

**FORM 51-102F4
BUSINESS ACQUISITION REPORT**

Item 1 - Identity of Company

1.1 - Name and Address of Company

XXL Energy Corp. (the "Company")

1500 West 16th Avenue, Suite F
Vancouver, British Columbia
V6J 2L6

1.2 - Executive Officer

The following executive officer of the Company is knowledgeable about the acquisition referred to herein and this Report:

Scott R. Hislop
Chief Financial Officer
(604) 331-3396

Item 2 – Details of Acquisition

Further particulars of the matters discussed in the following sub-paragraphs 2.1 through 2.6 are contained in the Company's Information Circular dated January 23, 2018 (the "Circular"), which has been filed on SEDAR at www.sedar.com. The portion of the Circular entitled "FARMOUT AGREEMENT WITH STANDARD ENERGY" commencing on page 17 and concluding on page 35 of the Circular is hereby incorporated by reference in this document.

2.1 – Nature of Business Acquired

By agreement with Standard Energy ("Standard") effective July 1, 2017 and executed October 30, 2017 (the "Farmout Agreement"), the Company acquired, through its wholly-owned subsidiary, Exxel Energy (USA) Inc. ("Exxel"), the right to earn working interests ranging from 18.75% to 21.25% in up to 70 wells to be drilled on oil and gas leases covering approximately 1,794.6 net acres (the "Farmout Lands"), located in the Warbonnet area of Pinedale Field, Sublette County, Wyoming (the "Acquired Business"). Drilling has commenced on the Farmout Lands, including fourteen wells in which Exxel will earn an interest. Ten of the wells are online and currently producing, four are awaiting completion, and two are being drilled.

2.2 - Date of Acquisition

The acquisition date was effective February 23, 2018.

2.3 - Consideration

The consideration payable by Exxel for its working interest in each well is the payment of the costs of drilling, testing and completion of that well. Based on the Farmout Land reserves, Exxel is negotiating with arm's length financial institutions to provide traditional reserve-based lending to support Exxel's drilling operations. Exxel expects to receive binding commitments in the near term. In the interim, the vendor of the property, Standard, is funding Exxel's initial costs of each

well, secured against title to the wells and production revenue. Funds borrowed by Exxel under this arrangement bear interest at the rate of 10.0% per annum. Standard has funded over \$5.0 million of Exxel's initial well costs to date and is currently holding in trust for Exxel's benefit over \$600,000 in net operating profit.

2.4 - Effect on Financial Position

The Company has no plans or proposals for material changes in the Acquired Business, or its business as it existed prior to its entry into the Farmout Agreement (together the "Business"). The Company intends to continue to participate in the drilling of the Farmout Lands as a going concern and has no plans to liquidate the Business, to sell, lease or exchange all or a substantial part of the assets of the Business, to amalgamate the Business with any other business organization, or to otherwise alter the corporate structure, management or personnel of the Business.

A pro-forma operating statement is attached as Schedule B.

2.5 - Prior Valuations

The Company did not obtain a valuation opinion with respect to the acquisition of the Acquired Business, and is not aware of any valuation opinion obtained within the past 12 months by any other party.

2.6 - Parties to Transaction

The parties to the Farmout Agreement were Exxel and Standard, which is wholly owned by John R. Hislop. Mr. Hislop is the President, the CEO, a director and a significant shareholder of the Company. Accordingly, Mr. Hislop is both a related party and an informed person with respect to the Company. Additionally, Mr. Scott R. Hislop, the CFO of the Company, is also a director of Standard.

2.7 - Date of Report

This report is dated May 4, 2018.

Item 3 - Financial Statements

The first well on the Farmout Lands in which Exxel can earn an interest under the Farmout Agreement was spudded on August 19, 2017. The following financial statements are included in this Report with respect to the Acquired Business:

- (i) Audited operating statement for the period for August 19, 2017 to January 31, 2018 (Schedule A)
- (ii) Operating statements (historical and pro-forma) for XXL Energy Corp. (Schedule B)
- (iii) Disclosure of annual oil and gas production volumes (Schedule C)

Schedule "A"

Warbonnet Wells

Operating Statement
For the period from August 19, 2017 to January 31, 2018
(Expressed in US Dollars)

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Independent Auditors' Report

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Notes to the Operating Statement

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF XXL ENERGY CORP.

We have audited the accompanying operating statement of certain oil and gas properties (the "Warbonnet Wells") containing revenues, production costs and operating income for the period from August 19, 2017 to January 31, 2018 and a summary of the significant accounting policies and other exploratory information (together, the "Operating Statement").

Management's Responsibility for the Operating Statement

Management of XXL Energy Corp. is responsible for the preparation and fair presentation of the Operating Statement of the Warbonnet Wells in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for an operating statement of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the Operating Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Operating Statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Operating Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Operating Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Operating Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Operating Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Operating Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Operating Statement of the Warbonnet Wells for the period from August 19, 2017 to January 31, 2018 presents fairly, in all material respects the revenues, production costs and operating income, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 4, 2018

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Warbonnet Wells

Operating Statement

For the period from August 19, 2017 to January 31, 2018

(Expressed in US Dollars)

Revenues

Petroleum and natural gas sales	\$	1,082,033
Royalties		244,841
Net Revenue		837,192

Direct Operating Expenses

Production Costs		232,931
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Operating Income	\$	604,261
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The accompanying notes are an integral part of this Operating Statement

Warbonnet Wells.

Notes to the Operating Statement
For the Period from August 19, 2017 to January 31, 2018
(Expressed in US Dollars)

1. Basis of presentation:

The Operating Statement reflects the revenues and operating costs of certain petroleum and natural gas properties (the “Warbonnet Wells”) purchased by XXL Energy Corp. for the period from August 19, 2017 to January 31, 2018.

The Operating Statement has been prepared from the records of Standard Energy (the “Vendor”) and includes petroleum and natural gas sales, and costs associated with gathering, processing, transportation and taxes for the production of the petroleum and natural gas. The Operating Statement does not include any provision for depletion and depreciation, accretion of decommissioning obligations, future capital costs, impairment of petroleum and natural gas properties, general and administrative costs, and income taxes for the Warbonnet Wells as these amounts are based on the consolidated operations of the Vendors, of which the Warbonnet Wells form only a part.

The Operating Statement has been prepared in accordance with the financial reporting framework specified in a subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property. The revenue and operating costs reported in the Operating Statement have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

2. Significant account policies:

a) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. Delivery is generally at the time the petroleum enters the tank and when the natural gas enters the pipeline. The costs associated with delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

b) Operating costs

Operating costs include costs associated with the gathering, processing and the delivery of the petroleum and natural gas.

c) Jointly controlled operations and jointly controlled assets

As the Warbonnet Wells are operated through joint ventures, the Operating Statement reflects only the proportionate interest in the wells acquired by XXL Energy Corp.

Schedule "B"

XXL Energy Corp.

Operating Statements

For the period from August 19, 2017 thru January 31, 2018

(Expressed in US Dollars)

		XXL	Newly Acquired	Pro Forma
Revenues				
Petroleum and natural gas sales	\$	66,955	\$ 1,082,033	\$ 1,148,988
Royalties		10,943	244,841	255,784
Net Revenue		56,012	837,192	893,204
Direct Operating Expenses				
Production Costs		37,592	232,931	270,523
Operating Income	\$	18,420	\$ 604,261	\$ 622,681

Schedule "C"

XXL Energy Corp.

Production Volumes

For the period from August 19, 2017 thru January 31, 2018

	XXL	Newly Acquired	Pro Forma
Volumes:			
Oil Sales - Bbls	-	2,741	2,741
Gas Sales - Mcf	42,072	227,715	269,787