payable quarterly (the "**First Tranche**"); and (ii) a second \$15 million tranche of notes (for a total of \$30 million) on the same terms as the first tranche (the "**Second Tranche**") with the Second Tranche being callable by Strategic on the occurrence of certain events). GMT Capital is Strategic's controlling shareholder.
- 65. The First Tranche of notes was issued on November 27, 2018 and proceeds were used by Strategic to fund operations and meet upcoming asset retirement obligations.
- 66. The Second Tranche was not advanced and Strategic was notified of this on March 7, 2019.

Letters of Credit

- 67. Pursuant to an amended and restated facility agreement dated, February 8, 2018 between RBC and Strategic, RBC provided Strategic with (i) a revolving demand letter Canadian Dollar letter of credit facility ("**CAD LC Facility**"); (ii) a revolving demand US Dollar letter of credit facility ("**US LC Facility**"); and (iii) a corporate Visa Facility in an amount not to exceed \$100,000 CAD (collectively the "**LC Facility**"). The CAD LC Facility is for an aggregate amount not to exceed \$6,500,000.00 for the issuance of letters of credit ("**LC's**") and letters of guarantee ("**GC's**") in Canadian Dollars in relation to general operations, land use and reclamation obligations. The US LC Facility is for an aggregate amount not to exceed \$1,200,000.00 (US) for the issuance of letters of LC's and letters of guarantee GC's in US Dollars in relation to general operations, land use and reclamation obligations.
- 68. The CAD LC Facility was secured by a fully cash collateralized non-redeemable term deposit pursuant to a cash collateral agreement between RBC and Strategic dated November 22, 2016. The initial term deposit in the amount of \$ 4,471,876.50 was held by RBC as collateral for outstanding LC's.
- 69. On April 1, 2019, RBC issued a demand for repayment of the CAD LC Facility and also issued a notice of set off against the term deposits held as security. A copy of the demand letter and notice of set-off are attached hereto and marked as **Exhibit "G"**.
- 70. Pursuant to the notice of set-off, the CAD LC Facility was paid in full and the CAD LC Facility and the US LC Facility were terminated. RBC further confirmed that:

- (a) LC's issued under the CAD LC Facility in favour of third party beneficiaries remain outstanding and will so remain until their respective maturity dates and will not be renewed;
- (b) should any LC's be drawn, any amounts drawn will be the responsibility of RBC and no indemnity will be sought from Strategic;
- (c) should any LC's be terminated or mature and terminate without being drawn, RBC will reimburse Strategic for the face amount of such LC's, after deducting fees and expenses;
- (d) the Visa Facility was not demanded upon or terminated. However, the authorized limit has been reduced to \$35,000.

Equity

- 71. On February 29, 2016 Strategic closed an offering of \$94.9 million in convertible debentures ("the **Debentures**"). The Debentures ranked as senior secured notes. Net proceeds were \$92.6 million after transaction costs. The proceeds from the offering were used to repay Strategic's existing credit facilities and provide funding for the winter capital program.
- 72. In order to provide funding for the first half of 2017 capital program and add financial flexibility, Strategic issued 16.9 million common shares in December 2016 through a non-brokered private placement at a price of \$2.40 per common share for gross proceeds of \$40.5 million.
- 73. On January 31, 2017, Strategic issued 2.4 million common shares at a price of \$2.40 per common share through a brokered private placement for gross proceeds of \$5.7 million (net proceeds of \$5.3 million after fees). Proceeds were primarily used for development of its Alberta assets, general corporate and working capital purposes.
- 74. On March 6, 2017, Strategic effected a consolidation of the outstanding common shares on the basis of twenty (20) pre-consolidation common shares for one (1) post-consolidation common share. All references to common shares, share prices, per share amounts, stock options and conversion prices of convertible debentures have been restated to reflect the share consolidation.
- 75. On February 28, 2017 and August 31, 2017, Strategic elected to pay the interest "in kind" for the semi-annual interest payments due on the Debentures. As a result \$7.6 million in additional convertible debentures ("**PIK Notes**") were issued with the same interest rate and maturity date as the Debentures.
- 76. On February 28, 2018, Strategic elected to pay the interest "in kind" for the semi-annual interest payment due on the Debentures. Approximately \$4.1 million PIK Notes were issued, which were convertible into common shares of Strategic at a conversion price of \$1.08 per common share.
- 77. In September 2018, Strategic issued \$4.2 million in unsecured convertible notes ("**New Notes**") to existing debenture holders, with the same interest rate and maturity date as the Debentures.
- 78. In the fourth quarter of 2018, Strategic completed a series of recapitalization transactions, whereby the holders of more than 96% of the Debentures agreed to certain amendments to the Debenture indenture allowing Strategic to convert the Debentures. Strategic gave notice of the conversion of the Debentures and the New Notes plus accrued interest were converted into

common shares at a price of \$0.065625 per common share on November 26, 2018. A total of 1.77 billion shares were issued as part of the conversion.

79. Subsequently, Strategic drew down on the First Tranche. Concurrently with that drawdown, Strategic issued 76.2 million share purchase warrants to GMT Capital. Each warrant is exercisable into one common share of Strategic at a purchase price of \$0.065625 per share for a period of five years from the closing date.
80. As a result of the foregoing, there are 1,817,142,079 shares outstanding with a closing price of \$0.02 on April 5, 2019.

V. CURRENT CIRCUMSTANCES

81. The following key factors over the last 6 months have resulted in the current financial position of Strategic, including:
- (a) failure to receive the Second Tranche;
 - (b) low production resulting from a lack of capital investment to fund development and improve drilling;
 - (c) temporary operational challenges;
 - (d) failure of the June Transaction and requisite unwinding;
 - (e) regulatory uncertainty;
 - (f) deteriorating differentials on Canadian oil prices; and
 - (g) political uncertainty, with respect to pipeline approvals at the Federal level and the ability to find new markets to sell Canadian oil.
82. Based on Strategic's end of life abandonment and reclamation obligations, the lack of success in Strategic's most recent efforts to sell its assets, and the inability of Strategic to pay its current obligations generally as they become due, I do verily believe that Strategic is insolvent.

AER

83. On March 13, 2019, Strategic met with the AER to review an area based closure plan to address a 10 year Directive 13 ("D13") compliance plan. In subsequent communication on March 27, 2019, a detailed 10 year D13 compliance plan was sent to the AER. As such, the AER is aware of Strategic's near term ARO Plan, as discussed above, and it has acknowledged receipt of said plan.
84. On March 29, 2019, Strategic, its legal counsel and the proposed Monitor met with the AER to discuss Strategic's insolvency and proposed to the AER Strategic's plan to find a steward for Strategic's assets that would be better positioned to shoulder the "end-of-life" obligations associated with those assets while, at the same time, remaining compliant with the current ARO Plan.

85. In presenting this proposal to the AER, Strategic described the proposed process to the AER, including the salient features of undertaking these proceedings such as are described in Part I of my Affidavit.
86. The AER made no objection to Strategic's plan to seek protection under the CCAA, which I understand was without prejudice to any further position the AER may take with respect to where "end-of-life" obligations stand in relation to the CCAA charges sought by Strategic in the proposed Initial Order.
87. Strategic made the following commitments to the AER:
- (a) insofar as cash flows (and weather) permit, to execute its ARO Plan throughout these proceedings;
 - (b) to meet with the AER as often as the AER deems appropriate; and
 - (c) to work with the AER in designing and implementing any sales process that is developed in these proceedings.

OROGO

88. On March 18, 2019, Strategic had a discussion OROGO with respect to the NWT assets in order to determine the best way forward which would allow Strategic an opportunity to restructure its affairs while being cognizant of its abandonment obligations.
89. OROGO is aware of the abandonment work completed by Strategic as part of the ARO Plan and it asked to be kept updated with respect to Strategic's ongoing restructuring plans.

VI. VALUE OF ASSETS AND BEST INTEREST ITS STAKEHOLDERS

90. Given Strategic's current circumstances, I believe that the best way to preserve and maximize the value of the Applicants is through the CCAA process.

VII. EXPECTED CCAA PROCESS

91. Strategic proposes to run a comprehensive and transparent sales and investment solicitation process (a "SISP") through the requested proceedings pursuant to the CCAA that will be intended to solicit the best offer(s) available in the current circumstances. This approach is designed to identify a new or restructured owner of Strategic's assets that is both satisfactory to the AER and best able to maximize the value of Strategic's estate.

VIII. CCAA STATUTORY REQUIREMENTS

92. Strategic is incorporated under the laws of the Province of Alberta. Accordingly, it is a company to which the CCAA applies.
93. STL is a wholly-owned subsidiary and therefore an affiliated debtor company to which the CCAA applies.
94. Together the Applicants have debts in excess of \$5 million.

95. For the reasons outlined above, Strategic does not have sufficient liquidity to fund ongoing operations for any extended period of time. Moreover, I am concerned that if Strategic's assets were sold immediately, they would be insufficient to pay all of the liabilities described above. As such, I do verily believe that Strategic is insolvent.

IX. RELIEF SOUGHT

96. For the reasons outlined above, the Applicants are seeking protection under the provisions of the CCAA while they seek to reorganize their affairs, the particulars of which relief are outlined below.

Stay of Proceedings

97. Strategic needs a stay of proceedings to:
- (a) stabilize operations by:
 - (i) stopping trade creditors from advancing collection efforts;
 - (ii) allowing management to focus on preserving operations;
 - (iii) incurring ongoing obligations only pursuant to a court supervised process; and
 - (b) provide Strategic with the opportunity to finalize the arrangements and agreements necessary to be able to formally undertake a restructuring process.
98. STL needs a stay of proceedings as a wholly-owned subsidiary to protect it during this reorganization process and ensure it is treated in a manner that is consistent with its parent corporation.

Appointment of Monitor

99. I believe that KPMG is qualified and competent to act as Monitor under the CCAA proceedings of the Applicants. Attached hereto and marked as **Exhibit "H"** is a copy of a Consent to Act as Monitor signed by Neil Honess, Senior Vice-President of KPMG Inc.

Payments During CCAA Proceeding

100. During the course of this CCAA proceeding, Strategic intends to make payments for goods and services supplied post-filing as set out in the cash flow projections referred to below and as permitted by the Initial Order, including:
- (a) taxes;
 - (b) royalties;
 - (c) operating expenditures;
 - (d) capital and regulatory expenditures;
 - (e) payroll;
 - (f) severance

- (g) professional advisors fees; and
- (h) KERP.

Attached hereto and marked as **Exhibit "I"** is a copy of the 13 week cash flow projections prepared in consultation with the proposed Monitor.

Administration Charge

- 101. It is contemplated that the Monitor, counsel to the Monitor and counsel to the Applicants would be granted a first priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges (the "**Administration Charge**") up to the maximum amount of \$2,000,000 to provide security for the payment of their respective fees and disbursements in connection with these proceedings. The Applicants believe the Administration Charge is fair and reasonable in the circumstances.
- 102. The Applicants require the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring. I believe the Administration Charge is necessary to ensure their continued participation.

Directors' Charge

- 103. It is contemplated that Strategic's directors and officers would be granted a second priority Court-ordered charge on the assets, property and undertakings of Strategic in priority to all other charges other than the Administration Charge (the "**Directors' Charge**") up to the maximum amount of \$300,000 as security for the Applicants' obligations to indemnify them. The Directors' Charge is based on the monthly remittance obligations of the Directors and has been reviewed by the proposed Monitor, who believes the Directors' Charge to be fair and reasonable.
- 104. Strategic believes the Directors' Charge is fair and reasonable in the circumstances.
- 105. A successful restructuring of Strategic will only be possible with the continued participation of its directors and officers. These individuals have specialized expertise and relationships with the company's stakeholders and potential suitors. In addition, the directors and officers have gained significant knowledge that cannot be easily replicated or replaced.
- 106. Strategic maintains insurance policies in respect of the potential liability of their directors and officers (the "**D&O Policies**"). Although the D&O Policies insure the directors and officers of Strategic for certain claims that may arise against them in their capacity as directors and/or officers of Strategic, coverage is subject to several exclusions and limitations and there is a potential for insufficient coverage in respect of potential director and officer liabilities. The directors and officers of Strategic have expressed their desire for certainty with respect to potential personal liability if they continue in their current capacities in the context of a CCAA proceeding.

Interim Financing

- 107. Although Strategic has sufficient funds to begin the CCAA proceedings and develop a SISF it may require interim financing ("**Interim Financing**") to fund operations through to the completion of the SISF.

108. While no Interim Financing is currently being sought, Strategic and its stakeholders have agreed that its availability should be canvassed and considered from the outset, particularly because of the uncertainty in the industry's regulatory regime.
109. If Interim Financing is sought, both Strategic and the financiers would have to:
- (a) be satisfied that it was necessary and done in the reasonably held belief that it would facilitate a successful outcome of the SISP;
 - (b) be satisfied that the charge supporting the financing could be monetized in conjunction with current regulatory requirements; and
 - (c) satisfy this Honourable Court that such a facility, and the related charge, ought to be approved.
110. Any Interim Financing would also have to have priority over all other security interests, charges, and liens (the "**Interim Lender's Charge**") other than the Administration Charge, the Director's Charge and the KERP Charge (all as defined herein) and as set out in the proposed Initial Order.

Key Employee Retention Program

111. As referred to above, the proposed Initial Order includes approval of a key employee retention plan as set out below (the "**KERP**") and the granting of a Court-ordered charge as security for payments under the KERP.
112. The KERP was developed by Strategic, in consultation with its counsel and the involvement of KPMG, to facilitate and encourage the continued participation of senior management and other key employees of Strategic who are required to guide the business through the restructuring and to preserve value for the stakeholders.
113. The beneficiaries of the KERP are crucial to the successful restructuring. The key employees:
- (a) oversee compliance with regulatory requirements to ensure safety of the operations;
 - (b) manage the internal process that allow Strategic to pay suppliers, trades and employees; and
 - (c) have operational and legacy knowledge required to operate the business as a going concern.
114. The KERP will provide its participants with additional payments as an incentive to continue their employment through the CCAA proceedings. These employees have significant experience and specialized expertise that cannot be easily replicated or replaced. Further, these key employees may likely have other, more certain employment opportunities and will be faced with a significantly increased workload during the restructuring process.
115. Strategic proposes to include the following employees in the KERP:

<u>ROLE</u>	<u>NUMBER OF EMPLOYEES</u>	<u>ESTIMATED PAYMENT</u>
HO Employees (non-management)	7	\$378,000
Field Employees	5	\$124,527
Management Employees	3	\$753,000
TOTAL	15	\$1,255,527

116. The KERP payments will be made in three installments payable on the following milestones:

- (a) immediately following the first extension hearing (the "**First Installment**");
- (b) immediately following the receipt of a qualified bid (the "**Second Installment**"); and
- (c) when a deal closes or the alternative plan is activated (the "**Final Installment**").

117. The First Installment and the Second Installment will each be in an amount equal to approximately 20% percent of the total KERP payment payable to the employee in question. The Final Installment will be in an amount equal to approximately 60% percent of the total KERP payment.

118. The KERP also contains a management success fee ("**MSF**"), which will be made available to Strategic's senior management team to incentivize management to maximize the recoveries available to Strategic's creditors under the SISP.

119. Particulars of the MSF include payments to the senior management team as follows:

- (a) the CEO, as to 50%;
- (b) CFO, as to 25%; and
- (c) the VP Development & Operations, as to 25%;

of an amount equal to 0.75% of any net proceeds of a transaction that are made available to Strategic's stakeholders (the "**MSF Payment**").

120. A copy of the KERP, except Schedule "A" thereto, is attached hereto and marked as **Exhibit "J"** to this Affidavit.

121. Schedule "A" to the KERP is contained in confidential **Exhibit "1"** to this Affidavit (the "**Confidential Exhibit**"). The Confidential Exhibit contains commercially sensitive information and personal information of the employees, the proposed Initial Order includes a request that the Confidential Exhibit be sealed and not form part of the court record pending further Order of the Court. Strategic is only seeking to seal the information reasonably necessary to protect its commercial interests and the personal information of its employees.

122. Assuming Strategic is able to retain all of the key employees and all of the milestones are met, the total amount payable under the KERP, excluding the MSF Payment, would be a maximum of \$1,255,528. As security for the payment of this amount, it is proposed that the amount of \$1,260,000 be delivered to Strategic's counsel, Dentons Canada LLP, and held in a trust account for the benefit of the employees identified in the KERP (the "**Segregated Funds**").
123. The Applicants propose the creation of a charge to secure the amounts payable under the KERP (the "**KERP Charge**"), but such charge would only attach to the Segregated Funds (for the retention portion of the KERP), and the net proceeds of any transaction (for the MSF Payment portion of the KERP).
124. Strategic believes the KERP is fair and reasonable in the circumstances and will be instrumental in the successful restructuring of the Applicants.
125. I have spoken with Strategic's key stakeholders about the KERP and the proposed KERP Charge. The KERP and the KERP Charge have been approved by Strategic's Board of Directors, GMT Capital (Strategic's principal shareholder and only secured lender), and acknowledged by the AER.

Ranking of Charges

126. The Applicants propose that the various charges (all as defined herein) sought be ranked in the following order:
 - (a) KERP Charge (limited as discussed above);
 - (b) Administration Charge;
 - (c) Directors' Charge; and
 - (d) Interim Lender's Charge, if necessary and approved.

Sale and Investment Solicitation Process

127. The Applicants continue to work with its advisors and the proposed Monitor to develop a broad and transparent SISP that will:
 - (a) be designed to identify purchasers that are appropriate for regulatory compliance;
 - (b) potentially involve a stalking-horse or other mechanism that will provide liquidity to the estate during the CCAA process;
 - (c) be tiered by milestone requirements to ensure qualified bidders are identified early; and
 - (d) be the subject of an approval application when the Applicants return to this Honourable Court at the end of the stay period currently contemplated.

Sealing

128. As discussed above, due to the commercially sensitive, personal, and private information contained in the Confidential Exhibit, Strategic respectfully requests that the Confidential Exhibit be sealed on the Court file until further order of this Court.

X. CASH FLOW AND PROJECTION

129. As discussed above and as set out in Exhibit "I", Strategic's principle uses of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, such as taxes, payroll and office related expenses, and professional fees and disbursements in connection with these CCAA proceedings.

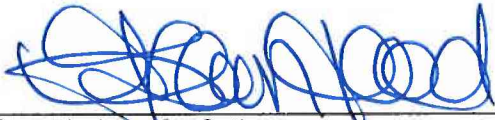
130. Strategic's cash flow forecast projects that, subject to obtaining the relief outlined herein, it will have sufficient cash to fund projected costs until the end of the stay period.

131. The proposed Monitor has reviewed the cash flow forecast and the support provided by Strategic with respect to same. I understand that the proposed Monitor has no questions or concerns with respect to the cash flow forecast.

XI. CONCLUSION

132. I swear this Affidavit in support of an Application for the relief set out in paragraph 3 of this my Affidavit and for no other or improper purpose.

SWORN BEFORE ME
at Calgary, Alberta, this 9th day of April, 2019.



A Commissioner for Oaths
in and for the Province of Alberta
Afshan Naveed
Barrister & Solicitor

PRINT NAME AND EXPIRY/LAWYER
/STUDENT-AT-LAW

)
)
)
)



(Signature)

REMI ANTHONY BERTHELET

THIS IS EXHIBIT "A"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019

A handwritten signature in blue ink, appearing to read 'Afshan Naveed', written over a horizontal line.

**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2019/04/04
Time of Search: 10:34 AM
Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD

Service Request Number: 30784343
Customer Reference Number:

Corporate Access Number: 2016674216
Legal Entity Name: STRATEGIC OIL & GAS LTD.

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Method of Registration: Amalgamation
Registration Date: 2012/04/01 YYYY/MM/DD

Registered Office:
Street: 1500, 850 - 2 STREET SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

Records Address:
Street: 1500, 850 - 2 STREET SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P 0R8

Email Address: CORPORATE.CALGARY@DENTONS.COM

Directors:
Last Name: BERTHELET
First Name: REMI
Middle Name: ANTHONY

Street/Box Number: 442 4TH STREET

City: CANMORE

Province: ALBERTA

Postal Code: T1W 2H1

Last Name: CLAUGUS

First Name: THOMAS

Street/Box Number: 1282 TIMBERLAND DRIVE

City: MARIETTA

Province: GEORGIA

Postal Code: 30067

Last Name: GRAHAM

First Name: MICHAEL

Middle Name: MAURICE

Street/Box Number: PO BOX 679

City: CROSSFIELD

Province: ALBERTA

Postal Code: T0M 0S0

Last Name: HARKINS

First Name: JOHN

Middle Name: W.

Street/Box Number: 35 CHANCERY PLACE

City: THE WOODLANDS

Province: TEXAS

Postal Code: 77381

Last Name: HAWKINS

First Name: RODGER

Street/Box Number: 1027 FRONTENAC AVENUE SW

City: CALGARY

Province: ALBERTA

Postal Code: T2T 1B5

Last Name: RIDDELL

First Name: JAMES

Middle Name: H.T.

Street/Box Number: 421 7TH AVENUE SW, SUITE 2800

City: CALGARY

Province: ALBERTA

Postal Code: T2P 4K9
Last Name: SKEITH
First Name: D.
Middle Name: RICHARD
Street/Box Number: 216 EDELWEISS DRIVE N.W.
City: CALGARY
Province: ALBERTA
Postal Code: T3A 4A3

Last Name: WATZKY
First Name: MICHAEL
Street/Box Number: 30 HARTSHORN DRIVE
City: SHORT HILLS
Province: NEW JERSEY
Postal Code: 07078

Transfer Agents:

Legal Entity Name: TSX TRUST COMPANY
Corporate Access Number: 3019653827
Street: 301, 100 ADELAIDE STREET WEST
City: TORONTO
Province: ONTARIO
Postal Code: M5H 4H1

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: THE ATTACHED SCHEDULE IS INCORPORATED INTO AND FORMS PART OF THE ARTICLES OF THE CORPORATION.
Share Transfers Restrictions: NONE.
Min Number Of Directors: 3
Max Number Of Directors: 15
 NONE.

Business Restricted**To:****Business Restricted From:** NONE.**Other Provisions:** THE ATTACHED SCHEDULE IS INCORPORATED INTO AND FORMS PART OF THE ARTICLES OF THE CORPORATION.**Other Information:****Amalgamation Predecessors:**

Corporate Access Number	Legal Entity Name
2015775600	STEEN RIVER OIL & GAS LTD.
2015552553	STRATEGIC OIL & GAS LTD.
2012952558	ZINMAC INC.

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2018	2018/05/10

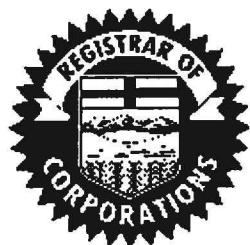
Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2012/04/01	Amalgamate Alberta Corporation
2017/03/06	Name/Structure Change Alberta Corporation
2018/05/10	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2018/06/19	Change Director / Shareholder
2019/04/01	Change Address

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2012/04/01
Other Rules or Provisions	ELECTRONIC	2012/04/01
Statutory Declaration	10000107106662795	2012/04/01
Consolidation, Split, Exchange	ELECTRONIC	2017/03/06

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

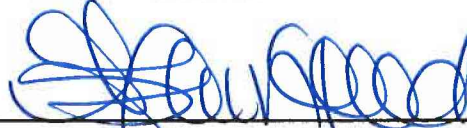


THIS IS EXHIBIT "B"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**

Search ID #: Z11358321

Transmitting Party

ELDOR-WAL REGISTRATIONS (1987) LTD.

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

Party Code: 50073881

Phone #: 780 429 5969

Reference #:

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Business Debtor Search For:

STRATEGIC OIL & GAS

Inexact Result(s) Only Found

NOTE:

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



Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 12121926235

Registration Type: SECURITY AGREEMENT

Registration Date: 2012-Dec-19

Registration Status: Current

Expiry Date: 2022-Dec-19 23:59:59

Inexact Match on:

Debtor

No: 1

Amendments to Registration

17111710607

Renewal

2017-Nov-17

Debtor(s)

Block

Status

1 STRATEGIC OIL & GAS LTD.
645 - 7TH AVE SW SUITE 1100
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

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

Current

Collateral: General

Block

Description

Status

1 ALL MONEY OR AMOUNTS ON DEPOSIT FROM TIME TO TIME WITH ANY OF

Current

2 ROYAL BANK OF CANADA, ROYAL BANK MORTGAGE CORPORATION, ROYAL

Current

3 TRUST CORPORATION OF CANADA OR THE ROYAL TRUST COMPANY.

Current

4 PROCEEDS: A SECURITY INTEREST IS CLAIMED IN ALL PRESENT AND

Current

5 AFTER-ACQUIRED GOODS (INCLUDING TRADE-INS), CHATTEL PAPER,

Current

6 SECURITIES, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND

Current

7 INTANGIBLES OF EVERY ITEM OR KIND THAT MAY BE DERIVED FROM THE

Current

Search ID #: Z11358321

8	SALE OR OTHER DISPOSITION OF THE COLLATERAL DESCRIBED ABOVE, ALL	Current
9	INSURANCE PROCEEDS AND ANY PROCEEDS OF ANY OF THE FOREGOING.	Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 15112311957

Registration Date: 2015-Nov-23

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Nov-23 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL & GAS LTD.
1100, 645 - 7TH AVENUE SW
CALGARY, AB T2P4G8

Current

Secured Party / Parties

Block

Status

1 ROYNAT INC.
SUITE 1500, 4710 KINGSWAY ST.
BURNABY, BC V5H4M2

Current

Collateral: General

Block

Description

Status

1 DIGITAL SYSTEM(S), COPIER(S), FAX(ES), PRINTER(S), SCANNER(S) TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL

Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 16112319155

Registration Date: 2016-Nov-23

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2026-Nov-23 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL & GAS LTD.
645 7TH AVENUE SW, SUITE 1100
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

1 ROYAL BANK OF CANADA
339 8TH AVE SW
CALGARY, AB T2P 1C4

Current

Collateral: General

Block

Description

Status

1 ALL AMOUNTS NOW OR HEREAFTER STANDING TO THE CREDIT OF THE DEBTOR AS A RESULT OF ANY DEPOSITS OR OTHER CREDITS MADE TO ROYAL BANK OF CANADA AND ALL RENEWALS, SUBSTITUTIONS, ACCRETIONS AND PROCEEDS THEREOF MAINTAINED IN THE NAME OF THE DEBTOR HELD WITH THE SECURED PARTY.

Current

Particulars

Block

Additional Information

Status

1 The full address of the Secured Party is:

Current

ROYAL BANK OF CANADA
MAIN BR - CALGARY
339 8TH AVE SW
CALGARY, AB T2P 1C4

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 17113022044

Registration Date: 2017-Nov-30

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Nov-30 23:59:59

Inexact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 STRATEGIC OIL AND GAS LTD
1100-645 7TH AVE SW
CALGARY, AB T2P 4G8

Secured Party / Parties

Block

Status

Current

1 TRUE NORTH FORD LTD
10102 97 ST
HIGH LEVEL, AB T0H 1Z0

Collateral: Serial Number Goods

Block

Serial Number

Year

Make and Model

Category

Status

1 1FT7W2B64HED22133 2017 Ford F250 MV - Motor Vehicle Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 17113022772

Registration Date: 2017-Nov-30

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Nov-30 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL AND GAS LTD.
1100-645 7TH AVE SW
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

1 TRUE NORTH FORD LTD.
10102 97 ST.
HIGH LEVEL, AB T0H 1Z0

Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FT7W2B64HED81926	2017	Ford F250	MV - Motor Vehicle	Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 17113023297

Registration Date: 2017-Nov-30

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2020-Nov-30 23:59:59

Inexact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL AND GAS LTD.
1100-645 7TH AVE SW
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

1 TRUE NORTH FORD LTD.
10102 97 ST.
HIGH LEVEL, AB T0H 1Z0

Current

Collateral: Serial Number Goods

<u>Block</u>	<u>Serial Number</u>	<u>Year</u>	<u>Make and Model</u>	<u>Category</u>	<u>Status</u>
1	1FTFW1E54JFA51518	2017	Ford F150	MV - Motor Vehicle	Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 18030534658

Registration Date: 2018-Mar-05

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-Mar-05 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL & GAS LTD.
SUITE 1100 645- 7 AVENUE SW
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

1 MERIDIAN ONECAP CREDIT CORP.
SUITE 1500, 4710 KINGSWAY
BURNABY, BC V5H 4M2

Current

Collateral: General

Block

Description

Status

1 DIGITAL SYSTEM(S), SCANNER(S), COPIER(S), FAX(ES), PRINTER(S) TOGETHER
WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS
SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS
IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR
DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR
OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE
TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL

Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 19011425015

Registration Date: 2019-Jan-14

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Jan-14 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

1 STRATEGIC OIL & GAS LTD.
1100, 645 7TH AVENUE SW
CALGARY, AB T2P 4G8

Current

Secured Party / Parties

Block

Status

1 GMT CAPITAL CORP., AS AGENT
550 S, 2300 WINDY RIDGE PARKWAY
ATLANTA, GA 30339

Current

Collateral: General

Block

Description

Status

1 All of the debtor's present and after-acquired personal property.

Current

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 19011425105

Registration Date: 2019-Jan-14

Registration Type: LAND CHARGE

Registration Status: Current

Registration Term: Infinity

Inexact Match on:

Debtor

No: 1

Debtor(s)

Block

Status

Current

1 STRATEGIC OIL & GAS LTD.
1100, 645 7TH AVENUE SW
CALGARY, AB T2P 4G8

Secured Party / Parties

Block

Status

Current

1 GMT CAPITAL CORP., AS AGENT
550 S, 2300 WINDY RIDGE PARKWAY
ATLANTA, GA 30339

Search ID #: Z11358321

Business Debtor Search For:

STRATEGIC OIL & GAS

Search ID #: Z11358321

Date of Search: 2019-Apr-08

Time of Search: 14:32:34

Registration Number: 19032110613

Registration Date: 2019-Mar-21

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2022-Mar-21 23:59:59

Inexact Match on: Debtor No: 1

Debtor(s)

Block

Status

Current

1 STRATEGIC OIL AND GAS LTD.
1100-645 7TH AVE. SW
CALGARY, AB T2P 4G8

Secured Party / Parties

Block

Status

Current

1 TRUE NORTH FORD LTD.
10102 97 ST.
HIGH LEVEL, AB T0H 1Z0

Collateral: Serial Number Goods

Block

Serial Number

Year

Make and Model

Category

Status

1 1FT7W2B66KED58039 2018 Ford Super Duty F250 SRW MV - Motor Vehicle Current

Search ID #: Z11358321

Note:

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

Debtor Name / Address

STRAIGHT EDGE CONCRETE AND RESTORATION
PO BX 50025 CORNERSTONE PLZ RPO
OKOTOKS, AB T1S 0C4

Reg.#

18091716535

SECURITY AGREEMENT

Debtor Name / Address

STRAIGHT EDGE CONCRETE AND RESTORATION
INC.
89 SHEEP RIVER CRES
OKOTOKS, AB T1S 1V3

Reg.#

14101617433

SECURITY AGREEMENT

Debtor Name / Address

STRAIGHT EDGE CONCRETE AND RESTORATION
INC.
89 SHEEP RIVER CRES,
OKOTOKS, AB T1S 1V3

Reg.#

18091716535

SECURITY AGREEMENT

Debtor Name / Address

STRAIGHT EDGE CONTRACTING LTD.
18 MCKENZIE CLOSE
LEDUC, AB T9E0P2

Reg.#

17110712632

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC ACCESS CONSULTING GROUP LTD.
53131 WILDCAT HILLS RD
COCHRANE, AB T4C 1A8

Reg.#

14082821485

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC ACCESS CONSULTING GROUP LTD.
53131 WILDCAT HILLS RD
COCHRANE, AB T4C 1A8

Reg.#

14082836503

LAND CHARGE

Debtor Name / Address

Reg.#

Search ID #: Z11358321

STRATEGIC ACCESS CONSULTING GROUP LTD.
C/O RANDY BRIGGS, 116 RIVERVIEW CIRCLE
COCHRANE, AB T4C 1K5

17101224954

WRIT OF ENFORCEMENT

Debtor Name / Address

STRATEGIC ACCOUNTING AND TAX SERVICES
3915 - 51 STREET S.W.
CALGARY, AB

Reg.#

98022518454

ATTACHMENT ORDER

Debtor Name / Address

STRATEGIC AVIATION SERVICES LTD.
10-1595 INNOVATION DRIVE
KELOWNA, BC V1V 2Y8

Reg.#

18121815209

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC AVIATION SERVICES LTD.
10-1595 INNOVATION DRIVE
KELOWNA, BC V1V 2Y8

Reg.#

18121834691

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC BUSINESS COACHING INC.
60 BUTLER CRES NW
CALGARY, AB T2L 1K3

Reg.#

17022324038

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC CAPITAL DEVELOPMENT CORP.
19 HERITAGE LANE W
LETHBRIDGE, AB T1K 7S5

Reg.#

17032228803

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC CAPITAL DEVELOPMENT II CORP.
19 HERITAGE LANE W
LETHBRIDGE, AB T1K 7S5

Reg.#

17032228282

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

Search ID #: Z11358321

STRATEGIC COMMUNICATIONS INC
SUITE 400, 1 ALEXANDER STREET
VANCOUVER, BC V6A 1B2

02051608012

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON GP LTD.
#400, 630 - 8TH AVENUE S.W.
CALGARY, AB T2P 1G6

Reg.#

12052928518

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON GP LTD.
C/O STRATEGIC GROUP, 400, 630-8TH AVENUE
CALGARY, AB T2P 1G6

Reg.#

15020304736

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON GP LTD.
C/O 400, 630 - 8 AVENUE SW
CALGARY, AB T2P 1G6

Reg.#

16040825504

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON GP LTD.
#400, 630 - 8TH AVENUE S.W.
CALGARY, AB T2P 1G6

Reg.#

17040524585

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON GP LTD.
400, 630 8 AVENUE SW
CALGARY, AB T2P 1G6

Reg.#

17060225378

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EDMONTON LIMITED PARTNERSHIP
#400, 630 - 8TH AVENUE S.W.
CALGARY, AB T2P 1G6

Reg.#

12052928518

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

Search ID #: Z11358321

STRATEGIC EDMONTON LTD.
#400, 630 - 8TH AVENUE S.W.
CALGARY, AB T2P 1G6

12052928037

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC ENVIRONMENTAL LTD.
28 HARROW CRES SW
CALGARY, AB T2V 3B1

03031029345

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC EQUITY CORP.
400, 630 - 8TH AVENUE SW
CALGARY, AB T2P 1G6

12082303785

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC EQUITY CORP.
400, 630 - 8 AVENUE SW
CALGARY, AB T2P 1G6

13052141259

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC EQUITY CORP.
400, 630-8 AVENUE SW
CALGARY, AB T2P 1G6

14030432531

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC EQUITY CORP.
400, 360 8TH AVENUE SW
CALGARY, AB T2P 1G6

15061710959

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

STRATEGIC EQUITY CORP.
400, 630 - 8 AVENUE S.W.
CALGARY, AB T2P 1G6

17020213403

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

Search ID #: Z11358321

STRATEGIC EQUITY CORP.
SUITE 400, 630 - 8TH AVENUE S.W.
CALGARY, AB T2P 1G6

18031633035

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EQUITY CORP.
400, 630 - 8 AVENUE SW
CALGARY, AB T2P 1G6

Reg.#

18061806005

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EQUITY CORP.
400 630 8 AVE SW
CALGARY, AB T2P 1G6

Reg.#

19020621121

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EVOLUTION CONSULTING INC
PO BOX 1241
RIMBEY, AB T0C 2J0

Reg.#

16081924674

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EVOLUTION CONSULTING INC.
1241 P.O. BOX
RIMBEY, AB T0C2J0

Reg.#

16052408491

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EVOLUTION CONSULTING INC.
PO BOX 1241
RIMBEY, AB T0C 2J0

Reg.#

16082426579

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC EVOLUTION CONSULTING INC.
1241 P.O. BOX
RIMBEY, AB T0C2J0

Reg.#

16092705888

SECURITY AGREEMENT

Debtor Name / Address

Reg.#

Search ID #: Z11358321

STRATEGIC INDUSTRIAL CLEANING SOLUTIONS 16010530611
LTD.
722059 RANGE ROAD 53
GRANDE PRAIRIE, AB T8X 4J5

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
STRATEGIC INDUSTRIAL CLEANING SOLUTIONS LTD. 722059 RANGE ROAD 53 GRANDE PRAIRIE, AB T8X 4J5	19040430283

SECURITY AGREEMENT

Debtor Name / Address	Reg.#
STRATEGIC INVESTMENTS FUND P.O. BOX 61,CHURCHILL BLDG.,FRONT STREET GRAND TURK, XX	03100329782

REPORT OF SEIZURE

Debtor Name / Address	Reg.#
STRATEGIC INVESTMENTS FUND P.O. BOX 61,CHURCHILL BLDG.,FRONT STREET GRAND TURK, XX	04040834048

SALE OF SEIZED PROPERTY

Debtor Name / Address	Reg.#
STRATEGIC INVESTMENTS FUND P.O. BOX 61,CHURCHILL BLDG.,FRONT STREET GRAND TURK, XX	04041201734

SALE PROCEEDS DISTRIBUTION

Debtor Name / Address	Reg.#
STRATEGIC INVESTMENTS FUND PO BOX 62 PROVIDENCIALES, TURKS & CAICOS, XX XXX XXX	14121513367

WRIT OF ENFORCEMENT

Debtor Name / Address	Reg.#
STRATEGIC OFFICE SERVICES INC. 36 GATEWAY DR SW CALGARY, AB T3E4Y7	13103122554

SECURITY AGREEMENT

Search ID #: Z11358321

Debtor Name / Address

STRATEGIC OILFIELD SERVICE
43 OYEN CRESCENT
RED DEER, AB T4P1T3

Reg.#

17090633887

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC OILFIELD SERVICES
43 OYEN CRES
RED DEER, AB T4P 1T3

Reg.#

17101128862

SECURITY AGREEMENT

Debtor Name / Address

STRATEGIC ONLINE SERVICES LTD.
8728 - 61 AVENUE
EDMONTON, AB T6E 5P6

Reg.#

17062707649

SECURITY AGREEMENT

Result Complete

THIS IS EXHIBIT "C"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**



Government
of Canada

Gouvernement
du Canada

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→ [Search for a Federal Corporation](#)

Federal Corporation Information - 390668-0

[Buy copies of corporate documents](#)

i Note

This information is available to the public in accordance with legislation (see [Public disclosure of corporate information](#)).

Corporation Number

390668-0

Business Number (BN)

885821710RC0001

Corporate Name

STRATEGIC TRANSMISSION LTD.

Status

Active

Governing Legislation

Canada Business Corporations Act - 2001-06-08

Registered Office Address

1100, 645 - 7th Avenue SW
Calgary AB T2P 4G8
Canada

i Note

Active CBCA corporations are required to update this information within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

Directors

Minimum 3

Maximum 7

Aaron Thompson

1100, 645 - 7th Avenue SW

Calgary AB T2P 4G8

Canada

Tony Berthelet

1100, 647-7 Avenue Southwest

Calgary AB T2P 4G8

Canada

i Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

Annual Filings

Anniversary Date (MM-DD)

06-08

Date of Last Annual Meeting

2018-06-08

Annual Filing Period (MM-DD)

06-08 to 08-07

Type of Corporation

Non-distributing corporation with 50 or fewer shareholders

Status of Annual Filings

2019 - Not due

2018 - Filed

2017 - Filed

Corporate History

Corporate Name History

2001-06-08 to 2013-06-27

PARAMOUNT TRANSMISSION LTD.

2013-06-27 to Present

STRATEGIC TRANSMISSION LTD.

Certificates and Filings**Certificate of Incorporation**

2001-06-08

Certificate of Amendment :

2013-06-27

Amendment details: Corporate name

* Amendment details are only available for amendments effected after 2010-03-20. Some certificates issued prior to 2000 may not be listed. For more information, [contact Corporations Canada](#).

Buy copies of corporate documents

[Start New Search](#)

[Return to Search Results](#)

Date Modified:

2019-03-04

THIS IS EXHIBIT "D"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**

Search ID #: Z11355061

Transmitting Party

ELDOR-WAL REGISTRATIONS (1987) LTD.

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

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

Search ID #: Z11355061

Date of Search: 2019-Apr-08

Time of Search: 08:10:29

Business Debtor Search For:

STRATEGIC TRANSMISSION LTD.

Inexact Result(s) Only Found

NOTE:

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



Search ID #: Z11355061

Note:

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

Debtor Name / Address STRATEGIC TAX & BUSINESS SOLUTIONS INC 171, 4999-43RD STREET SE CALGARY, AB T2B 3N4	Reg.# 10122221805
LAND CHARGE	
Debtor Name / Address STRATEGIC TAX & BUSINESS SOLUTIONS INC. 171, 4999-43RD STREET SE CALGARY, AB T2B 3N4	Reg.# 10122221766
SECURITY AGREEMENT	
Debtor Name / Address STRATEGIC TAX GROUP LTD. 9830 FOURTH STREET SIDNEY, BC V8L 2Z3	Reg.# 08031716591
SECURITY AGREEMENT	
Debtor Name / Address STRATEGIC TRACTION INC 67-3553 31 ST NW CALGARY, AB T2L 2K7	Reg.# 18041204331
SECURITY AGREEMENT	
Debtor Name / Address STRATEGIC TRACTION INC. BAY #9, 1815 27 AVE NE CALGARY, AB T2E 7E1	Reg.# 18070646926
SECURITY AGREEMENT	

Result Complete

THIS IS EXHIBIT "E"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**
Afshan Naveed
Barrister & Solicitor

**RESOLUTIONS OF THE DIRECTORS OF STRATEGIC OIL &
GAS LTD. (THE "CORPORATION") SIGNED BY THE
DIRECTORS OF THE CORPORATION PURSUANT TO
SUBSECTION 117(1) OF THE *BUSINESS CORPORATIONS
ACT (ALBERTA)***

WHEREAS the Directors agree that it is in the best interests of the Corporation to apply to the Court for an order for relief pursuant to the *Companies' Creditor Arrangement Act (Canada)* (the "CCAA Application" or "CCAA Process");

AND WHEREAS Thomas E. Claugus, director of the Corporation, has an interest in the CCAA Application, has disclosed such interests to the directors of the Corporation and is restricted from voting on the CCAA Application pursuant to Section 120 of the *Business Corporations Act (Alberta)* (the "ABCA");

AND WHEREAS the Directors agree that it is in the best interests of the Corporation to retain key employees, including the senior management team, in order to maximize the value of Corporation through a key employee retention program (the "KERP") during the CCAA Process, a copy of which program is attached hereto as Schedule "A";

NOW THEREFORE BE IT RESOLVED THAT:

Approvals

1. the KERP be and is hereby approved;
2. the Corporation be and is hereby authorized to make a CCAA Application, in such time and form as may be required for the best interests of the Corporation to be met;
3. the Corporation be and is hereby authorized to do such further and other things as may be reasonably required for the Corporation to obtain and realize the greatest benefit from the CCAA Application; and
4. the Directors hereby authorize Tony Berthelet to swear Affidavits on behalf of the Corporation and do all such things and acts may be necessarily required to implement, perform, and complete the KERP and the CCAA Process.

General Authority

5. All actions heretofore taken by any director or officer of the Corporation in connection with any matter referred to in the foregoing resolutions be and are hereby approved, ratified and confirmed.
6. To the extent not expressly provided for herein, any director or officer of the Corporation is authorized, for and on behalf of the Corporation, to settle the terms of and to execute and deliver all transfers, conveyances, deeds, writings, documents, agreements, certificates, filings, elections or instruments as such officer or director in his or her sole discretion considers necessary or appropriate for the purpose of giving effect to the CCAA Application and these resolutions, and to perform all such acts, as such officer or director in his or her sole discretion considers necessary or appropriate for the purpose of giving effect to the CCAA Application and these resolutions (the execution and delivery of any transfers, conveyances, deeds, writings, documents, agreements, certificates, filings, elections or instruments or the performance of any act by such director or officer, for and on behalf of the Corporation, to be conclusive evidence of such exercise of discretion and the approval thereof by the Corporation).

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.



JOHN W. HARKINS

THOMAS E. CLAUGUS
Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

D. RICHARD SKEITH

JAMES H.T. RIDDELL

MICHAEL GRAHAM

MICHAEL WATZKY

TONY BERTHELET

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.

JOHN W. HARKINS



THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

JAMES H.T. RIDDELL

MICHAEL WATZKY

D. RICHARD SKEITH

MICHAEL GRAHAM

TONY BERTHELET

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.

JOHN W. HARKINS

THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.



JAMES H.T. RIDDELL

MICHAEL WATZKY

D. RICHARD SKEITH

MICHAEL GRAHAM

TONY BERTHELET

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.

JOHN W. HARKINS

THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

D. RICHARD SKEITH

JAMES H.T. RIDDELL

MICHAEL GRAHAM



MICHAEL WATZKY

TONY BERTHELET

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.

JOHN W. HARKINS

THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

JAMES H.T. RIDDELL

MICHAEL WATZKY



D. RICHARD SKEITH

MICHAEL GRAHAM

TONY BERTHELET

counterpart signature.

DATED as of the 8 day of April, 2019.

JOHN W. HARKINS

THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

JAMES H.T. RIDDELL

MICHAEL WATZKY

D. RICHARD SKEITH



MICHAEL GRAHAM

TONY BERTHELET

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the _____ day of April, 2019.

JOHN W. HARKINS

THOMAS E. CLAUGUS

Mr. Claugus has disclosed his interests in the Corporation and has abstained from voting on the resolutions relating thereto in accordance with the ABCA.

JAMES H.T. RIDDELL

MICHAEL WATZKY

D. RICHARD SKEITH

MICHAEL GRAHAM

TONY BERTHELET



**RESOLUTIONS OF THE DIRECTORS OF STRATEGIC
TRANSMISSION LTD. (THE "CORPORATION") SIGNED BY
THE DIRECTORS OF THE CORPORATION PURSUANT TO
SUBSECTION 117(1) OF THE CANADA BUSINESS
CORPORATIONS ACT**

WHEREAS the Directors agree that it is in the best interests of the Corporation to apply to the Court for an order for relief pursuant to the *Companies' Creditor Arrangement Act* (Canada) (the "CCAA Application" or "CCAA Process")

NOW THEREFORE BE IT RESOLVED THAT:

Approval of Application

1. the Corporation is authorized to make an application for an order for relief pursuant to the *Companies' Creditor Arrangement Act* (Canada), in such time and form as may be required for the best interests of the Corporation to be met;
2. the Corporation is authorized to do such further and other things as may be reasonably required for the Corporation to obtain and realize the greatest benefit from the CCAA Application; and
3. the Directors hereby authorize Tony Berthelet to swear Affidavits on behalf of the Corporation and do all such things and acts may be necessarily required to implement, perform and complete the CCAA Process.

General Authority

4. All actions heretofore taken by any director or officer of the Corporation in connection with any matter referred to in the foregoing resolutions be and are hereby approved, ratified and confirmed.
5. To the extent not expressly provided for herein, any director or officer of the Corporation is authorized, for and on behalf of the Corporation, to settle the terms of and to execute and deliver all transfers, conveyances, deeds, writings, documents, agreements, certificates, filings, elections or instruments as such officer or director in his or her sole discretion considers necessary or appropriate for the purpose of giving effect to the CCAA Application and these resolutions, and to perform all such acts, as such officer or director in his or her sole discretion considers necessary or appropriate for the purpose of giving effect to the CCAA Application and these resolutions (the execution and delivery of any transfers, conveyances, deeds, writings, documents, agreements, certificates, filings, elections or instruments or the performance of any act by such director or officer, for and on behalf of the Corporation, to be conclusive evidence of such exercise of discretion and the approval thereof by the Corporation).

[Remainder of page intentionally left blank]

The undersigned, being all of the directors of the Corporation, hereby adopt and approve each of the foregoing resolutions, waive notice of any meeting, waive all other formalities or irregularities in the conduct or manner of proceeding, and consent to the execution and delivery of these written resolutions in original, by facsimile, by email in PDF and in each case by counterpart signature.

DATED as of the 1st day of April, 2019.



AARON THOMPSON



TONY BERTHELET

THIS IS EXHIBIT "F"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**



Unaudited Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Strategic Oil & Gas Ltd.

Consolidated balance sheets

(\$000)	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		\$ 12,405	\$ 13,138
Term deposits	4	4,472	4,522
Inventory		85	159
Trade and other receivables		1,636	4,011
		18,598	21,830
Property, plant, and equipment, net	6,7	112,363	155,108
Exploration and evaluation assets	5,7	9,364	9,651
Total Assets		\$ 140,325	\$ 186,589
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities		\$ 3,580	\$ 5,553
Accrued interest on convertible debentures		-	2,836
Decommissioning liabilities	10	6,661	3,190
		10,241	11,579
Convertible debentures	8	-	94,323
First lien notes	9	14,218	-
Decommissioning liabilities	10	62,954	59,303
Total Liabilities		\$ 87,413	\$ 165,205
Shareholders' Equity			
Share capital	11	490,726	365,466
Warrants	9	318	-
Equity component of convertible debentures	8	-	10,247
Contributed surplus		14,263	13,052
Deficit		(452,395)	(367,381)
		\$ 52,912	\$ 21,384
Total Liabilities and Shareholders' Equity		\$ 140,325	\$ 186,589

See accompanying notes to the consolidated financial statements

Commitments and contingencies (Note 19)

Strategic Oil & Gas Ltd.

Consolidated statements of net loss and comprehensive loss

Year ended December 31 (\$000, except per share amounts)	Note	2018	2017
Revenue			
Petroleum and natural gas sales		\$ 32,963	\$ 37,867
Royalties		(5,701)	(4,222)
Revenues, net of royalties		27,262	33,645
Realized loss on risk management contracts		(79)	-
Finance income		170	355
		27,353	34,000
Expenses			
Operating		17,875	18,714
Transportation		470	988
General and administrative		5,307	5,742
Finance costs	13	22,308	12,383
Stock-based compensation	12	1,211	2,006
Depletion, depreciation and amortization		14,786	17,817
Impairment charge (reversal)	6,7	45,000	58,800
Revaluation on decommissioning liabilities	10	6,347	7,190
Gain on disposal of property, plant and equipment	6	(774)	-
		112,530	123,640
Operating income (loss) before taxes		(85,177)	(89,640)
Deferred tax recovery	14	163	138
Net income (loss) and comprehensive income (loss)		\$ (85,014)	\$ (89,502)
Net income (loss) per weighted average share	11(c)		
Basic & Diluted		\$ (0.39)	\$ (1.94)

See accompanying notes to the consolidated financial statements

Strategic Oil & Gas Ltd.

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2018 and 2017

(\$000)	Note	Share Capital	Convertible Debenture Equity Component	Warrants	Contributed Surplus	Deficit	Total equity
		\$					
Balance Jan 1, 2018		365,466	\$ 10,247	\$ -	\$ 13,052	\$ (367,381)	\$ 21,384
Shares issued	11	126,883	-	-	-	-	126,883
Share issue costs	11	(1,677)	-	-	-	-	(1,677)
Debentures converted	11	54	-	-	-	-	54
Stock based compensation	12	-	-	-	1,211	-	1,211
Equity component of convertible debentures, net of tax	8	-	(10,247)	-	-	-	(10,247)
Warrants issued, net of costs	9	-	-	318	-	-	318
Net loss		-	-	-	-	(85,014)	(85,014)
		\$					
Balance Dec 31, 2018		490,726	\$ -	\$ 318	\$ 14,263	\$ (452,395)	\$ 52,912

(\$000)	Note	Share Capital	Convertible Debenture Equity Component	Warrants	Contributed Surplus	Deficit	Total equity
		\$					
Balance Jan 1, 2017		360,073	\$ 9,878	\$ -	\$ 11,063	\$ (277,879)	\$ 103,135
Shares issued	11	5,750	-	-	-	-	5,750
Share issue costs	11	(411)	-	-	-	-	(411)
Stock options exercised	11	49	-	-	(17)	-	32
Debentures converted	11	5	-	-	-	-	5
Stock based compensation	12	-	-	-	2,006	-	2,006
Equity component of convertible debentures, net of tax	8	-	369	-	-	-	369
Net loss		-	-	-	-	(89,502)	(89,502)
		\$					
Balance Dec 31, 2017		365,466	\$ 10,247	\$ -	\$ 13,052	\$ (367,381)	\$ 21,384

See accompanying notes to the consolidated financial statements

Strategic Oil & Gas Ltd.

Consolidated statements of cash flows

Year Ended December 31 (\$000)	Note	2018	2017
Operating activities:			
Net income (loss) for the year		\$ (85,014)	\$ (89,502)
Non-cash items:			
Depletion, depreciation, and amortization		14,786	17,817
Stock-based compensation		1,211	2,006
Impairment charge (reversal)		45,000	58,800
Revaluation on decommissioning liabilities		6,347	7,190
Deferred tax recovery		(163)	(138)
Non-cash finance costs	13	5,915	11,892
Gain on disposal of property, plant and equipment		(774)	-
Interest settled by issue of shares		2,075	-
Loss on settlement of debentures		9,388	-
Expenditures on decommissioning liabilities	10	(3,040)	(2,333)
Changes in non-cash working capital	15	2,027	(1,214)
Cash provided by operating activities		(2,242)	4,518
Financing activities:			
Issue of first lien notes, net of transaction costs	9	14,490	-
Issue of common shares, net of share issuance costs		(1,677)	5,339
Exercise of options		-	32
Issue of debentures, net of transaction costs	8	4,033	(49)
Changes in non-cash working capital	15	-	(5)
Cash provided by financing activities		16,846	5,317
Investing activities:			
Expenditures – property, plant and equipment		(13,628)	(48,094)
Expenditures – exploration and evaluation assets		(155)	(106)
Redemption (investment) in term deposits		50	145
Proceeds on disposal of property, plant and equipment		105	-
Changes in non-cash working capital	15	(1,709)	556
Cash used in investing activities		(15,336)	(47,499)
(Decrease) increase in cash and cash equivalents during the year		(733)	(37,664)
Cash and cash equivalents, beginning of the year		13,138	50,802
Cash and cash equivalents, end of the year		\$ 12,405	\$ 13,138

See accompanying notes to the consolidated financial statements

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

1. Corporate information

Strategic Oil & Gas Ltd. ("Strategic") is a company registered and domiciled in Alberta. Strategic is a publicly traded company whose shares are listed on the TSX Venture Exchange. Strategic, together with its subsidiaries, (collectively referred to as the "Company") is engaged in the exploration for and development of petroleum and natural gas reserves in Western Canada with insignificant operations in the Western United States. The Company is headquartered in Canada at Suite 1100, 645 – 7th Avenue SW, Calgary, Alberta.

2. Basis of presentation

a) Going concern

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the year ended December 31, 2018, the Company reported positive cash flow from operating activities of \$4.5 million, a net loss of \$85.0 million and has an accumulated deficit of \$452.4 million. Sustained low commodity prices in recent years have put pressure on the Company's cash flows.

Cash from operating activities is dependent on future commodity prices and production levels. In order to continue funding future capital programs, the Company will need to obtain additional equity or debt financing or assess other options. The ability to access the required capital to maintain current production levels and cash flows is dependent on a variety of external factors. This material uncertainty may cast significant doubt upon the Company's ability to continue as a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. The appropriateness of the going concern basis is dependent upon, among other things, the ability to obtain debt or equity financing, or other sources of funding for future capital programs.

b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and outstanding as of December 31, 2018, and were prepared using accounting policies that are compliant with these standards. Certain prior year comparative figures have been reclassified to conform to the current year's presentation. The reclassifications include separation of accrued interest on convertible debentures from accounts payable and current liabilities on the consolidated balance sheet, and removal of the funds (used in) from operations sub-total from the consolidated statement of cash flows.

These consolidated financial statements have not been audited, nor have they been reviewed and approved by the Company's Board of Directors.

c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for cash and cash equivalents and certain share-based payment transactions, which are measured at fair value.

d) Share consolidation

Effective March 6, 2017 the Company's common shares were consolidated on the basis of one new share for twenty old shares (1:20) in the capital of the Company. All information regarding the issued, issuable and outstanding common shares, options and weighted average number and per share information has been retrospectively restated to reflect the twenty to one consolidation.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements

December 31, 2018 and 2017

e) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency.

f) Estimates and judgments

The timely preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses for the period. Actual results may differ from these estimates. Information regarding the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are outlined below.

The Company uses estimates of oil and natural gas reserves in the calculation of depreciation and depletion and also determination of the recoverable amount for value in use and fair value less costs to sell ("FVLCS") calculations of non-financial assets. By their nature, the estimates of reserves, including estimates of price, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

The recoverability of the carrying value of oil and gas properties is assessed at the cash generating unit ("CGU") level. Determination of the properties and other assets to be included within a particular CGU is based on management's judgment with respect to the integration between assets, shared infrastructure and cash flows. Changes in the assets comprising each CGU impacts recoverable amounts used in impairment assessments and could have a material impact on net income. Strategic conducts its operations through 4 CGUs, namely Steen/Marlowe, Bistcho, other Canadian and USA.

Evaluating potential impairment of exploration and evaluation assets, as well as recoverable amounts, requires the use of assumptions in management's judgement and changes in these assumptions could have a material impact on net income.

The transfer of exploration and evaluation assets to property, plant and equipment is based on estimated reserves used in the determination of an asset's technical feasibility and commercial viability.

Amounts recorded for decommissioning obligations and the associated accretion are calculated based on estimates of asset retirement costs, timing of expenditures, risk free interest rates, site remediation and related cash flows.

The determination of fair value of stock-based compensation is based on estimates using the Black-Scholes option pricing model which requires estimates of assumptions such as volatility, risk free interest rate, forfeiture rate, and expected option life.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Income taxes are subject to measurement uncertainty, the timing and likelihood of any recognition of deferred tax assets, which are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

3. Significant accounting policies

a) Basis of consolidation

Subsidiaries

The consolidated financial statements include the accounts of Strategic and its wholly-owned subsidiaries as follows:

Subsidiary	Jurisdiction	Nature of operations
Strategic Oil & Gas Ltd.	Alberta	Parent company
Strategic Oil & Gas, Inc.	Wyoming, USA	US oil and gas exploration and operations
Jed Oil (USA), Inc.	Wyoming, USA	US holding company
Strategic Transmission Ltd.	Northwest Territories	Holding company

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Company has the power to govern the relevant activities of an entity so as to obtain benefits from those activities. The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent. All inter-company balances and transactions are eliminated on consolidation.

Joint arrangements

The Company conducts some of its oil and gas production activities through jointly controlled operations and the consolidated financial statements reflect only the Company's proportionate interest in such activities. Joint control exists for contractual arrangements governing the Company's assets whereby the Company has less than 100 per cent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associated risks. The Company does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

b) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantively all the risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Subsequent measurement depends upon the classification of the financial instrument as one of:

- Fair value through profit or loss
- Loans and receivables
- Available for sale
- Held to maturity
- Other financial liabilities

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments and financial risk management are designated at fair value through profit or loss if the Company makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management strategy. Upon initial recognition, any transaction costs attributable to the financial instruments are recognized through earnings when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings.

Derivative financial instruments

The Company has entered into certain financial derivative contracts in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at fair value. Attributable transaction costs are recognized in earnings when incurred. The estimated fair value of all derivative instruments is based on quoted market prices and/or third party market indications and forecasts.

Financial instruments classified as "loans and receivables", "held to maturity", or "financial liabilities measured at amortized cost" are subsequently measured at amortized cost using the effective interest method of amortization.

Financial assets classified as "available for sale" are measured at fair value, with the changes in fair value recognized in other comprehensive income.

The Company's financial assets and financial liabilities are classified and measured as follows:

Financial instrument	Classification	Subsequent measurement
Cash and cash equivalents	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
First lien notes	Other financial liabilities	Amortized cost
Risk management contracts	Fair value through profit or loss	Fair value

c) Exploration and evaluation assets

The Company accounts for exploration and evaluation of petroleum and natural gas property ("E&E") costs in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Costs incurred are classified as E&E costs when they relate to exploring and evaluating a property for which the Company has the license or right to explore and extract resources.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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Pre-license costs are recognized in the statement of comprehensive income (loss) as incurred. E&E costs, including the costs of acquiring undeveloped land, geological and geophysical costs, sampling and appraisals and related drilling costs are initially capitalized until the drilling of the well is complete and the results have been evaluated. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. If proved and/or probable reserves are found, the accumulated costs are tested for impairment and the carrying value net of any impairment is transferred to property, plant and equipment. Undeveloped land costs are amortized over the initial lease term; other E&E costs are not amortized.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

d) Property, plant and equipment

Development and production costs

The Company recognized property, plant and equipment ("PPE") assets at cost less accumulated depletion, depreciation and impairment losses.

Items of property, plant and equipment, which include oil and natural gas development and production assets, costs incurred in acquiring, developing proved and/or probable reserves and bringing on or enhancing production from such reserves are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes: transfers from E&E assets, which generally includes the cost of land and seismic upon determination of technical feasibility and commercial viability; the cost to drill, complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; property acquisitions; and directly attributable overheads. Repairs and maintenance and operational costs that do not extend or enhance the recoverable reserves are charged to profit or loss when incurred.

The costs of planned major overhaul, turnaround activities and equipment replacement that maintain PPE and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. Replacements outside of a major overhaul or turnaround are capitalized when it is probable that future economic benefits will flow to the Company and the associated carrying amount of the replaced asset (or part of a replaced asset) is derecognized.

Development and production assets are grouped into CGUs for impairment testing and depletion calculations.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in the statements of net income (loss) and comprehensive income (loss).

Depletion and depreciation

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Natural gas reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil, reflecting the approximate energy content. Where significant parts of an item of property, plant, and equipment have different lives than the oil and gas reserves, they are accounted for as separate items (major components) and depreciated over the expected life of the component.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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Proved plus probable reserves are estimated annually by independent qualified reserve evaluators and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. The estimated useful lives for certain production assets for the current and comparative years are as follows:

Development and production assets	Unit of Production
Corporate assets	Straight Line - 5 years
Major components	Straight Line - 20 years
Major overhaul and turnaround activities	Straight Line – 2-5 years

e) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statements of net income (loss) and comprehensive income (loss).

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment at the CGU level. If any such indication exists, then the carrying value of each CGU, net of decommissioning obligations, including goodwill is compared to its recoverable amount. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year. E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The recoverable amount also includes a provision for the estimated net present value of decommissioning obligations.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves which are based on forecast prices and costs. Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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An impairment loss is recognized if the carrying amount of an asset or its CGU, net of related decommissioning obligations exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of net income (loss) and comprehensive income (loss). Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk free interest rate. Provisions are not recognized for future operating losses.

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows or changes in discount rate are capitalized and amortized over the same period as the underlying asset. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent a provision was established.

g) Income tax

Income tax expense (recovery) comprises current tax and deferred tax. Income tax expense (recovery) is recognized in comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Flow-through common shares

Periodically, the Company finances a portion of its exploration and development activities through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes related to exploratory development activities are renounced to investors in accordance with tax legislation. Flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issue. The premium received on issuing flow-through shares is initially recorded as a liability. As qualifying expenditures are incurred, the premium is reversed, and a deferred tax liability is recorded. Any difference between the issuance premium and the deferred tax liability is recognized as deferred tax expense/recovery.

i) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net loss (income) for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, and similar instruments is computed using the treasury stock method. The Company's potentially dilutive instruments include stock options and convertible debentures.

j) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on debentures and promissory notes and decommissioning liabilities and impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in comprehensive income (loss) using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.

Interest income is recognized as it accrues in the consolidated statements of net income (loss) and comprehensive income (loss).

k) Revenue recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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l) Inventory

Inventory of crude oil, consisting of production for which title has not yet transferred to the buyer, is valued at the lower of cost or net realizable value, based on per barrel weighted average cost of production.

m) Newly adopted accounting policies

IFRS 15 Revenue recognition

On January 1, 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers." IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. The Company's revenue relates to the sale of petroleum and natural gas to customers at specified delivery points at benchmark prices. The Company adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15. IFRS 15 requires additional disclosure relating to the disaggregation of revenue - this additional disclosure is included in Financial Statement Note 11.

Future Accounting Policy

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "Leases," which replaces IAS 17 Leases. ("IAS 17") and related interpretations. IFRS 16 requires the recognition of a right-of-use ("ROU") asset and lease liability on the balance sheet for most leases, where the entity is acting as a lessee. The standard is effective on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." The Company intends to adopt IFRS 16 on January 1, 2019, using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company will recognize lease liabilities in relation to the leases under the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019, and the associated rights-of-use assets will be equal to the lease liability at the date of transition.

On initial adoption, the Company will use the following practical expedients permitted under the standard:

- The use of a single discount rate to a portfolio with reasonably similar characteristics.
- Leases with a remaining lease term of less than twelve months as at January 1, 2019, will be recognized as short-term leases;
- Short-term leases and leases of low-value assets that have been identified at January 1, 2019 will not be recognized in the consolidated balance sheet. Payment for both these types of leases will be disclosed in the notes to the financial statements.

The Company's leases that will be recognized on the balance sheet include office equipment, vehicles and certain field equipment.

The quantified impact of IFRS 16 disclosed herein is subject to change in future periods due to changes in contract terms, assumptions and other facts and circumstances arising subsequent to the date of these financial statements.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
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4. Term deposits

The Company has pledged term deposits as collateral with a chartered bank for \$4.5 million (December 31, 2017 - \$4.5 million) in outstanding letters of credit issued to support end-of-life obligations for the Company's assets in Cameron Hills, NWT. These term deposits will be released upon extinguishment of the related letters of credit.

5. Exploration and evaluation ("E&E") assets

(\$000)	December 31, 2018	December 31, 2017
Opening balance	\$ 9,651	\$ 14,438
E&E expenditures	155	106
E&E transfer to property, plant and equipment	-	(1,407)
E&E impairment (Note 7)	-	(2,900)
Amortization	(442)	(586)
Closing balance	\$ 9,364	\$ 9,651

6. Property, plant, and equipment ("PPE")

(\$000)	D&P Assets		Office	Total
Carrying value before accumulated depletion, depreciation and impairment				
As at December 31, 2017	\$ 528,716	\$ 1,178	\$	\$ 529,894
Additions	13,277	351		13,628
Dispositions	(22,833)	-		(22,833)
Change in decommissioning liabilities estimates	3,040	-		3,040
As at December 31, 2018	\$ 522,194	\$ 1,529	\$	\$ 523,723

(\$000)	D&P Assets		Office	Total
Accumulated depletion, depreciation and impairment				
As at December 31, 2017	\$ 373,617	\$ 1,169	\$	\$ 374,786
Depreciation and depletion	14,314	30		14,344
Depreciation and depletion capitalized to inventory	(26)	-		(26)
Dispositions	(22,744)	-		(22,744)
Impairment charge (Note 7)	45,000	-		45,000
As at December 31, 2018	\$ 410,161	\$ 1,199	\$	\$ 411,360

(\$000)	D&P Assets		Office	Total
Net carrying value				
As at December 31, 2018	\$ 112,033	\$ 330	\$	\$ 112,363

(\$000)	D&P Assets		Office	Total
Carrying value before accumulated depletion, depreciation and impairment				
As at December 31, 2016	\$ 475,529	\$ 1,171	\$	\$ 476,700
Additions	48,087	7		48,094
E&E transfer	1,407	-		1,407
Change in decommissioning liabilities estimates	3,693	-		3,693
As at December 31, 2017	\$ 528,716	\$ 1,178	\$	\$ 529,894

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements December 31, 2018 and 2017

(\$000)			
Accumulated depletion, depreciation and impairment	D&P Assets	Office	Total
As at December 31, 2016	\$ 300,498	\$ 1,129	\$ 301,627
Depreciation and depletion	17,191	40	17,231
Depreciation and depletion capitalized to inventory	28	-	28
Impairment charge (Note 7)	55,900	-	55,900
As at December 31, 2017	\$ 373,617	\$ 1,169	\$ 374,786

(\$000)			
Net carrying value	D&P Assets	Office	Total
As at December 31, 2017	\$ 155,099	\$ 9	\$ 155,108

On July 30, 2018, the Company sold certain oil and gas assets in northern British Columbia and southern Alberta for a nominal cash consideration resulting in a gain of \$0.8 million related to the disposition of decommissioning liabilities.

Substantially all of the Company's development and production assets are located within Canada. The cost of PPE includes amounts in respect of the provision for decommissioning obligations. For the year ended December 31, 2018, \$1.1 million of direct general and administrative expenses - related to technical office staff that are directly involved in the Company's capital spending programs, were capitalized to PPE (\$1.0 million for the year ended December 31, 2017).

Future capital costs of \$157.8 million (December 31, 2017 - \$155.7 million) have been included in the depletable balance as at December 31, 2017. Depletion has been calculated using proved plus probable reserves. Major components costs - such as facilities and pipelines, which are depreciated separately, are \$60.4 million (December 31, 2017 - \$59.3 million) with a net carrying value of \$43.6 million (December 31, 2017 - \$46.0 million).

7. Impairment charge (reversal)

The Company's exploration, development and production assets are aggregated into CGUs based on their ability to generate largely independent cash flows. The Company identified evidence indicating impairment in the December 31, 2018, carrying value of the development and production assets. This evidence was based on the decline in the Company's market capitalization and asset performance.

The recoverable amount was determined based on the fair value less costs to sell method for reserves as well as resources estimated by management to be realized based on planned future drilling locations not considered in the reserve report. The key assumptions used in determining the recoverable amount include the future cash flows using reserve and resource forecasts, forecasted commodity prices, discount rates, inflation rates and future development costs estimated for reserves by independent reserve engineers and by internal estimates based on historical experiences and trends for planned future drilling locations.

The fair value less costs to sell values used to determine the recoverable amounts of each CGU are classified as Level 3 fair value measures as they are based on the Company's estimate of key assumptions that are not based on observable market data.

The estimated cash flows were based on future cash flows of proved plus probable reserves discounted at an after tax rate of 9.68 percent (2017 - pre-tax rate of 10 percent). The future cash flows also consider, when appropriate, past capital activities, observable market conditions, comparable transactions and future development costs primarily based on anticipated development capital programs.

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Notes to the consolidated financial statements
December 31, 2018 and 2017

In determining the future net cash flows, the Company utilized benchmark pricing forecasts from its reserve evaluator. The impairment assessment at December 31, 2018 was based the following forward commodity price estimates:

	Natural Gas	Crude Oil	
	AECO Gas Price (Cdn\$/mcf)	Edmonton Par Price (Cdn\$/bbl)	West Texas Intermediate (US\$/bbl)
2019	1.85	63.30	56.50
2020	2.20	74.30	63.80
2021	2.55	78.50	67.60
2022	3.05	83.40	71.60
2023	3.20	85.10	73.10
2024	3.30	86.80	74.50
2025	3.35	88.50	76.00
2026	3.40	90.30	77.50
2027	3.45	92.10	79.10
2028	3.55	94.00	80.70
Thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr

The Company recorded an impairment to property, plant and equipment of \$45.0 million for the year ended December 31, 2018 (December 31, 2017 –\$55.9 million). The impairment recorded reflects the Company's best estimates based on currently available information.

(\$000)	December 31, 2018		December 31, 2017	
	Impairment Expense	Recoverable Amount	Impairment Expense (reversal)	Recoverable Amount
Steen/Marlow CGU	\$ 45,000	\$ 128,349	\$ 55,900	\$ 128,349
Bistcho CGU	-	-	-	-
Other Canadian CGU	-	-	-	-
Total	\$ 45,000	\$ 128,349	\$ 55,900	\$ 128,349

8. Convertible Debentures

The Company had senior secured convertible debentures ("Debentures") outstanding, which matured on February 28, 2021 with an annual interest rate of 8.0%, payable semi-annually in arrears. For the first two years of interest payments, up to February 28, 2018, the Company had the option to pay the interest in an equivalent principal amount of debentures. The convertible debentures were classified as a financial liability, net of issue costs and net of the equity component.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements December 31, 2018 and 2017

On February 28, 2018, \$4.1 million of debentures were issued as payment of interest in kind. Of the \$4.1 million, \$3.1 million were issued to entities controlled or jointly controlled by directors of the Company and an additional \$0.2 million were issued to directors and officers of the Company. The carrying amount of the financial liability of these convertible debentures was determined by discounting the stream of future payments of interest and principal, using a rate of 11.4%, which is the estimated rate for debt with similar terms without conversion features.

On September 21, 2018, the Company issued \$4.1 million private placement of unsecured convertible notes ("New Notes") with an annual interest rate of 8.0%, payable semi-annually in arrears and maturing on the same date as the existing Debentures. The New Notes were convertible into common shares at a conversion price of \$0.165 per common share and were issued to entities controlled or jointly controlled by directors of the Company. The carrying amount of the financial liability of these new notes was determined by discounting the stream of future payments of interest and principal, using a rate of 11.4%, which is the estimated rate for debt with similar terms without conversion features.

On November 26, 2018, the Debenture holders voted to amend the Trust Indenture governing the Debentures to provide for a right of the Company to convert the Debentures into common shares. Strategic then exercised its right to convert all the outstanding Debentures into 1,770,721,119 common shares of the Company, at a deemed price of \$0.065625 per common share.

Below is a summary of the changes in liability and equity components of the convertible debentures:

(\$000)	Liability Component	Equity Component	Total
Balance at December 31, 2017	\$ 94,323	\$ 10,247	\$ 104,570
Additional debentures issued as payment in kind of interest	3,721	335	4,056
New Notes issued	3,812	270	4,081
Issuance costs	(46)	(3)	(49)
Deferred tax recovery (Note 15)	-	(163)	(163)
Debentures converted	(49)	(5)	(54)
Accretion on debentures	2,980	-	2,980
Debentures converted to equity	(104,741)	(10,679)	(115,420)
Balance at December 31, 2018	\$ -	\$ -	\$ -

9. First lien notes

On November 27, 2018, Strategic issued \$15 million in first lien notes (the "Notes") which included the issuance of 76,190,003 Common Share purchase warrants (Note 11). The Notes mature on May 27, 2020 and bear interest at 12.0% per annum payable quarterly.

The Notes have been classified as a financial liability, net of issue costs and net of the equity component related to the warrants issued. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal, using a rate of 13.6% which was the estimated rate for debt with similar terms without an equity component.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

Below is a summary of the liability and equity components of the first lien notes:

(\$000)	Liability Component	Equity component	Total
Balance at December 31, 2017	\$ -	\$ -	\$ -
First lien notes issued	14,671	329	15,000
Issuance cost	(499)	(11)	(510)
Accretion on first lien notes	46	-	46
Balance at December 31, 2018	\$ 14,218	\$ 318	\$ 14,536

10. Decommissioning liabilities

Total future decommissioning liabilities are estimated based on the Company's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. These costs are expected to be incurred over a range up to 33 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at December 31, 2018 were \$106.7 million (December 31, 2017 - \$101.5 million). The estimated costs have been discounted at a risk free rate from 1.91% to 2.15% (December 31, 2017 - 1.66% to 2.20%) and an inflation rate of 2% (December 31, 2017 - 2%) was applied.

The following table reconciles the changes to the Company's decommissioning liabilities:

(\$000)	December 31, 2018	December 31, 2017
Balance beginning of the year	\$ 62,493	\$ 52,651
Liabilities incurred during the year	239	925
Disposition of liabilities (Note 6)	(762)	-
Expenditures on existing liabilities	(3,040)	(2,333)
Revaluation on decommissioning liabilities	6,348	7,190
Change in estimated future cash flows	861	170
Change in discount rate	1,934	2,598
Accretion	1,543	1,292
Balance end of year	\$ 69,616	\$ 62,493
Current	6,661	3,190
Long term	\$ 62,955	\$ 59,303

The revaluation on decommissioning liabilities related to CGUs that had been previously impaired to a recoverable value of \$nil and was recorded as a revaluation on decommissioning liabilities through the consolidated statements of net loss and comprehensive loss.

11. Share capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

Effective March 6, 2017 the Company's common shares were consolidated on the basis of one new share for twenty old shares (1:20) in the capital of the Company. All information regarding the issued and outstanding common shares, options and weighted average number and per share information has been retrospectively restated to reflect the twenty to one consolidation.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

	# of Shares (000)	Amount (\$000)
Balance as at January 1, 2017	43,978	\$ 360,073
Shares issued	2,396	5,750
Share issue costs	-	(411)
Debentures converted	3	5
Exercise of options	14	49
Balance as at December 31, 2017	46,391	\$ 365,466
Shares issued	1,770,721	126,883
Share issue costs	-	(1,677)
Debentures converted	30	54
Balance as at December 31, 2018	1,817,142	\$ 490,726

On January 31, 2017, the Company issued a total of 2.4 million common shares via a brokered private placement offering (the "Private Placement") at a price of \$2.40 per common share for gross proceeds of \$5.7 million (net proceeds of \$5.3 million after transaction costs).

c) Weighted average shares

(000)	December 31, 2018	December 31, 2017
Weighted average shares (basic)	216,206	46,181
Weighted average shares (diluted)	216,206	46,181

For the year ended December 31, 2018, outstanding stock options and convertible debentures were excluded from the calculations as they were anti-dilutive.

12. Stock-based compensation

The Company has a stock option plan under which officers, directors, consultants and employees are eligible to receive stock options. The Company may reserve for issuance under the plan up to 10% of the issued and outstanding common shares. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors. Vesting terms have varied from immediate vesting to a three year vesting period and expire five years from the date of issue.

The outstanding number and weighted average exercise price of stock options are as follows:

	Number of options	Weighted average Exercise Price
Balance at January 1, 2017	1,031,750	\$ 8.20
Issued	1,523,000	2.65
Exercised	(14,434)	2.12
Cancelled/Forfeited	(29,500)	5.96
Expired	(202,000)	21.10
Balance at December 31, 2017	2,308,816	\$ 3.50
Issued	2,343,000	0.99
Cancelled/Forfeited	(1,361,400)	2.55
Expired	(40,250)	24.02
Balance at December 31, 2018	3,250,166	\$ 1.83

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

The following table sets out the outstanding and exercisable options as at December 31, 2017:

Number of Options	Outstanding Options		Exercisable Options	
	Weighted Average Exercise Price	Weighted Average Life in Years	Number of Options	Weighted Average Exercise Price
105,000	\$ 0.09	4.77	35,001	\$ 0.09
10,000	0.10	4.73	3,334	0.10
300,000	0.83	4.52	100,000	0.83
538,500	1.05	4.14	179,510	1.05
1,286,416	1.24	3.79	619,750	1.41
861,500	2.65	2.72	632,504	2.65
148,750	8.40	0.68	148,750	8.40
3,250,166	\$ 1.83	3.53	1,718,849	\$ 2.37

The fair value of the options granted was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average inputs:

	December 31, 2018	December 31, 2017
Assumptions		
Risk free interest rate (%)	1.46	1.01
Expected life (years)	3.31	3.41
Expected volatility (%)	111.88	100.29
Forfeiture rate (%)	20.25	7.48
Weighted average fair value of options granted (\$)	0.74	1.74

Forfeiture rate is calculated based on historical forfeiture data of the Company.

13. Revenue

The Company derives its revenues from contracts with customers primarily through the transfer of commodities at a point in time representing the following major product types:

(\$000)	Year ended December 31	
	2018	2017
Petroleum	\$ 31,460	\$ 34,599
Natural gas	1,503	3,268
Petroleum and natural gas sales	\$ 32,963	\$ 37,867

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

14. Finance costs

(\$000)	Year ended December 31	
	2018	2017
Interest expense	\$ 212	\$ 56
Interest expense on convertible debentures – paid in kind (“PIK”)	1,345	7,793
Interest expense on convertible debentures – cash portion	6,621	435
Accretion of decommissioning liabilities	1,545	1,292
Accretion on convertible debentures	3,026	2,807
Loss on settlement of debentures	9,388	-
	\$ 22,137	\$ 12,383

15. Income Taxes

At this stage of the Company’s development, it cannot be reasonably estimated that there will be future taxable profits, so no deferred tax assets have been recognized.

16. Supplemental cash flow information

(\$000)	December 31, 2018	December 31, 2017
Interest paid	\$ 6,832	\$ 491
Changes in non-cash working capital		
Trade and other receivables	\$ 2,375	\$ (431)
Inventory	74	(51)
Accumulated depletion in inventory	(26)	28
Accounts payable and accrued liabilities	(1,973)	-
Accrued interest on convertible debentures	(2,836)	-
Interest paid in kind	(1,346)	-
Withholding tax on debenture interest	-	(2)
Debentures issued as paid in kind interest	4,050	-
	\$ 318	\$ (663)
Operating	2,027	(1,214)
Financing	-	(5)
Investing	(1,709)	556
	\$ 318	\$ (663)

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

17. Related parties

a) Transactions with related parties

Legal fees in the amount of \$0.2 million (2017 - \$0.2 million) were incurred to a legal firm of which a director is a partner and are included as general and administrative expenses or share issue costs. Accounts payable and accrued liabilities at 2017 include \$0.1 million (2017 - \$nil) due to related parties.

The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Company and the related parties. Transaction amounts reflect fair values.

b) Transactions with key management personnel

The Company has determined that the key management personnel of the Company consist of its officers and directors. Short-term benefits are comprised of salaries and directors' fees, annual bonuses, and other benefits. In addition, the Company provides share-based compensation to its key management personnel under the long-term incentive plans and the officers participate in the Company's share option plan. The compensation included in general and administrative expenses relating to key management personnel for the year is as follows:

(\$000)	2018	2017
Salaries, wages and other short-term benefits	\$ 1,181	\$ 1,116
Severance	466	840
Stock-based compensation	700	1,081
Total compensation	\$ 2,347	\$ 3,037

18. Financial instruments and financial risk management

The Company's financial instruments include cash and cash equivalents, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, share-based payment transactions, first lien notes, convertible debentures and derivative financial instrument contracts. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness approximate their fair values due to their relatively short periods to maturity. The fair value of the convertible debenture liability approximates its carrying value.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents is measured at level 1. The fair value of risk management contracts and conversion option component of promissory notes are measured at level 2.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. The following presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing commodity risks. Further quantitative disclosures are included throughout these consolidated financial statements.

a) Market risk

Market risk consists of interest rate risk, currency risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks.

Commodity price risk

Commodity price risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic and geopolitical events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. The Company may, in certain circumstances, enter into forward oil or natural gas sales contracts to mitigate commodity price risk.

There were no risk management contracts outstanding at December 31, 2018 and 2017.

Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows. The Company's cash balance and primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. As at December 31, 2018, the Company did not hold any floating interest rate debt and therefore was not exposed to interest rate risk on its long-term debt.

Foreign exchange risk

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas and oil prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the \$CDN as compared to the \$US will reduce the prices received by the Company for its petroleum and natural gas sales. As at December 31, 2018 and 2017, the Company had no contracts in place to mitigate foreign exchange risk. As at December 31, 2018, the Company held \$0.1 million (December 31, 2017 - \$0.1 million) in \$US.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditure. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

Due to continued net losses and capital expenditures exceeding cash flow from operating activities, the Company is exposed to increased liquidity risk. In order to fund future capital programs, the Company will need to obtain additional equity or debt financing, or assess other options. As at December 31, 2018 the Company had current asset of \$18.6 million and current liabilities of \$10.1 million.

c) Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company's trade and other receivables are with customers in the oil and gas industry and are subject to normal credit risks. In 2018, 100% (2017 – 100%) of the Company's oil and natural gas production is being sold through marketing companies and revenues are collected on the 25th day of the month following the month of production. In order to mitigate collection risk, the Company assesses the credit worthiness of customers and counter parties by assessing the financial strength of the customers and by routinely monitoring credit risk exposures.

Collection of the remaining balances can be dependent upon industry factors such as commodity prices and risk of unsuccessful drilling. Otherwise, the Company does not typically obtain collateral from customers, and relies upon industry standard legal remedies for collection.

The Company's most significant customer, a Canadian oil and natural gas marketer, accounts for 31% of the trade receivables at December 31, 2018 (December 31, 2017: 84%) and 94% of 2018 revenues (December 31, 2017: 89%).

The total accounts receivable 90 days past due amounted to \$0.1 million at December 31, 2018 (2017 - \$0.1 million). The allowance for doubtful accounts at December 31, 2018 was \$0.2 million (2017 - \$0.1 million).

d) Offsetting financial assets and liabilities

The Company's risk management contracts are subject to master agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities simultaneously. The Company had no outstanding risk management contracts at December 31, 2018 and 2017.

19. Capital management

Strategic considers its capital structure to include shareholders' equity and working capital including bank debt, first lien notes and convertible debentures. The objectives of the Company are to maintain a balance sheet that allows the Company financial flexibility to achieve goals of continued growth and access to capital. In order to maintain or adjust the capital structure, the Company may issue new common shares, issue new debt, or adjust exploration and development capital expenditures.

The Company monitors its spending programs based on available funds, which is working capital excluding risk management contracts and term deposits which are pledged as collateral for outstanding letters of credit. The Company will require external financing prior to incurring significant capital expenditures in future periods.

Strategic Oil & Gas Ltd.

Notes to the consolidated financial statements
December 31, 2018 and 2017

20. Supplemental disclosure

Strategic's consolidated statements of net income (loss) and comprehensive income (loss) is prepared primarily by nature of expense, with the exception of employee compensation costs which are included in both operating and general and administrative expenses.

The following table details the amount of total employee compensation costs included in the operating and general and administrative expense line items in the consolidated statements of net income (loss) and comprehensive income (loss).

(\$000)	2018	2017
Operating	\$ 1,722	\$ 1,865
General and administrative	3,909	4,352
Total employee compensation costs	\$ 5,631	\$ 6,217

21. Commitments and contingencies

- a) The Company has lease agreements for office space, office equipment, vehicle leases and natural gas transportation resulting in the following commitments:

Year	Operating leases (\$000)	Gas transportation (\$000)
2019	431	437
2020	38	419
2021	-	374
2022	-	351
2023		85
	\$ 469	\$ 1,666

- b) By nature of its oil and gas operations in Northern Alberta, the Company is subject to numerous safety and environmental regulations, with which non-compliance may result in adverse financial impact. The Company mitigates these risks through the adherence to formal safety and environmental policies, as well as adequate insurance coverage. The Company is currently remediating an environmental spill at Marlowe. While the Company believes it has recorded its best estimate of the impact of this contingency in these financial statements, the ultimate outcome is uncertain.

THIS IS EXHIBIT "G"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

**Afshan Naveed
Barrister & Solicitor**



RBC Royal Bank®

Royal Bank of Canada
Corporate Banking
3900 Bankers Hall West
888 – 3rd Street S.W.
Calgary, Alberta T2P 5C5

April 1, 2019

BY EMAIL

Strategic Oil and Gas Ltd.
Suite 1100, 645 7th Avenue SW
Calgary, Alberta T2P 4G8
Attention: Aaron Thompson
athompson@sogoil.com

Re: Strategic Oil and Gas Ltd.

We refer to the amended and restated facility agreement dated as of February 8, 2018 (the "**Facility Agreement**") between Strategic Oil and Gas Ltd., as borrower (the "**Borrower**") and Royal Bank of Canada, as lender (the "**Bank**") pursuant to which the Bank made the CAD LC Facility, the USD LC Facility and the Visa Facility available to the Borrower on a demand basis. All defined terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Facility Agreement.

The Bank hereby demands repayment of Borrowings and all other obligations of the Borrower to the Bank under the CAD LC Facility and terminates the undrawn portion of the CAD LC Facility and the USD LC Facility. As of the date hereof, the amounts outstanding under the CAD LC Facility are as follows:

CAD LC Facility	\$4,421,876.50
Accrued fees and expenses	<u>8,949.54</u>
Total	\$4,430,826.04 (the " Indebtedness ")

If payment in full of the Indebtedness is not made as demanded hereby, the Bank will take whatever steps it deems necessary or appropriate to secure payment of the Indebtedness. The Bank expressly reserves any and all of its rights and remedies as against the Borrower, including, but not limited to, rights and remedies provided for in the Facility Agreement and the Security and rights and remedies in connection with any further amounts that may become due and owing to the Bank.

This notice is without prejudice to any and all rights, powers, privileges, and remedies of the Bank under the Facility Agreement, the Security, any other guarantees and security held by the Bank in connection therewith or which in any way relate to the Indebtedness, or any applicable laws, all of which rights and remedies are expressly reserved, and nothing herein shall act as a waiver thereof.

For greater certainty, we confirm that no demand has been made with respect to the Visa Facility and the Visa Facility has not been terminated. The authorized limit under the Visa Facility has been reduced to \$35,000.

Yours truly,

ROYAL BANK OF CANADA

Per: Ryan Stasynec
Name: Ryan Stasynec
Title: Authorized Signatory



RBC Royal Bank®

Royal Bank of Canada
Corporate Banking
3900 Bankers Hall West
888 – 3rd Street S.W.
Calgary, Alberta T2P 5C5

April 1, 2019

BY EMAIL

Strategic Oil and Gas Ltd.
Suite 1100, 645 7th Avenue SW
Calgary, Alberta T2P 4G8
Attention: Aaron Thompson
athompson@sogoil.com

Re: Strategic Oil and Gas Ltd.

We refer to the amended and restated facility agreement dated as of February 8, 2018 (the "**Facility Agreement**") between Strategic Oil and Gas Ltd., as borrower (the "**Borrower**") and Royal Bank of Canada, as lender (the "**Bank**") pursuant to which the Bank made the CAD LC Facility, the USD LC Facility and the Visa Facility available to the Borrower on a demand basis. All defined terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Facility Agreement.

Reference is also made to the cash collateral agreement executed on November 22, 2016 by the Borrower in favour of the Bank (the "**Cash Collateral Agreement**"). The Bank is holding \$4,471,876.50 in the form of non-redeemable term deposits made by the Borrower with the Bank (the "**Term Deposits**") as cash collateral for amounts owing under the Facility Agreement, including, without limitation, amounts owing under the CAD LC Facility.

Pursuant to our letter to you delivered earlier today, we demanded payment of indebtedness of \$4,430,826.04 (the "**Indebtedness**") under the CAD LC Facility. We are writing to notify you that, pursuant to Section 22(e) of the Facility Agreement, the Bank has exercised its rights of set-off and applied a portion of the Term Deposits to repay the Indebtedness. As a result, the Indebtedness has been repaid in full and the CAD LC Facility and the USD LC Facility have been terminated.

Letters of credit issued under the CAD LC Facility in favour of third party beneficiaries (collectively, the "**Letters of Credit**") remain outstanding. The Letters of Credit will remain outstanding until their respective maturity dates and will not be renewed. The Bank confirms that, should any of the Letters of Credit be drawn, any amounts drawn will be the responsibility of the Bank in its own right and no indemnity will be sought from the Borrower for such amounts. The Bank further confirms that, should any of the Letters of Credit be terminated or mature and terminate without being drawn, the Bank will reimburse the Borrower for the face amount of such Letters of Credit, after deducting any fees and expenses incurred in connection therewith.

We confirm that no demand has been made with respect to the Visa Facility and the Visa Facility has not been terminated. The authorized limit under the Visa Facility has been reduced to \$35,000. We continue to hold cash collateral in the aggregate amount of \$35,000 pursuant to the terms of the Facility Agreement and the Cash Collateral Agreement to secure amounts owing under the Visa Facility.

Yours truly,

ROYAL BANK OF CANADA

Per: Ryan Stasynec
Name: Ryan Stasynec
Title: Authorized Signatory

THIS IS EXHIBIT "H"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019

A handwritten signature in blue ink, appearing to be 'Afshan Naveed', written over a horizontal line.

**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

Afshan Naveed
Barrister & Solicitor

Clerk's stamp:

COURT FILE NUMBER 1901-

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended

IN THE MATTER OF THE BUSINESS CORPORATIONS
ACT, R.S.A. 2000, c. B-9, as amended

AND IN THE MATTER OF THE PLAN OF COMPROMISE
OR ARRANGEMENT OF STRATEGIC OIL & GAS LTD.
and STRATEGIC TRANSMISSION LTD.

APPLICANTS STRATEGIC OIL & GAS LTD. and STRATEGIC
TRANSMISSION LTD.

DOCUMENT CONSENT TO ACT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

Dentons Canada LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8


Attention: David W. Mann and Afshan Naveed
Ph. (403) 268-7097 / 403-268-7015 Fx. (403) 268-3100
File No.: 575553-3

CONSENT TO ACT

KPMG INC. hereby consents to act as court-appointed Monitor of the Applicants, Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended.

DATED this 5th day of April, 2019, in the City of Calgary, in the Province of Alberta.

KPMG INC


Per: Neil A. Honess, Senior Vice President

THIS IS EXHIBIT "I"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019

A handwritten signature in blue ink, appearing to read 'Afshan Naveed', written over a horizontal line.

**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

Afshan Naveed
Barrister & Solicitor

STRATEGIC OIL & GAS LTD.
CASH FLOW FORECAST FOR THE PERIOD OF APRIL 8 TO JULY 1, 2019
 Unaudited (see the accompanying Notes to the Cash Flow Forecast)
 \$000's CAD

Week Ending	Notes	Week 1 8-Apr	Week 2 15-Apr	Week 3 22-Apr	Week 4 29-Apr	Week 5 6-May	Week 6 13-May	Week 7 20-May	Week 8 27-May	Week 9 3-Jun	Week 10 10-Jun	Week 11 17-Jun	Week 12 24-Jun	Week 13 1-Jul	Total 13 Weeks
Cash Receipts															
Production Revenue, net of oil royalties and transportation	1	-	-	1,822	-	-	-	-	1,880	-	-	-	1,894	-	5,596
Total Cash Receipts		-	-	1,822	-	-	-	-	1,880	-	-	-	1,894	-	5,596
Cash Disbursements															
Royalties	2	-	-	-	8	-	-	-	9	-	-	-	18	-	34
Property taxes	3	-	-	-	-	112	-	-	112	-	-	-	120	-	343
Operating expenditures	4	172	460	-	-	814	311	-	654	297	210	-	782	-	3,701
Capital & regulatory expenditures	5	-	-	-	-	-	230	-	-	-	235	-	-	-	465
Payroll	6	106	-	106	7	-	98	-	98	-	98	-	98	-	606
Severance costs	7	94	-	-	32	-	4	-	103	-	4	-	-	-	101
General & administrative costs	8	8	-	4	-	-	4	-	-	-	-	-	-	-	113
Key employee retention plan	9	1,256	-	-	-	-	-	-	450	-	-	-	-	-	1,256
Interest and taxes		-	-	-	-	-	-	-	-	-	-	-	-	-	450
Contingency		100	100	100	100	100	100	100	100	100	100	100	100	100	1,300
Total Cash Disbursements		1,735	560	210	147	1,195	513	334	657	969	496	549	217	1,115	8,695
Cash Flow From Operations		(1,735)	(560)	1,612	(147)	(1,195)	(513)	(334)	1,223	(969)	(496)	(549)	1,677	(1,115)	(3,099)
Restructuring Fees	10	-	-	200	-	-	-	-	475	-	-	-	-	-	1,275
Net Change in Cash		(1,960)	(560)	1,412	(147)	(1,195)	(513)	(334)	748	(969)	(496)	(924)	1,677	(1,115)	(4,374)
Opening cash		4,619	2,659	2,099	3,512	3,365	2,169	1,656	1,323	2,071	1,102	606	(318)	1,359	4,619
DIP borrowings	11	-	-	2,099	3,512	3,365	2,169	1,656	1,323	2,071	1,102	606	(318)	1,359	244
Ending Cash		2,659	2,099	3,512	3,365	2,169	1,656	1,323	2,071	1,102	606	(318)	1,359	244	244
DIP Financing															
Opening borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Key Employee Retention Plan															
Opening cash		1,256	1,256	1,256	1,256	1,256	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,256
Scheduled payment		-	-	-	-	-	251	-	-	-	-	-	-	-	251
Total Restricted Cash		1,256	1,256	1,256	1,256	1,256	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004

Notes

- 1 Production revenue is net of oil royalties. Estimated average is 1,400 boerd for Q2 2019 (82% oil). Q2 pricing is the forward strip as of April 1 (WTI oil = US \$60.31 /AECO gas = \$1.17/GJ)
- 2 Natural gas & NGL royalties only, paid 90 days after the production period. Oil royalties are taken in kind
- 3 Operating expense forecasts are based on historical operating costs for the Company's assets. The majority of operating costs are fixed
- 4 Capital and minimum regulatory expenditures are based on estimated costs for capital projects which are required for regulatory compliance or safety purposes.
- 5 Payroll is for key permanent employees who are essential to the Company's field and office operations
- 6 Reduce office staff level by 3 full-time staff on filing, and a fourth full-time employee in May 2019
- 7 General and administrative expense forecasts are based on historical office expenses, excluding fees related to public company reporting and securities requirements.
- 8 Funds for the KERF, if approved, will be segregated from existing funds. Restricted cash is the KERF funding.
- 9 Interest is paid on \$15 million first lien financing at 12% on a quarterly basis, subject to further review
- 10 Estimated amounts.
- 11 Debtor in Possession ("DIP") financing maybe required during the CCAA process. Quantum and timing of this financing is to be determined

THIS IS EXHIBIT "J"

REFERRED TO IN THE AFFIDAVIT OF

REMI ANTHONY BERTHELET

Sworn before me this 9 day of April, 2019



**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

Afshan Naveed
Barrister & Solicitor

KEY EMPLOYEE RETENTION PLAN

STRATEGIC OIL & GAS LTD. ("STRATEGIC")

This Key Employee Retention Program ("KERP") sets out the retention plan proposed by Strategic on behalf of its employees.

ARTICLE I **PRIMARY OBJECTIVE**

The Board of Directors of Strategic (the "**Board**") believes it to be in the best interests of Strategic to seek protection under the provisions of the *Companies' Creditors Arrangement Act* proceedings (the "**CCAA Proceedings**"). The Board also believes that the retention of key employees, including senior management, is critical to maximizing the value of Strategic during the CCAA Proceedings. The Board also recognizes that achieving a Successful Transaction or an Alternative Plan will require engagement, focus and proper incentives for employees to continue through the restructuring processes.

Accordingly, senior management of Strategic has worked closely with legal counsel and KPMG Inc. (the proposed Monitor in the CCAA Proceedings, the "**Monitor**") to develop this KERP. The Monitor is supportive of the KERP.

The primary objective of this KERP is to motivate key employees who are vital to the ongoing operations of Strategic to continue in their current roles during these challenging times, and to aid in the preservation of value. The proposed KERP recipients are instrumental to servicing current client commitments, communicating with the Alberta Energy Regulator ("**AER**"), maintaining all compliance requirements of the AER and related regulatory bodies, and maintaining Strategic's business as a going concern.

ARTICLE II **KEY EMPLOYEES**

The terms of each of these programs, along with the proposed pay-out to each employee at each stage, are set out in the attached Schedule "A" (the "**Retention Plan**").

The employees selected for this retention program have the skills, knowledge and capabilities to serve operational needs, engage and direct specific work teams, keep in compliance with the AER's requirements, and keep the business running to preserve the maximum value.

All of the selected employees have other employment options available to them. They are not replaceable in the near term due to their specialized skills, and relationships with clients and the AER, in the stringent deadlines Strategic must comply with during the impending CCAA Proceedings.

The KERP recipients perform the following functions:

- oversee compliance with regulatory requirements to ensure safety of the operations;
- manage the internal process that allow Strategic to pay suppliers, trades and employees;
- have operational and legacy knowledge required to operate the business as a going concern; or

- form the senior management team.

Attention to clients at the operations and technical level is especially important to deliver ongoing development projects, which is critical to Strategic maintaining market strength, business viability, and value. Moreover, efficient, seamless and quality service is critical in maintaining a positive relationship with the AER – a key stakeholder in the proposed CCAA Proceedings.

The proposed KERP provides retention pay based on the individual's position and relative impact and value to the business.

Strategic believes that the proposed KERP properly incentivizes the key employees as it demonstrates Strategic's ability to reward employees financially and senior management's commitment to ongoing compliance of Strategic's operations and a successful restructuring under the CCAA.

ARTICLE III **RETENTION PERIOD AND TERMS OF PAYMENT**

Retention Period

The retention period covers the period starting with the commencement of the CCAA Proceedings and ending upon achieving either a Successful Transaction or an Alternative Plan (the "**Retention Period**").

Retention Payments

The retention amounts, as set out in Schedule "A" (the "**Retention Payments**") will be paid to the eligible employees, as identified in Schedule "A" (the "**Eligible Employees**") in three installments, (each, an "**Installment**") as follows:

First Installment: as part of the Eligible Employees payroll for the period ended immediately following the first extension hearing of the CCAA Proceedings (the "**First Installment**");

Second Installment: as part of the Eligible Employees payroll for the period immediately following the later of (a) the deadline for Qualifying Bids occurs with no Qualifying Bids having been received, or (b) the date which all Qualifying Bids have been reviewed and either dismissed or selected for approval in the CCAA Proceedings (the "**Second Installment**"); and

Final Installment: as part of the Eligible Employees payroll for the period immediately following a Successful Transaction or the implementation of an Alternative Plan (the "**Final Installment**").

Management Success Fee ("MSF")

In addition to the Retention Payments set forth above, an MSF shall be made available to Strategic's senior management team to incentivize management to maximize the recoveries available to Strategic's creditors pursuant to the SISF. Particulars of the MSF are as follows:

- 1 It shall be payable to Strategic's senior management team as follows:
 - (A) the CEO, as to 50%,
 - (B) the CFO, as to 25%, and

- (C) the VP Development & Operations, as to 25%;
- 2 It shall be equal to 0.75% of the Net Proceeds; where "Net Proceeds" means the amount distributed to the secured creditors, unsecured creditors, and shareholders of Strategic (whether as cash or cash equivalent) as a result of a Successful Transaction (but after all costs of administration, priority charges created under the CCAA, and costs of the Successful Transaction have been paid).
 - 3 It shall be paid out of the proceeds of the Successful Transaction and payable as soon as practicable after calculating the Net Proceeds.

General

All amounts payable under this Article III will be in Canadian dollars and net of applicable withholdings.

ARTICLE IV
TERMS OF THE KERP

The KERP and the Retention Payments are subject to the following terms and conditions:

1. payment of each Instalment is conditional upon the milestones for that Instalment being met;
2. the employee must remain employed in their current position, or as otherwise assigned by Strategic, through to the end of the period required for the applicable Installment, to be eligible to receive that particular Retention Payment;
3. the employee must fulfil their performance expectations, and work their regular schedule throughout the Retention Period;
4. unscheduled absences for any reason, for more than 5 cumulative days, in any month, throughout the Retention Period will result in a pro-rata reduction of the Retention Payment for the days that exceed the allowable 5;
5. if, during the Retention Period, employees do not meet performance expectations, voluntarily resign or retire, or involuntarily separate for any reason, other than total disability, death or termination without cause (in which case they would receive their Retention Payment pro-rated to the date of such disability, death, or termination), they will not receive any payout under the Retention Plan, prorated or otherwise;
6. should the office in which the key employee resides be closed, prior to the end of the Retention Period, a pro-rated amount will be paid to the employee as part of the KERP;
7. nothing in this KERP shall be construed to give any Eligible Employee or his or her legal representatives any right, title or interest in or to any asset, profit, earning or accretion to the Segregated Funds, except until, and only to the extent that, he or she is lawfully entitled to receive a Retention Payment out of the Segregated Funds in accordance with the terms of this KERP; and
8. this KERP is subject to approval of the Court in the CCAA Proceedings.

ARTICLE V
FUNDING THE KERP

Segregation of Funds

Strategic shall segregate funds in order to secure payment of the Retention Payments as contemplated by the KERP as follows:

1. Strategic shall deliver the total sum of \$1,255,527.17 (the "**Segregated Funds**") to its legal counsel, Dentons Canada LLP ("**Dentons**") to secure payment of the Retention Payments under the KERP.
2. Upon receipt of the Segregated Funds, Dentons shall deposit them in an interest bearing trust account.

Charge

The Segregated Funds contemplated herein shall be secured by a court ordered priority charge over such funds (the "**KERP Charge**"), in the Initial Order granted in the CCAA Proceedings of Strategic. The KERP Charge shall be in an aggregate amount of \$1,260,000.

Distribution of Funds

Upon receiving a certificate from the Monitor that the event has occurred that gives rise to an Installment becoming due and payable, Dentons shall forward the amount of the Installment from the Segregated Funds to the president of Strategic for distribution to all of the Eligible Employees. Dentons may seek advice and direction from the Court presiding over the CCAA Proceedings if Dentons deems such advice and direction necessary or advisable in connection with the discharge of its duties under this KERP.

ARTICLE VI
DEFINITIONS

All capitalized terms used in this KERP shall have the meanings ascribed to such terms. Moreover, the following terms shall have the following meanings:

"**Alternative Plan**" means the process, transaction, or proceeding undertaken by Strategic in the event that no Successful Transaction closes by September 30, 2019.

"**Qualifying Bid**" means a bid received in the SISP that qualifies under the terms and conditions of the SISP as a "Qualifying Bid".

"**SISP**" means the sale and investment solicitation process approved by the Court in the CCAA Proceedings.

“Successful Transaction” means the successful closing of a transaction or series of transactions identified pursuant to the SISP and approved by the Court in the CCAA Proceedings and includes any joint venture, partnership, spin-off, split-off, business combination, recapitalization, acquisition, sale, distribution, transfer or other disposition of assets or equity interests, or other transaction, involving the business, assets or equity interests of Strategic and/or any of its subsidiaries or affiliates.

APPROVED BY AND ON BEHALF OF THE BOARD this ____ day of _____, 2019:

STRATEGIC OIL & GAS LTD.

Per: _____

Name: Tony Berthelet

Title: President